

Audit Committee Agenda & Reports

24 October 2022

Our Vision

*A City which values its heritage, cultural diversity,
sense of place and natural environment.*

*A progressive City which is prosperous, sustainable
and socially cohesive, with a strong community spirit.*

City of Norwood Payneham & St Peters
175 The Parade, Norwood SA 5067

Telephone 8366 4555
Facsimile 8332 6338
Email townhall@npsp.sa.gov.au
Website www.npsp.sa.gov.au



City of
Norwood
Payneham
& St Peters

20 October 2022

To all Members of the Audit Committee

Committee Members

- Mayor Robert Bria
- Cr John Minney (Presiding Member)
- Cr Mike Stock
- Ms Sandra Di Blasio (Independent Member)
- Ms Brigid O'Neill (Independent Member)

Staff

- Mario Barone (Chief Executive Officer)
- Sharon Perkins (General Manager, Corporate Services)
- Andrew Alderson (Financial Services Manager)

NOTICE OF MEETING

I wish to advise that pursuant to Sections 87 and 88 of the *Local Government Act 1999*, the next Ordinary Meeting of the Audit Committee, will be held in the Mayors Parlour, Norwood Town Hall, 175 The Parade, Norwood, on:

Monday 24 October 2022, commencing at 7.00pm

Please advise Sharon Perkins on 83664585 or email sperkins@npsp.sa.gov.au, if you are unable to attend this meeting or will be late.

Yours faithfully



Mario Barone
CHIEF EXECUTIVE OFFICER

City of Norwood Payneham & St Peters
175 The Parade, Norwood SA 5067

Telephone 8366 4555
Facsimile 8332 6338
Email townhall@npsp.sa.gov.au
Website www.npsp.sa.gov.au



City of
**Norwood
Payneham
& St Peters**

1.	CONFIRMATION OF MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 25 JULY 2022.....	1
2.	PRESIDING MEMBER'S COMMUNICATION	1
3.	QUESTIONS WITHOUT NOTICE	1
4.	QUESTIONS WITH NOTICE	1
5.	WRITTEN NOTICES OF MOTION.....	1
6.	STAFF REPORTS.....	1
6.1	FINANCIAL SUMMARY 2021-2022 ACTUAL RESULTS V ADOPTED BUDGET	2
6.2	ANNUAL FINANCIAL STATEMENTS FOR YEAR END 30 JUNE 2022	7
6.3	LONG-TERM FINANCIAL PLAN	15
6.4	AUDITOR-GENERAL'S REPORT OF MANAGEMENT OF KERBSIDE WASTE SERVICES	23
6.5	DRAFT AUDIT & RISK COMMITTEE TERMS OF REFERENCE	26
6.6	REGIONAL SUBSIDIARIES – ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022	30
6.7	FINANCE POLICIES.....	33
6.8	INTERNAL CONTROL AND RISK MANAGEMENT ASSESSMENT	36
7.	CONFIDENTIAL REPORTS.....	41
8.	OTHER BUSINESS.....	41
9.	NEXT MEETING.....	41
10.	CLOSURE	41

6.1 FINANCIAL SUMMARY 2021-2022 ACTUAL RESULTS V ADOPTED BUDGET

REPORT AUTHOR: Financial Services Manager
GENERAL MANAGER: General Manager, Corporate Services
CONTACT NUMBER: 8366 4585
FILE REFERENCE: qA98586
ATTACHMENTS: A

PURPOSE OF REPORT

This report provides a summary of the 2021-2022 Audited result and explanations for variations from the 2021-2022 Adopted Budget.

BACKGROUND

Pursuant to Section 127 of the *Local Government Act 1999* (the Act), the Council must prepare Annual Financial Statements in accordance with the *Local Government (Financial Management) Regulations 2011* (the Regulations).

Section 10 of the Regulations, requires the Council to prepare and consider a report, no later than 31 December in each year, showing the audited financial results of the Council for the previous financial year, compared with the estimated financial results set out in the budget presented in a manner consistent with the Model Financial Statements.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

The financial information contained in this report is based on the 2021-2022 Annual Financial Statements, the 2021-2022 Adopted Budget and the various policies adopted by the Council as they impact the Councils financial performance (eg. Rating Policy.)

FINANCIAL AND BUDGET IMPLICATIONS

The Council concluded the Financial Year with an Operating Surplus of \$2.645 million, compared to the Council's Adopted Operating Budget, which forecast an Operating Surplus of \$0.471 million. Details of the drivers behind the variances from the Adopted Operating Surplus, are contained in the Discussion Section of this report.

After capital items, the Council is reporting a Net Surplus of \$37.1 million against an Adopted Net Surplus of \$8 million., with the favourable variance being driven by revaluation of Infrastructure, Property, Plant & Equipment, which is difficult to predict when setting the Budget.

EXTERNAL ECONOMIC IMPLICATIONS

Nil

SOCIAL ISSUES

Nil

CULTURAL ISSUES

Nil

ENVIRONMENTAL ISSUES

Nil

RESOURCE ISSUES

Nil

RISK MANAGEMENT

Nil

CONSULTATION

- **Elected Members**
Elected Members have received regular reports on the Council's financial performance throughout the year.
- **Community**
Not Applicable.
- **Staff**
Responsible Officers, General Managers and Council's External Auditors.
- **Other Agencies**
Not Applicable.

DISCUSSION

The 2021-2022 Annual Financial Statements have been finalised and will be presented to the Council for adoption at the Council Meeting to be held on 7 November 2022. A separate report has been provided on the 2021-2022 Annual Financial Statements for consideration by the Audit Committee.

Statement of Comprehensive Income

Operating Result

The Council is reporting an Operating Surplus of \$2.645 million, compared to the Council Adopted Operating Budget, which forecasted an Operating Deficit of \$0.471 million, a favourable variance of \$2.174 million. The major variances (over \$50,000 or 5%) from the Adopted Operating Surplus are outlined in Table 1 below.

TABLE 1: MAJOR VARIANCES FROM ADOPTED OPERATING SURPLUS

Reasons for the Variance	Amount (\$)
Statutory Charges was \$137,067 favourable to the Adopted Budget driven primary by: <ul style="list-style-type: none"> • There was a significant increase in the number of Development Applications which were lodged, resulting in higher than anticipated Planning Consent and Building Assessment fees (\$287,993); • Income from issuing Parking Expiation Notices was slightly higher than anticipated (\$27,309). 	137,067
User Charges was \$349,255 unfavourable to the Adopted Budget driven primary by: <ul style="list-style-type: none"> • A decrease in income at the St Peters Child Care Centre and Preschool (\$95,633) compared to the budget, due to room closures and child absences due to COVID-19 exposures and the gap fee above the Government Subsidy being waived • The hire income of Council's facilities was \$152,395 unfavourable due to COVID-19 and social distancing requirements which impacted on demand for large gathering events. 	(349,255)
Grant funding received was \$549,622 favourable to the Adopted Budget driven by the Federal Government advancing 75% of 2022-2023 Financial Assistance Grants.	549,622
Other Income was \$350,081 favourable to the Adopted Budget driven primarily by: <ul style="list-style-type: none"> • insurance re-imbursments for claims made during the year which amounted to \$95,485. This income was offset by expenditure to replace or repair items subject to the insurance claim. • The receipt of Council's share of East Waste 2020-2021 Operating Surplus, which is returned to constituent councils as per the Charter (\$77,000) • The insurance rebates received relating to 2020-2021 premiums (\$44,882) • The reimbursement of \$53,107 as part of Australian Apprenticeship Incentive System 	350,081
Employee expenses were favourable against the adopted budget due: <ul style="list-style-type: none"> • Turnover of Depots staff combined with difficulties in recruiting replacement staff. As a result, to meet need, contract providers were utilised. • Revaluation down of Annual Leave and Long Service Leave provision due to more leave being taken compared to budget estimate. • Vacant positions that were budgeted to be filled, combined with the time frame to replace positions which became vacant during the year due to resignations and extremely tight labour market. 	1,478,337
During the year, the Council completed 26 of the 40 Operating Projects included in the Adopted Budget, resulting in favourable variance of \$211,500. The majority of the savings were delivered across the following projects: <ul style="list-style-type: none"> • Tour Down Under (\$99,500) – Due to COVID-19, the event was cancelled. The Council hosted a series of minor bicycle related events during the January 2022 School Holidays. • The Parade & George Street Scramble Crossing (\$82,452) – The Construction works were not undertaken by the Council • Footpath Defect Rectification Project (\$40,000) – The program was completed with greater utilisation of internal resources as opposed to using external contractors. Fourteen (14) of the planned projects were yet to be completed as at 30 June 2022, with the budget to be carried forward to the 2022-2023 financial year (\$318,000) and 2023-2024 financial year (\$110,970)	211,500
The long term borrowings planned to be drawn down as part of the Adopted Budget were not required, resulting in reduced financing costs.	227,000
Legal fees were unfavourable to the Adopted Budget, mainly due to the legal expenses incurred on the legal proceedings relating to scramble crossing at the intersection of the Parade and George Street Norwood.	(512,500)
Depreciation expense was greater than anticipated due to the full year impact of the 2020-2021 Asset Capitalisation and unit cost revaluation.	(126,000)

Non-Operating Income

Non-Operating Income includes grant funding specifically for asset upgrades or renewals and gain/(loss) on asset disposals and assets received free of charge.

For the 2021-2022 Financial year, the Council is reporting Non-operating Loss of \$0.031 million against an Adopted Non-operating Surplus of \$5.566 million, a unfavourable variance of \$5.597 million. The unfavourable variance is set out in Table 2 below.

TABLE 2: MAJOR VARIANCES FROM ADOPTED NON-OPERATING INCOME

Reasons for the Variance	Amount (\$'000)
Loss on the sale and or disposal of the Council's small Plant and Equipment at the end of its operational life, combined with write-off of the carrying values of the Council Civil Infrastructure, upon renewal.	(2,400)
Grant funding budgeted but yet received due to the delay of capital projects as a result of lack of resources	(3,200)
<ul style="list-style-type: none"> • Payneham Memorial Swimming Centre Upgrade - \$2,800,000 • Linear Park Path Upgrade - \$1,000,000 • St Peters Street Streetscape - \$400,000 	

Non-Operating Income, the Council is reporting a Net Surplus of \$2.6 million against an Adopted Net Surplus of \$6 million.

Other Comprehensive Income

Other Comprehensive Income comprises items of income and expenses that are not recognised in the Net Surplus (Deficit) for the year, as required or permitted by Australian Accounting Standards. Such items include the impact of changes in asset values due to revaluations. The value of Other Comprehensive Income reported in the Statement of Comprehensive Income, is a Surplus of \$37million, which is primarily due to the revaluation of Land Assets.

Balance Sheet

The Net Assets of the Council at 30 June 2022 is \$536 million, against an Adopted Budget of \$497 million, a favourable variance of \$39 million.

Major reasons for the variance in the Net Assets include;

Assets

Cash deposits with the Local Government Financing Authority is favourable by \$10 million, with the variance resulting from the opening cash balance used to develop the 2021-2022 Budget being less than the actual closing cash balance at the 30 June 2021 and the receipt of the first payment of the Grant funding for the Trinity Valley Stormwater Drainage Project, and receipt of an additional quarter of Financial Assistance Grants.

The carrying values of Infrastructure, Property, Plant & Equipment is reporting a variance of \$24 million, resulting from the change in asset value resulting from the current market condition and cost reviews.

Other Non-current assets represent Capital Works-in-Progress. As at 30 June 2022, works on capital project not yet completed amounted to \$4.3 million.

Liabilities

Trade and Other Payables – with the timing of expenditures at the end of financial year the Council had a larger than anticipated value of invoices due that anticipated in the Adopted budget resulting in the \$7.9 million unfavourable variance.

The long term borrowings planned to be drawn down as part of the Adopted Budget were not required, resulting in a favourable variance of \$8.1 million

Attachment A contains the 2021-2022 Financial Statements comparing the actual result to the 2021-2022 Adopted Budget as required by Section 10 of the Regulations.

Bad and Doubtful Debts

The Councils accounts receivable balance has been reviewed at the end of the financial year for the recoverability of the outstanding debts. The outstanding amounts which make up the reported Accounts Receivable balance are considered to be recoverable.

With the ongoing impacts of the COVID-19 pandemic a more lenient approach to recovering outstanding amounts was applied which has seen an increase in the value of debts over 150 days. It would be expected that debts will be paid.

OPTIONS

There are no options associated with this issue.

CONCLUSION

Nil

COMMENTS

Nil

RECOMMENDATION

That the report be received and noted.

Attachment A

Financial Summary 2021-2022 Actual Results v Adopted Budget

City of Norwood Payneham & St Peters
175 The Parade, Norwood SA 5067

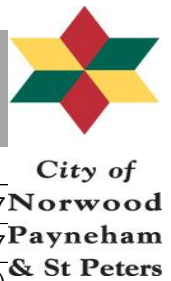
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City of
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Payneham
& St Peters**

Statement of Comprehensive Income for the year ended 30 June 2022

	2021-2022 Actual \$'000	2021-2022 Adopted Budget \$'000	Variance from Adopted Budget \$'000
Income			
Rates	37,938	37,811	127
Statutory charges	2,003	1,866	137
User charges	3,561	3,910	(349)
Grants, subsidies and contributions	3,433	2,883	550
Investment Income	24	111	(87)
Other Revenues	848	498	350
Net Gain - Equity Accounted Council Business	122	2	120
Total Revenues	47,930	47,081	848
Expenses			
Employee Costs	14,126	15,604	1,478
Materials, contracts & other expenses	19,832	19,432	(399)
Depreciation, Amortisation & Impairment	10,766	10,640	(126)
Finance Costs	346	730	384
Net Loss - Equity Accounted Council Business	214	203	(11)
Total Expenses	45,284	46,610	1,326
Operating Surplus (Deficit)	2,645	471	2,174
Net gain/(loss) on disposal or revaluation of assets	(2,371)	25	(2,396)
Amounts received specifically for new or upgraded assets	2,341	5,541	(3,200)
Physical resources received Free of charge	-	-	-
Non Operating Items – joint ventures	-	-	-
Net Surplus (Deficit)	2,615	6,037	(3,422)
Other Comprehensive Income			
Changes in revaluation surplus - infrastructure, property, plant & equipment	34,462	2,000	32,462
Share of other comprehensive income - joint ventures and associates	(5)	-	(5)
Total Other Comprehensive Income	34,457	2,000	32,457
Total Comprehensive Income	37,072	8,037	29,035



City of
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& St Peters

Statement of Financial Position as at 30 June 2022

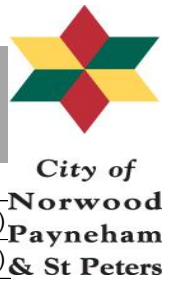


City of
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& St Peters

	2021-2022 Actual \$'000	2021-2022 Adopted Budget \$'000	Variance from Adopted Budget \$'000
Assets			
Current Assets			
Cash & cash equivalents	11,393	1,359	10,034
Trade & other receivables	2,675	2,772	(97)
Total Current Assets	14,068	4,131	9,937
Non-current Assets			
Financial Assets	113	45	68
Equity accounted investments in Council businesses	1,931	2,546	(615)
Infrastructure, Property, Plant & Equipment	543,710	519,457	24,253
Other Non-current Assets	4,324	-	4,324
Total Non-current Assets	550,078	522,048	28,030
Total Assets	564,146	526,179	37,967
Liabilities			
Current Liabilities			
Trade & Other Payables	13,031	5,174	7,857
Borrowings	1,021	946	75
Short-term Provisions	3,004	2,961	43
Total Current Liabilities	17,056	9,081	7,975
Non-current Liabilities			
Long-term Borrowings	8,527	16,660	(8,133)
Long-term Provisions	1,280	1,160	120
Other Non-current Liabilities	904	1,838	(934)
Total Non-current Liabilities	10,712	19,658	(8,946)
Total Liabilities	27,767	28,739	(972)
Net Assets	536,379	497,440	38,939
Equity			
Accumulated Surplus	62,709	66,278	(3,569)
Asset Revaluation Reserve	473,670	431,162	42,508
Total Equity	536,379	497,440	38,939

Statement of Changes in Equity for the year ended 30 June 2022

	2021-2022 Actual \$'000	2021-2022 Adopted Budget \$'000	Variance from Adopted Budget \$'000
Accumulated Surplus			
Balance at end of previous reporting period	60,099	60,241	(142)
Net Surplus/(Deficit) for Year	2,615	6,037	(3,422)
Other Comprehensive Income	-	-	-
Other equity adjustments - equity accounted Council businesses	(5)	-	(5)
Balance at end of period	62,709	66,278	(3,569)
Asset Revaluation Reserve			
Balance at end of previous reporting period	439,208	429,162	10,046
Change in revaluation of infrastructure, property, plant & equipment	34,462	2,000	32,462
Balance at end of period	473,670	431,162	42,508
Total Equity at the end of the Reporting Period	536,379	497,440	38,939



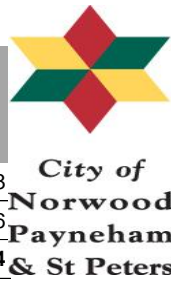
Statement of Cash Flow for the year ended 30 June 2022



City of
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Payneham
& St Peters

	2021-2022 Actual \$'000	2021-2022 Adopted Budget \$'000	Variance from Adopted Budget \$'000
Cash Flows from Operating Activities			
Receipts			
Rates - General & Other	37,859	37,517	342
Fees & Other Charges	2,010	1,866	144
User Charges	4,592	3,910	682
Investment Receipts	24	111	(87)
Grants Utilised for Operating Purposes	3,440	2,883	557
Other Revenues	913	498	415
Payments			
Employee Costs	(15,627)	(16,543)	916
Materials, Contracts & Other Expenses	(17,515)	(16,834)	(681)
Finance Payments	(156)	(730)	574
Net Cash provided by (or used in) Operating Activities	15,540	12,678	2,862
Cashflows from Investing Activities			
Receipts			
Amounts Specifically for New or Upgraded Assets	5,785	5,541	244
Sale of Replaced Assets	48	25	23
Sale of surplus assets	2	-	2
Repayments of Loans by Community Groups	6	-	6
Payments			
Expenditure on Renewal/Replacement of Assets	(8,937)	(11,653)	2,716
Expenditure on New/Upgraded Assets	(6,941)	(15,319)	8,378
Capital Contributed to Equity Accounted Council Businesses	(170)	(81)	(89)
Net Cash Provided by (or Used in) Investing Activities	(10,208)	(21,487)	11,279
Cashflows from Financing Activities			
Receipts			
Proceeds from Borrowings	-	8,120	(8,120)
Payments			
Repayments of Borrowings	(1,010)	(931)	(79)
Net Cash Provided by (or Used in) Financing Activities	(1,010)	7,189	(8,199)
Net Increase (Decrease) in Cash Held	4,322	(1,620)	5,942
Cash & Cash Equivalents at Beginning of Period	7,071	2,980	4,091
Cash & Cash Equivalents at End of Period	11,393	1,360	10,033

Uniform Presentation of Finances for the year ended 30 June 2022



	2021-2022 Actual \$'000	2021-2022 Adopted Budget \$'000	Variance from Adopted Budget \$'000
Operating Revenues	47,930	47,081	848
<i>less</i> Operating Expenses	(45,284)	(46,610)	1,326
Operating Surplus (Deficit)	2,645	471	2,174
Less: Net Outlays on Existing Assets			
Capital Expenditure on Renewal/Replacement of Existing Assets	8,937	11,653	(2,716)
<i>less Proceeds from Sale of Replaced Assets</i>	(48)	(25)	(23)
<i>less</i> Depreciation, Amortisation & Impairment	(10,766)	(10,640)	(126)
	(1,876)	988	(2,864)
Less: Net Outlays on New and Upgraded Assets			
Capital Expenditure on New/Upgraded Assets	7,216	15,319	(8,103)
<i>less</i> Amounts received specifically for new or upgraded assets	(2,341)	(5,541)	3,200
<i>less Proceeds from Sale of Surplus Assets</i>	(2)	-	(2)
<i>less</i> Assets Received Free of Charge	-	-	-
	4,873	9,778	(4,905)
Net Lending (Borrowing) for Financial Year	(351)	(10,295)	9,944

	2021-2022 Actual \$'000	2021-2022 Adopted Budget \$'000
Key Financial Indicators		
Operating Surplus / (Deficit) - \$'000	2,645	471
Adjusted Operating Surplus	2,182	471
Operating Surplus Ratio - %	5.5%	1.0%
Adjusted Operating Surplus Ratio - %	4.6%	1.0%
Net financial Liabilities - \$'000	13,586	24,563
Net Financial Liabilities Ratio - %	28.3%	52.2%
Interest Cover Ratio - %	1%	1%
Asset Sustainability Ratio - %	80%	99%

6.2 ANNUAL FINANCIAL STATEMENTS FOR YEAR END 30 JUNE 2022

REPORT AUTHOR: Financial Services Manager
GENERAL MANAGER: General Manager, Corporate and Community services
CONTACT NUMBER: 8366 4585
FILE REFERENCE: qA105726/A491622
ATTACHMENTS: A – C

PURPOSE OF REPORT

The purpose of this report is to present the 2021-2022 Financial Statements to the Audit Committee for review and recommendation to the Council for adoption.

BACKGROUND

Pursuant to Section 127 of the *Local Government Act 1999* (the Act), the Council must prepare Annual Financial Statements in accordance with the *Local Government (Financial Management) Regulations 2011* (the Regulations).

Section 13 of the Regulations requires that the Financial Statements of a Council be prepared in accordance with the requirements set out in the Model Financial Statements. The City of Norwood, Payneham & St Peters has prepared the Annual Financial Statements in accordance with the Model Financial Statements.

Section 126 (4) (a) of the Act requires that the functions of an Audit Committee to include “*reviewing annual financial statements to ensure that they present fairly the state of affairs of the council*”.

A copy of the Annual Financial Statements is contained in **Attachment A**.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

The Council’s long term strategic directions are outlined in the *City Plan 2030 – Shaping our Future*. The 2021-2022 Annual Business Plan and supporting Budget, set out the services and programs and initiatives for the 2021-2022 Financial Year.

The Council highlighted in the 2021-2022 Annual Business Plan, that financial sustainability was a high priority. In adopting the 2021-2022 Budget, the Council forecast an Operating Surplus of \$0.471 million for the 2021-2022 Financial Year.

FINANCIAL AND BUDGET IMPLICATIONS

Statement of Comprehensive Income

The Council concluded the Financial Year with an Operating Surplus of \$2.645 million (2020-2021: \$1.110 million), compared to the Operating Surplus of \$1.356 million as set out in the 2021-2022 Third Budget Review.

After taking into account Capital Items which includes the impact of assets revaluations and grant funding specifically for asset upgrades or renewals and asset disposals, the Council is reporting a Net Surplus of \$37.072 million (2020-2021: \$15.320 million).

The reasons for the variations to the Adopted Budget are outlined in Item 6.2: Financial Summary.

EXTERNAL ECONOMIC IMPLICATIONS

Nil

SOCIAL ISSUES

Nil

CULTURAL ISSUES

Nil

ENVIRONMENTAL ISSUES

Nil

RESOURCE ISSUES

Nil

RISK MANAGEMENT

Nil

CONSULTATION

- **Elected Members**
Nil
- **Community**
Not Applicable.
- **Staff**
Responsible Officers, General Managers and the Council's External Auditors.
- **Other Agencies**
Nil

DISCUSSION

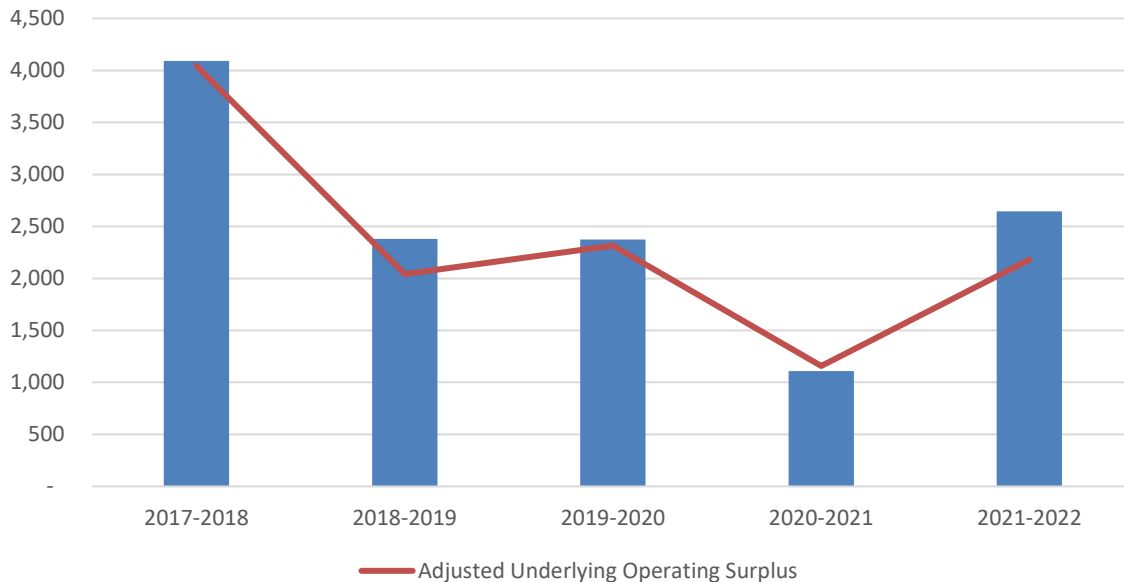
Statement of Comprehensive Income

a. Operating Result

As detailed in Figure 1 below, the Council concluded the financial year with an Operating Surplus of \$2.645 million (2020-2021: \$1.110 million). The increase in the Operating Surplus is due to the increase in the rates revenue and the additional quarter of the 2022-2023 Financial Assistance grant which were advanced during 2021-2022.

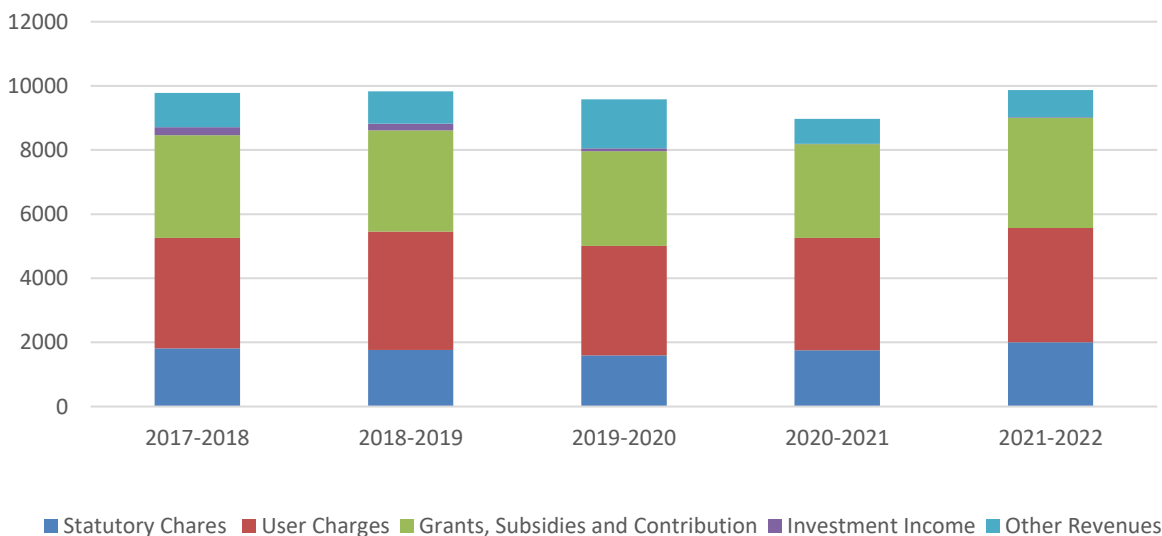
As the Committee is aware, for the last four (4) consecutive years, the Federal Government has made advance payments equal to approximately two quarters of the Financial Assistance Grants. The advance was increased to three quarters for the 2022-2023 financial year. Adjusting for the effect of the advance payments, the underlying Operating Surplus is \$2.182 million for 2021-2022, (2020-2021: \$1.158 million). Figure 1 below, shows the Operating Surplus over the last five years and compares the impacts of the advance payment of Financial Assistance Grants.

FIGURE 1: OPERATING SURPLUS (DEFICIT) - \$'000



As detailed in Figure 2 below, non-rate revenues have increased (10%) compared to the 2020-2021 financial year, which is primarily due to the addition advance of 2022-2023 Financial Assistance Grant (\$464,000). In addition, income from Parking Expiation fees has increased by \$240,000 compared to the 2022-2021 Financial Year. During the 2020-2021 financial year, to assist the business sector in its recovery from the impacts of COVID-19, the Council relaxed time limited parking within The Parade Precinct and other business precincts.

FIGURE 2: NON-RATE REVENUES - \$'000



The cost to deliver the Council's continuing services (i.e. Recurrent Operating Costs) increased by 2.96% (\$1.273 million) compared to 2020-2021. Primary drivers behind this increase were;

- The depreciation costs have increased by \$800,000 compared to 2020-2021 as a result of \$30.5 million capitalisation of fixed assets during 2020-2021 Financial Year.
- Legal costs associated with the scramble crossing between the Parade and George Street (\$420,979).
- The allowance for doubtful debts increased by \$231,406 in line with the Council's Credit Policy.

Offsetting these cost increases, Employee Costs were \$326,783 lower when compared to the 2020-2021, due to a number of vacant positions not filled during the 2021-2022 Financial Year.

In addition to the continuing services, the Council delivered twenty-six (26) Operating Projects, which encompassed a number of new service initiatives and one-off activities or programs. The net cost of delivering the Operating Projects was \$381,000 (2020-2021: \$463,000). Due to the physical distancing requirements and mass gathering restrictions imposed by the State Government in response to the COVID-19 pandemic, a number of planned events and activities were cancelled. Major Operating Projects which were undertaken during the year included:

- footpath defects works program;
- Raising the Bar;
- Various Cultural, Youth and Arts Programs and Events;
- additional Street Tree Planting; and
- Assets Condition Audit & Valuation

Ownership costs, which incorporate interest paid on long term borrowings and depreciation, increased by 6.6% (\$68+,000). The increase is attributed to depreciation costs on the major assets which have been capitalised in prior years offset by a reduction in interest paid.

b. Non-Operating Items

A Non-Operating Deficit of \$30,534 is reported for 2021-2022 (2020-2021 Non-Operating Surplus \$2,158,000). The Non-Operating Deficit comprised of:

- Loss on Sale and Write off of Infrastructure Assets renewed as part of the Capital Works program. (\$2.371 million)
- Grant Funding received or recognised for Capital Projects including: \$2.312 million
 - St Peters Street Streetscape \$847,049
 - Second Creek Outlet Upgrade \$734,153
 - Linear Park Path Upgrade \$267,500
 - Langman Grove Road Reconstruction \$177,757
 - Burchell Reserve Upgrade \$111,875
 - Library Book Acquisition \$109,973
 - Stormwater Drainage Program \$33,460
 - Capital Work Program Traffic Control \$30,000

c. Other Comprehensive Income

Other Comprehensive Income comprises items of income and expenses that are not recognised in the Net Surplus (Deficit) for the year, as required or permitted by other Australian Accounting Standards. Such items include the impact of changes in asset values due to revaluations. The value of Other Comprehensive Income reported in the Statement of Comprehensive Income, is a Surplus of \$34.457 million.

The major factor contributing to the Surplus is the indexation of the Councils' Civil Infrastructure, Land and Building Assets. In line with the Councils Asset Revaluation Policy, independent valuations of the major long term asset classes are undertaken on a rolling five (5) year period. For the 2021-2022 financial year, an independent condition assessment for Recreation and Open Space assets commenced, however the valuation was not finalised due to resourcing issue from COVID-19.

Balance Sheet

The Net Assets of the Council at 30 June 2022 is \$536 million, an increase of \$37 million from 2020-2021. Major movements include;

a. Assets

Current Assets have increased by \$3.298 million, predominately due to increase in cash held with the Local Government Financing Authority. The increase in cash was due to grants funding the Council received for the capital projects prior the commencement of projects.

Non-Current Assets have increased by \$37 million, predominately due to increase of \$34 million on the revaluation of the Council's fixed assets.

b. Liabilities

During 2021-2022 Financial Year, total liabilities increased by \$3.579 million. The increase was the predominately due to the grants funding received in advance being processed as revenue received in advance, to ensure that the revenue recognised is matched against the performance and delivery targets set out in the Grant Funding Agreements.

c. Revaluations

In line with the Councils *Asset Revaluation Policy*, formal valuations of the major asset classes are undertaken on a rolling five (5) year period. For the 2021-2022 financial year, the independent valuations commenced for Recreation & Open Space assets, however the valuation was not finalised and carried forward to 2022-2023 financial year. For Asset Classes, not subject to an independent valuation, the carrying values of Assets Classes were reviewed and adjusted where appropriate.

The revaluation impact for each asset class is detailed in Table 2.

TABLE 2: IMPACT OF ASSET REVALUATION

Asset Class	Revaluation Increase/(Decrease) \$million	Comments
Land	23.286	Based on the Valuer-Generals review of property values within the Council area, a 13.5% increase in Fair Value was deemed appropriate.
Buildings and Other Structures	3.437	Represents a 4.7% increase in the Fair value with the indexation based on the annual average movement in value of like assets
Open space Assets	0.257	While pending the finalisation of the condition assessment, represents a 1.4% increase in Fair Value, based on the unit price assessment undertaken by Tonkin Consulting
Road Infrastructure	5.683	Represents a 7% increase in Fair Value based on the unit price assessment undertaken by Tonkin Consulting.
Kerbing	0.443	Represents a 0.7% increase in Fair Value based on the unit price assessment undertaken by Tonkin Consulting.
Footpaths	0.010	Represents a 0.3% increase in Fair Value based on the unit price assessment undertaken by Tonkin Consulting.
Linear Park	0.035	Represents a 3.1% increase in Fair Value based on the unit price assessment undertaken by Tonkin Consulting.
Storm-water Drainage	1.251	Represents a 3.5% increase in Fair Value, based on the unit price assessment undertaken by Tonkin Consulting.
Off- Roads Carparks	0.041	Represents a 2.4% increase in Fair Value, based on the unit price assessment undertaken by Tonkin Consulting.
Traffic Control Assets	0.020	Represents a 0.8% increase in Fair Value, based on the unit price assessment undertaken by Tonkin Consulting.
Total	34.462	

Overall, the revaluation increase for the 2021-2022 financial year is \$34 million, compared to an increase of \$12 million for the 2020-2021 financial year.

Statement of Cash Flows

For the 2021-2022 Financial year, the Council is reporting a net increase in cash and cash equivalents of \$4.322 million. The Council generated \$15.540 million from operating activities, with the funds used to complete the Councils Capital Infrastructure Works Program and the Asset Replacement Program (\$8.937 million), and principal repayments (\$1.011 million) associated with the Councils borrowings.

Section 126 (4) (a) of the *Local Government Act 1999*, requires that the functions of an Audit Committee are to include the review of the Annual Financial Statements to ensure that they present fairly the state of affairs of the Council. To ensure that the Audit Committee discharges its responsibilities under the Act, the following papers are provided for review.

Attachment B - contains further clarification to the Significant Accounting Policies used in the preparation of the 2021-2022 Financial Statements.

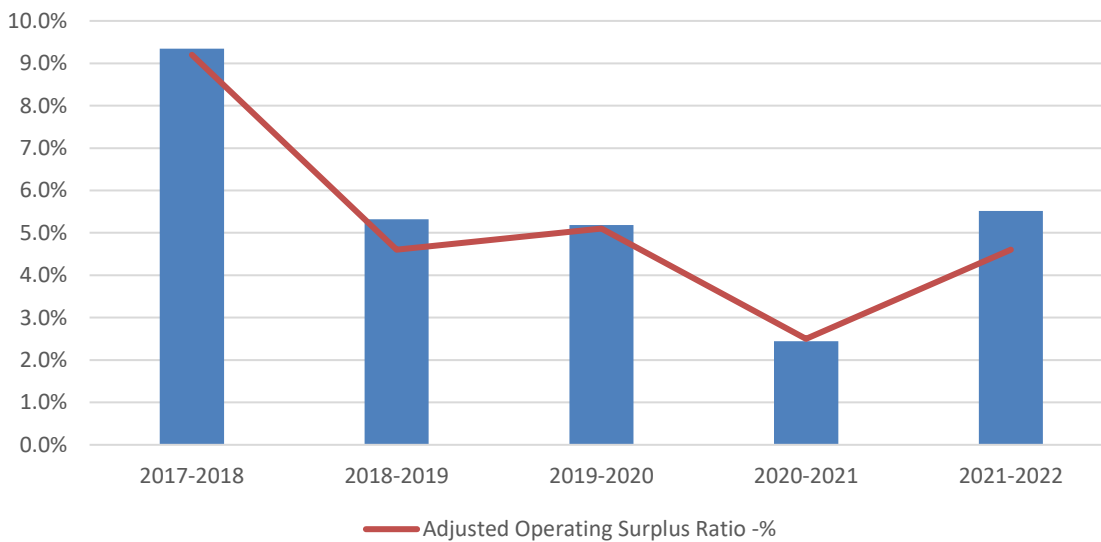
Attachment C - contains answers to the most common questions expected from Elected Members in respect of the preparation of the 2021-2022 Financial Statements.

Financial Ratios

The Model Financial Statements requires the Council to disclose in the Financial Statements, the following three (3) Financial Ratios:

- Operating Surplus Ratio (refer to Figure 3);
- Net Financial Liabilities Ratio (refer to Figure 4); and
- Asset Sustainability Ratio (refer to Figure 5).

FIGURE 3: OPERATING SURPLUS RATIO



LTFP Target: less than or equal to 10%

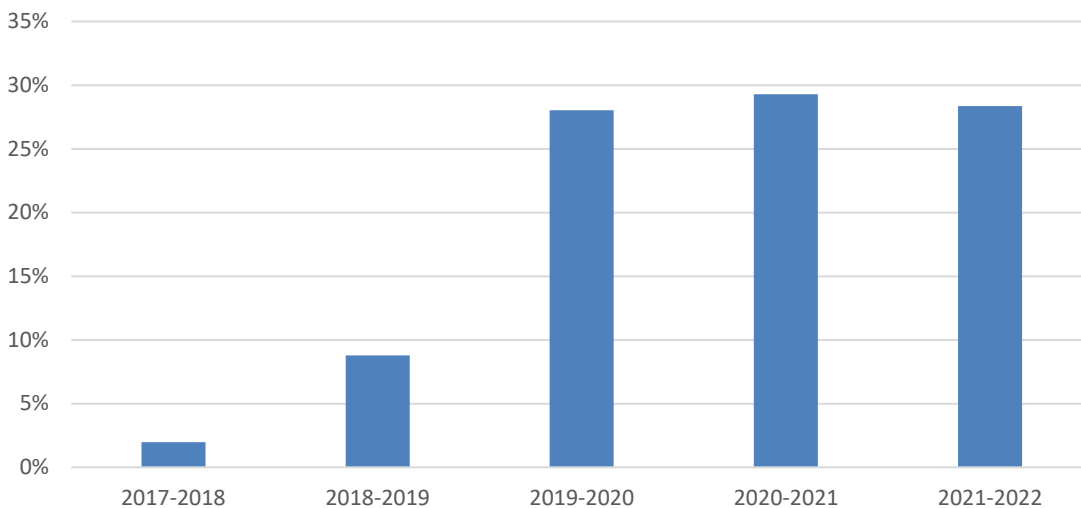
The Operating Surplus/ (Deficit) Ratio expresses the Council's Operating Surplus/ (Deficit) as a percentage of Operating Revenue.

Figure 3 above shows the Adjusted Operating Surplus Ratio, which takes into account the effect of the advance payments of the Financial Assistance Grants in each of the respective years. The advanced payments which have been adjusted are detailed in Table 3 below.

TABLE 3: FINANCIAL ASSISTANCE GRANTS ADVANCE PAYMENTS

Financial Year	Number of Quarters Advanced	Increase in Operating Surplus (Value of Advance)
2021-2022	3	\$1,071,000
2020-2021	2	\$607,000
2019-2020	2	\$655,000
2018-2019	2	\$595,000
2017-2018	2	\$614,000

FIGURE 4: NET FINANCIAL LIABILITIES RATIO

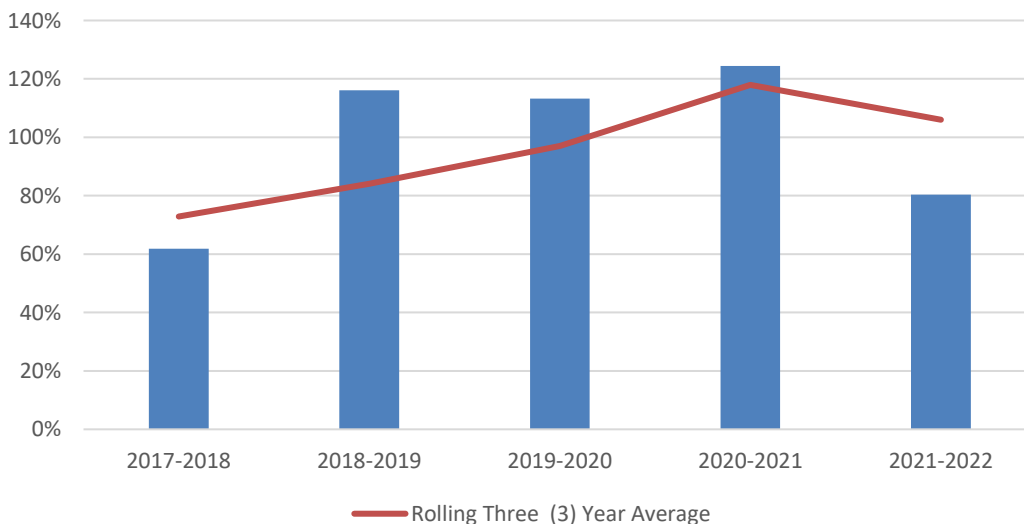


LTFP Target: less than or equal to 75%

The Net Financial Liabilities Ratio measures the extent to which the net amount owed by the Council is met by its Operating Revenue. Net Financial Liabilities are represented by Total Liabilities less Current Assets.

The Council's Long Term Financial Plan has set a target of less than 75%. The minor decrease in the ratio for 2021-2022, is due to the impact of increased cash balance as at the end of the financial year.

FIGURE 5: ASSET SUSTAINABILITY RATIO



LTFP Target: between 90% and 110% on a 3 year rolling average.

The Asset Sustainability Ratio measures whether the Council is renewing or replacing existing physical assets (roads, footpaths, buildings etc.), at the same rate the stock of assets is "wearing out". Asset Sustainability, is measured against the extent of the renewal expenditure incurred, compared to the planned renewal expenditure, as set out in the Council Asset Management Plans.

The Council's Long Term Financial Plan has set a target of between 90% and 110%, on a three (3) year rolling average. In some instances, the Council may be required to accelerate or decelerate the renewal or replacement of its existing asset base. Based on the renewal expenditure set in the Council's Infrastructure and Asset Management Plans for the 2021-2022 financial year, the three (3) year rolling average is marginally above the upper limit of the target rate at 118%.

OPTIONS

There are no options associated with this issue.

CONCLUSION

The Council concluded the financial year with an Operating Surplus of \$2.645 million (2020-2021: \$1.110 million).

After Capital Items, which includes the impact of assets revaluations and grant funding specifically for asset upgrades or renewals and asset disposals, the Council is reporting a Net Surplus of \$37.072 million (2020-2021: \$15.320 million).

The Council's Auditor, BDO Advisory (SA) Pty Ltd, have completed the audit of the Council's Financial Statements and have advised that they will sign an unqualified Independent Auditors' Reports in the form prescribed, upon the Presiding Member of the Audit Committee signing the "Council Certificate of Audit Independence".

There were no significant issues raised during the audit of this year's Financial Statements which would prevent the Audit Committee recommending to the Council to adopt the 2021-2022 Financial Statement.

COMMENTS

Nil

RECOMMENDATION

That the Audit Committee recommends to the Council that:

- a. The Annual Financial Statements for the year ended 30 June 2022, be adopted.
- b. The Annual Financial Statements for the year ended 30 June 2022, be dated 7 November 2022 and be signed on behalf of the Council by the Mayor.
- c. The Asset Revaluations as set out in Table 2 of this report, be adopted.

Attachment A

Annual Financial Statements for Year End 30 June 2022

City of Norwood Payneham & St Peters
175 The Parade, Norwood SA 5067

Telephone 8366 4555
Facsimile 8332 6338
Email townhall@npsp.sa.gov.au
Website www.npsp.sa.gov.au



City of
Norwood
Payneham
& St Peters

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

City of Norwood Payneham & St Peters
175 The Parade, Norwood SA 5067

Telephone 8366 4555
Facsimile 8332 6338
Email townhall@npsp.sa.gov.au
Website www.npsp.sa.gov.au



City of
**Norwood
Payneham
& St Peters**

Table of Contents

CERTIFICATION OF FINANCIAL STATEMENTS	4
Statement of Comprehensive Income for the year ended 30 June 2022.....	5
Statement of Financial Position as at 30 June 2022	6
Statement of Changes in Equity for the year ended 30 June 2022	7
Statement of Cash Flow for the year ended 30 June 2022	8
Notes to and Forming Part of the Financial Statements for the year ended 30 June 2022	9
Note 1 - Significant Accounting Policies	9
Note 2 - Income	14
Note 3 - Expenses	15
Note 4 - Asset Disposals & Fair Value Adjustments	16
Note 5 - Current Assets.....	17
Note 6 - Non Current Assets	17
Note 7 - Infrastructure, Property, Plant & Equipment.....	18
Note 8 - Liabilities	22
Note 9 - Reserves	23
Note 10 Assets Subject to Restriction	23
Note 11 - Reconciliation to Statement of Cash Flow.....	24
Note 12 - Functions.....	25
Note 13 - Financial Instruments.....	27
Note 14 - Commitments	29
Note 15 - Financial Indicators.....	30
Note 17 - Leases.....	32
Note 18 - Superannuation	33
Note 19 - Joint Ventures and Associated Entities	34
Note 20 - Assets and Liabilities not recognised	37
Note 21 - Events Occurring After Reporting Date	37
Note 22 – Related Party Disclosures.....	37
STATEMENT OF AUDITOR INDEPENDENCE.....	38

Financials

CERTIFICATION OF FINANCIAL STATEMENTS

We have been authorised by the Council to certify the financial statements in their final form. In our opinion:

- * the accompanying financial statements comply with the *Local Government Act 1999, Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards.
- * the financial statements present a true and fair view of the Council's financial position at 30 June 2022 and the results of its operations and cash flows for the financial year.
- * internal controls implemented by the Council provide a reasonable assurance that the Council's financial records are complete, accurate and reliable and were effective throughout the financial year.
- * the financial statements accurately reflect the Council's accounting and other records.

Robert Bria
MAYOR

Mario Barone
CHIEF EXECUTIVE OFFICER

Dated November 2022

Financials

Statement of Comprehensive Income for the year ended 30 June 2022

	Notes	2022 \$	2021 \$
Income			
Rates	2	37,938,230	36,287,820
Statutory charges	2	2,002,942	1,751,114
User charges	2	3,561,156	3,505,662
Grants, subsidies and contributions	2	3,432,789	2,921,485
Investment income	2	23,848	18,786
Reimbursements	2	117,707	56,818
Other income	2	730,500	714,296
Net Gain – Equity Accounted Council Businesses	19	122,405	217,074
Total Income		47,929,578	45,473,055
Expenses			
Employee costs	3	14,126,088	14,447,559
Materials, contracts & other expenses	3	19,831,643	19,165,311
Depreciation, amortisation & impairment	3	10,765,876	9,968,299
Finance costs	3	346,307	454,465
Net loss - Equity Accounted Council Businesses	19	214,176	327,202
Total Expenses		45,284,090	44,362,836
Operating Surplus		2,645,487	1,110,219
Asset disposal & fair value adjustments	4	(2,371,457)	(1,145,242)
Amounts received specifically for new or upgraded assets	2	2,340,924	3,303,447
Net Surplus transferred to Equity Statement		2,614,954	3,268,424
Other Comprehensive Income			
Changes in revaluation surplus - infrastructure, property, plant & equipment	9	34,462,345	12,045,839
Share of other comprehensive income - joint ventures and associates	19	(5,125)	5,388
Total Other Comprehensive Income		34,457,220	12,051,227
Total Comprehensive Income		37,072,174	15,319,651

This Statement is to be read in conjunction with the attached Notes contained in pages 9 to 39

Financials

Statement of Financial Position as at 30 June 2022

	Notes	2022 \$	2021 \$
Assets			
Current Assets			
Cash and cash equivalents	5	11,393,312	7,070,828
Trade & other receivables	5	2,675,026	3,699,322
Total Current Assets		14,068,337	10,770,150
Non-current Assets			
Financial Assets	6	113,202	104,044
Equity accounted investments in Council businesses	6	1,930,694	2,207,035
Infrastructure, Property, Plant & Equipment	7	543,709,984	507,904,397
Other Non-current Assets	6	4,323,896	2,509,203
Total Non-current Assets		550,077,776	512,724,679
Total Assets		564,146,113	523,494,829
Liabilities			
Current Liabilities			
Trade & Other Payables	8	13,030,882	8,006,434
Borrowings	8	1,021,493	971,642
Provisions	8	3,003,511	3,325,976
Total Current Liabilities		17,055,886	12,304,052
Non-current Liabilities			
Borrowings	8	8,527,132	9,391,818
Provisions	8	1,280,371	1,328,251
Liability - Equity accounted Council businesses	8	904,106	1,164,265
Total Non-current Liabilities		10,711,609	11,884,334
Total Liabilities		27,767,495	24,188,386
Net Assets		536,378,618	499,306,443
Equity			
Accumulated Surplus		62,708,655	60,098,826
Asset Revaluation Reserves	9	473,669,963	439,207,617
Total Equity		536,378,618	499,306,443

This Statement is to be read in conjunction with the attached Notes contained in pages 9 to 39

Financials

Statement of Changes in Equity for the year ended 30 June 2022

	Notes	Accumulated Surplus	Asset Revaluation Reserve	Total Equity
		\$	\$	\$
2022				
Balance at end of previous reporting period		60,098,826	439,207,617	499,306,443
Net Surplus for Year		2,614,954	-	2,614,954
Other Comprehensive Income				
Changes in revaluation of infrastructure, property, plant & equipment	9	-	34,462,345	34,462,345
Share of other comprehensive income - joint ventures and associates	19	(5,125)	-	(5,125)
Balance at end of period		62,708,655	473,669,962	536,378,617
2021				
Balance at end of previous reporting period		56,825,014	427,161,779	483,986,793
Net Surplus / (Deficit) for Year		3,268,424	-	3,268,424
Other Comprehensive Income				
Changes in revaluation of infrastructure, property, plant & equipment	9	-	12,045,839	12,045,839
Impairment (expense) / recoupments offset to asset revaluation reserve	9	5,388	-	5,388
Balance at end of period		60,098,826	439,207,617	499,306,443

This Statement is to be read in conjunction with the attached Notes contained in pages 9 to 39

Financials

Statement of Cash Flow for the year ended 30 June 2022

	Notes	2022 \$	2021 \$
Cash Flows from Operating Activities			
Receipts			
Rates - General & Other		37,858,989	36,672,325
Fees & Other Charges		2,009,634	1,612,735
User Charges		4,592,395	3,112,698
Investment Receipts		23,848	18,786
Grants Utilised for Operating Purposes		6,884,703	2,755,845
Reimbursements		142,203	221,709
Other Revenues		768,673	776,220
Payments			
Employee Costs		(13,738,643)	(14,547,338)
Materials, Contracts & Other Expenses		(19,207,715)	(18,073,548)
Finance Payments		(156,091)	(447,160)
Net Cash provided by (or used in) Operating Activities	11b	19,177,996	12,102,272
Cash Flows from Investing Activities			
Receipts			
Amounts specifically for new or upgraded assets		2,340,924	2,625,998
Sale of replaced assets		47,869	25,659
Sale of surplus assets		1,909	21,190
Repayments of loans by community groups		8,080	11,040
Payments			
Expenditure on renewal/replacement of assets		(8,937,416)	(9,651,815)
Expenditure on new/upgraded assets		(7,215,601)	(5,507,612)
Capital contributed to associated entities	19	(170,179)	(80,714)
Net Cash provided by (or used in) Investing Activities		(13,924,414)	(12,556,254)
Cash Flow from Financing Activities			
Payments			
Repayments of Borrowings		(931,099)	(1,652,559)
Net Cash provided by (or used in) Financing Activities		(931,099)	(1,652,559)
Net Increase (Decrease) in cash held		4,322,484	(2,106,541)
Cash & cash equivalents at beginning of period	11	7,070,828	9,177,369
Cash & cash equivalents at end of period	11	11,393,312	7,070,828

This Statement is to be read in conjunction with the attached Notes contained in pages 9 to 39

Financials

Notes to and Forming Part of the Financial Statements for the year ended 30 June 2022

Note 1 - Significant Accounting Policies

The principal accounting policies adopted by the Council in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1. Basis of Preparation

1.1 Compliance with Australian Accounting Standards

This general purpose financial report has been prepared on a going concern basis in accordance with the Australian Accounting Standards as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Interpretations and relevant South Australian legislation.

The financial report was authorised for issue by certificate under regulation 14 of the *Local Government (Financial Management) Regulations 2011*.

1.2 Historical Cost Convention

Except as stated below, these financial statements have been prepared in accordance with the historical cost convention.

1.3 Critical Accounting Estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates, and requires management to exercise its judgment in applying the Council's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are specifically referred to in the relevant sections of these Notes.

2. The Local Government Reporting Entity

The City of Norwood Payneham & St Peters is incorporated under the *South Australian Local Government Act 1999* and has its principal place of business at 175 The Parade, Norwood. These financial statements include the consolidated fund and all entities through which the Council controls resources to carry on its functions.

Trust monies and property held by the Council but subject to the control of other persons have been excluded from these reports.

3. Income Recognition

The Council recognises revenue under AASB 1058 Income of Not-for-Profit Entities (AASB 1058) or AASB 15 Revenue from Contracts with Customers (AASB 15) when appropriate. In cases where there is an 'enforceable' contract with a customer with 'sufficiently specific' performance obligations, the transaction is accounted for under AASB 15 where income is recognised when (or as) the performance obligations are satisfied (i.e. when it transfers control of a product or service to a customer). Revenue is measured based on the consideration to which the Council expects to be entitled in a contract with a customer. In other cases, AASB 1058 applies when a not-for-profit (NFP) entity enters into transactions where the consideration to acquire an asset is significantly less than the fair value of the asset principally to enable the entity to further its objectives. The excess of the asset recognised (at fair value) over any 'related amounts' is recognised as income immediately, except in the case where a financial asset has been received to enable the council to acquire or construct a recognisable non-financial asset that is to be controlled by the council. In this case, the council recognises the excess as a liability that is recognised over time in profit and loss when (or as) the entity satisfies its obligations under the transfer.

Income is measured at the fair value of the consideration received or receivable. Income is recognised when the Council obtains control over the assets comprising the income, or when the amount due constitutes an enforceable debt, whichever occurs first.

Where grants, contributions and donations recognised as income during the reporting period were obtained on the condition that they are expended in a particular manner or used over a particular period and those conditions were un-discharged as at the reporting date, the amounts subject to those un-discharged conditions are disclosed in these notes. Also disclosed is the amount of grants, contributions and receivables recognised as income in a previous reporting period which were obtained in respect of the Council's operations for the current reporting period.

In recent years the payment of untied grants (financial assistance grants/ local roads/ supplementary grants) has varied from the annual allocation as shown in Table 1 below:

Table 1: Untied Financial Assistance Grants

Financial Year	Cash Payment Received	Annual Allocation	Difference
2021-2022	\$1,648,333	\$1,184,403	\$463,930
2020-2021	\$1,113,164	\$1,161,256	\$(48,092)
2019-2020	\$1,208,049	\$1,147,922	\$60,127

Financials

Notes to and Forming Part of the Financial Statements for the year ended 30 June 2022

As these grants are untied, the Australian Accounting Standards require that payments be recognised upon receipt. Accordingly, the Operating Result for these periods have been distorted compared to those that would have been reported had the grants been paid in the year to which they were allocated.

The Operating Surplus Ratio disclosed in Note 15 has also been calculated after adjusting for the distortions resulting from the differences between the actual grant monies received and the grant entitlements allocated.

4. Cash, Cash Equivalents and other Financial Instruments

Cash Assets include all amounts readily convertible to cash on hand at the Council's option, without a significant risk of changes in value, with a maturity of three months or less from the date of acquisition.

Receivables for rates and annual charges are secured over the subject land, and bear interest at rates determined in accordance with the *Local Government Act 1999*. Other receivables are generally unsecured and do not bear interest.

All receivables are reviewed as at the reporting date and an adequate allowance made for amounts the receipt of which is considered doubtful.

All financial instruments are recognised at fair value at the date of recognition. A detailed statement of the accounting policies applied to financial instruments forms part of Note 13.

5. Infrastructure, Property, Plant & Equipment

5.1 Initial Recognition

All assets are initially recognised at cost. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition.

All assets are capitalised at 30 June of the year the asset is ready for use and the depreciation expenditure will commence from 1 July. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including architects' fees and engineering design fees and all other costs incurred. The cost of non-current assets constructed by the Council includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overhead.

Capital works still in progress at balance date are recognised as other non-current assets and transferred to Infrastructure, Property, Plant & Equipment when completed ready for use.

5.2 Materiality

Assets with an economic life in excess of one year are capitalised where the cost of acquisition exceeds materiality thresholds established by the Council for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life.

Materiality thresholds have been reviewed and remain as follows:

Land	\$0*
Buildings & Other Structures	\$3,000
Infrastructure	\$3,000
Plant & Equipment	\$1,000
Furniture & Fittings	\$1,000
Other Assets	\$1,000

* With the exception of Land under Roads and Easements, all land will be capitalised and recorded as an asset of the Council.

5.3 Subsequent Recognition

Certain asset classes are re-valued on a regular basis such that the carrying values are not materially different from fair value. For infrastructure and other asset classes where no active market exists, fair value is determined to be the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. Further detail of existing valuations, methods and valuers are provided in Note 7.

5.4 Depreciation of Non-Current Assets

Other than land, all infrastructure, property, plant and equipment assets recognised are systematically depreciated over their useful lives in a manner which reflects the consumption of the service potential embodied in those assets.

Depreciation is recognised on a straight-line basis. Depreciation methods, useful lives and residual values of classes of assets are reviewed annually.

Financials

Notes to and Forming Part of the Financial Statements for the year ended 30 June 2022

Major depreciation periods for each class of asset are shown below. Depreciation periods for infrastructure assets have been estimated based on the best information available to the Council, but appropriate records covering the entire life cycle of these assets are not available, and extreme care should be used in interpreting financial information based on these estimates.

Building & Other Structures		10 to 100 years
Plant, Furniture & Equipment		3 to 20 years
Furniture & Fittings		10 to 20 years
Infrastructure	Road Seal	10 to 40 years
	Road Pavement	80 to 150 years
	Footpaths	15 to 50 years
	Off Road Car parks	100 years
	Traffic Control	30 to 60 years
	Linear Park	30 to 60 years
	Kerbing	40 to 70 years
	Stormwater	80 to 100 years
Open Space Assets		10 to 100 years
Other Assets	Library Books	2 to 8 years
Leasing Assets		2 to 5 years
Landscaping		5 years

5.5 Land under Roads

The Council has elected not to recognise land under roads acquired prior to 1 July 2008 as an asset in accordance with AASB 1051 Land under Roads. Land under roads acquired after 30 June 2008 has not been recognised, as in the opinion of the Council it is not possible to reliably attribute a fair value, and further that such value if determined would be immaterial.

5.6 Impairment

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount (which is the higher of the present value of future cash outflows or value in use).

For assets whose future economic benefits are not dependent on the ability to generate cash flows, and where the future economic benefits would be replaced if the Council were deprived thereof, the value in use is the depreciated replacement cost. In assessing impairment for these assets, a key assumption is made that the current replacement cost exceeds the original cost of acquisition.

Where an asset that has been revalued is subsequently impaired, the impairment is first offset against such amount as stands to the credit of that class of assets in Asset Revaluation Reserve, any excess being recognised as an expense.

5.7 Borrowing Costs

Borrowing costs in relation to qualifying assets (net of offsetting investment revenue) have been capitalised in accordance with AASB 123 Borrowing Costs. The amounts of borrowing costs recognised as an expense or as part of the carrying amount of qualifying assets are disclosed in Note 3, and the amount (if any) of interest revenue offset against borrowing costs in Note 2.

6. Payables

6.1 Goods & Services

Creditors are amounts due to external parties for the supply of goods and services and are recognised as liabilities when the goods and services are received. Creditors are normally paid thirty (30) days from invoice date unless otherwise specified.

6.2 Payments Received in Advance & Deposits

Amounts received from external parties in advance of service delivery, and security deposits held against possible damage to Council assets, are recognised as liabilities until the service is delivered or damage reinstated, or the amount is refunded as the case may be.

7. Borrowings

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period to which it relates, and is recorded as part of "Payables". Interest free loans are carried at their nominal amounts; interest revenues foregone by the lender effectively being a reduction of interest expense in the period to which it relates.

Financials

Notes to and Forming Part of the Financial Statements for the year ended 30 June 2021

8. Employee Benefits

8.1 Salaries, Wages & Compensated Absences

Liabilities for employees' entitlements to salaries, wages and compensated absences expected to be paid or settled within 12 months of reporting date are accrued at nominal amounts (including payroll based on costs) measured in accordance with AASB 119 Employee Benefits.

Liabilities for employee benefits not expected to be paid or settled within 12 months are measured as the present value of the estimated future cash outflows (including payroll based on costs) to be made in respect of services provided by employees up to the reporting date. Present values are calculated using government guaranteed securities rates with similar maturity terms.

Weighted average discount rate	2.71% (2021: 2.67%)
Weighted average settlement period	1.33 years (2021: 1.31 years)

No accrual is made for sick leave as experience indicates that, on average, sick leave taken in each reporting period is less than the entitlement accruing in that period, and this experience is expected to recur in future reporting periods. The Council does not make payment for untaken sick leave.

8.2 Superannuation

The Council makes employer superannuation contributions in respect of its employees to the Statewide Superannuation Scheme or where selected by employees under the "choice of fund" legislation to another complying fund. No changes in accounting policy have occurred during either the current or previous reporting periods. Details of the accounting policies applied and Council's involvement with the schemes are reported in Note 18.

9. Construction Contracts

Construction works undertaken by Council for third parties are generally on an agency basis where the third party reimburses Council for actual costs incurred, and usually do not extend beyond the reporting period. Reimbursements not received are recognised as receivables and reimbursements received in advance are recognised as "payments received in advance".

10. Joint Ventures and Associated Entities

The Council participates in cooperative arrangements with other Councils for the provision of services and facilities. The Council's interests in cooperative arrangements and are accounted for in accordance with AASB 128 Investments in Associates and are set out in detail in Note 19.

11. Leases

The Council assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Council as a lessee

The Council recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Council recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and the estimate of costs to be incurred to restore the leased asset. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Plant and Equipment	2 to 5 years
Property	2 to 5 years

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (s) Impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Council recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Council uses its incremental borrowing rate or the interest rate implicit in the lease.

Financials

Notes to and Forming Part of the Financial Statements for the year ended 30 June 2022

Short-term leases and leases of low-value assets

The Council applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date). It also applies the low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

12. GST Implications

In accordance with Urgent Issues Group Abstract 1031 "Accounting for the Goods & Services Tax"

- Receivables and Creditors include GST receivable and payable.
- Except in relation to input taxed activities, revenues and operating expenditures exclude GST receivable and payable.
- Non-current assets and capital expenditures include GST net of any recoupment.
- Amounts included in the Statement of Cash Flows are disclosed on a gross basis

13. Accounting Standards and UIG Interpretations

In the current year, the Council adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. The adoption of the new and revised Standards and Interpretations has not resulted in any material changes to the Council's accounting policies.

Financials

Notes to and Forming Part of the Financial Statements for the year ended 30 June 2022

Note 2 - Income

	Notes	2022 \$	2021 \$
Rates			
General Rates		37,353,515	35,773,231
Less: Mandatory rebates		(1,008,910)	(985,640)
Less: Discretionary rebates, remissions & write offs		(115,986)	(20,983)
		36,228,619	34,766,608
Other Rates (including service charges)			
Natural Resource Management levy		1,396,733	1,426,381
Parade Rate		247,368	-
		1,644,101	1,426,381
Other Charges			
Penalties for late payment		132,909	130,608
Less: Discretionary rebates, remissions & write offs		(67,399)	(35,777)
		65,510	94,831
		37,938,230	36,287,820
Statutory Charges			
Development Act fees		421,546	439,071
Town planning fees		103,511	52,224
Animal registration fees & fines		155,079	172,251
Parking fines / expiation fees		1,022,920	720,900
Other registration fees		135,155	213,942
Sundry		164,731	152,726
		2,002,942	1,751,114
User Charges			
Admission Charges - Pools		418,470	374,069
Activity Program Revenues		16,531	11,181
Child Care Centre Fees		1,094,915	1,080,144
Subsidies received on behalf of users		1,265,757	1,401,316
Hall & Equipment hire		526,676	409,512
Sales - general		76,787	51,512
Sundry		162,021	177,928
		3,561,156	3,505,662
Investment Income			
Interest on investments			
Local Government Finance Authority		23,480	17,322
Banks & Other		368	1,464
		23,848	18,786
Reimbursements			
for private works		6,329	12,420
other		111,378	44,398
		117,707	56,818
Other Income			
Insurance & other recoupments - infrastructure, property, plant & equipment		263,760	169,847
Sundry		466,741	544,449
		730,500	714,296

Financials

Notes to and Forming Part of the Financial Statements for the year ended 30 June 2022

Note 2 continued - Income

	Notes	2022 \$	2021 \$
Grant Subsidies, Contributions			
Amounts received specifically for new or upgraded assets		2,340,924	3,303,447
Other grants, subsidies and contributions		3,432,789	2,921,485
		<u>5,773,713</u>	<u>6,224,932</u>
The functions to which these grants relate are shown in Note 12.			
Sources of grants			
Commonwealth government		4,020,327	2,708,563
State government		1,724,229	3,100,729
Other		29,156	415,640
		<u>5,773,713</u>	<u>6,224,932</u>

Note 3 - Expenses

Employee Costs

Salaries and Wages		11,695,255	11,682,060
Employee leave expense		1,186,729	1,524,530
Superannuation - defined contribution plan contributions	18	1,223,243	1,208,233
Superannuation - defined benefit plan contributions	18	21,279	21,065
Workers' Compensation Insurance		662,807	644,814
Income Protection Insurance		214,036	224,067
Less: Capitalised and distributed costs		(877,262)	(857,210)
Total Operating Employee Costs		<u>14,126,088</u>	<u>14,447,559</u>

Total Number of Employees

132

(Full time equivalent at end of reporting period)

Materials Contracts & Other Expenses

Prescribed Expenses

Auditor's Remuneration - Auditing the financial reports		26,153	25,078
Elected members' expenses		335,795	331,127
Lease Expense – low value assets/short term leases		132,035	104,296
Subtotal		<u>493,983</u>	<u>460,501</u>

Other Materials, Contracts & Expenses

Contractors		6,398,643	6,886,014
Energy		505,795	573,394
Water		567,401	514,436
Administration Costs		1,161,603	1,178,366
Grants and Donations		177,929	91,380
Rates and Taxes		96,025	89,160
Waste Collection & Disposal		4,137,830	4,083,665
Insurance		797,473	762,641
Subscriptions and Licences		646,430	576,486
Legal Expenses		759,515	562,460
Levies paid to Government			
-Landscape Levy		1,365,201	1,365,201
-Other Levies		107,568	88,100
Parts, Accessories & Consumables		1,097,532	1,031,471
Professional Services		829,374	621,667
Sundry		689,341	280,369
Subtotal		<u>19,337,660</u>	<u>18,704,810</u>
Total Other Materials, Contracts & Expenses		<u>19,831,643</u>	<u>19,165,311</u>

Financials

Notes to and Forming Part of the Financial Statements for the year ended 30 June 2022

Note 3 continued - Expenses

	Notes	2022 \$	2021 \$
Finance Costs			
Interest on Loans		343,003	452,858
Interest on Leases		3,304	1,607
		346,307	454,465
Depreciation, Amortisation & Impairment			
Depreciation			
Buildings		2,113,925	1,796,910
Open Space Infrastructure		1,078,283	997,364
Roads Infrastructure		2,116,246	1,972,496
Kerbing		1,212,494	1,196,863
Footpaths		1,074,993	1,065,476
Linear Parks		35,354	34,642
Stormwater Drainage		1,554,765	1,451,701
Off Street Car parks		47,854	44,988
Traffic Control		162,675	126,038
Plant & Equipment		300,231	321,012
Furniture & Fittings		99,577	95,206
Other Assets		892,006	756,622
Right-of-use assets	17	77,473	108,981
		10,765,876	9,968,299

Note 4 - Asset Disposals & Fair Value Adjustments

Infrastructure, Property, Plant & Equipment

Assets renewed or directly replaced

Proceeds from disposal		47,869	21,190
Less: Carrying amount of assets sold	7	2,421,235	1,192,091
Gain (Loss) on disposal		(2,373,366)	(1,170,901)

Assets surplus to requirements

Proceeds from disposal		1,909	25,659
Less: Carrying amount of assets sold	7	-	-
Gain (Loss) on disposal		1,909	25,659

Net Gain (Loss) on disposal or revaluation of Assets

		(2,371,457)	(1,145,242)
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Financials

Notes to and Forming Part of the Financial Statements for the year ended 30 June 2022

Note 5 - Current Assets

	Notes	2022	2021
		\$	\$
Cash & Equivalent Assets			
Cash on Hand and at Bank		1,085,760	444,669
Deposits at Call		10,307,551	6,626,159
		11,393,312	7,070,828
Trade & Other Receivables			
Rates - General & Other		1,178,984	1,108,627
Accrued Revenues		172,253	7,941
Debtors - General		1,153,664	2,187,259
GST Recoupment		366,903	110,893
Prepayments		331,940	555,898
Loans to community organisations		-	5,968
Sundry		51,241	71,290
		3,254,985	4,047,875
Less: Allowance for Doubtful Debts		579,959	348,554
Total		2,675,026	3,699,322

Note 6 - Non Current Assets**Financial Assets**

Council Rates Postponement Scheme		113,202	104,044
		113,202	104,044

Equity Accounted Investment in Council Businesses

Eastern Health Authority Inc.	19	172,504	181,905
Eastern Waste Management Authority Inc.	19	121,560	174,324
ERA Water Inc	19	1,636,629	1,850,806
		1,930,694	2,207,035

Other Non-Current Assets

Capital Works-in-Progress		4,323,896	2,509,203
		4,323,896	2,509,203

Financials

Notes to and Forming Part of the Financial Statements for the year ended 30 June 2022

Note 7 - Infrastructure, Property, Plant & Equipment

	FAIR VALUE LEVEL	2021				2022			
		AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT	AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT
Land	3	172,489,559	-	-	172,489,559	195,775,648	18,366	-	195,794,017
Buildings & Other Structures	3	131,607,412	15,408,168	(71,780,297)	75,235,283	153,923,648	457,619	(77,366,196)	77,015,071
Infrastructure									
Open Space Infrastructure	3	26,392,661	2,426,108	(11,942,115)	16,876,654	28,834,513	3,358,708	(12,801,036)	19,392,184
Roads	3	128,964,066	2,638,939	(55,038,162)	76,564,843	137,443,583	4,281,235	(58,378,956)	83,345,863
Kerbing	3	82,873,020	1,443,497	(26,361,400)	57,955,117	83,384,157	1,934,025	(27,069,078)	58,249,104
Footpaths	3	52,021,903	1,271,681	(24,705,795)	28,587,789	52,943,011	972,773	(25,694,381)	28,221,403
Linear Parks	3	1,411,651	-	(429,672)	981,979	1,455,686	-	(474,499)	981,187
Stormwater Drainage	3	131,611,203	4,279,954	(69,239,490)	66,651,667	140,495,611	1,762,483	(74,229,156)	68,028,938
Off Roads Car parks	3	2,819,849	93,979	(776,901)	2,136,927	2,889,064	153,428	(807,421)	2,235,071
Traffic Control	3	5,863,079	1,526,332	(3,244,386)	4,145,025	7,402,063	376,757	(3,410,483)	4,368,337
Plant & Equipment		-	6,975,422	(5,171,321)	1,804,101	-	7,214,820	(5,461,352)	1,753,468
Furniture and Fittings		-	2,643,725	(2,018,176)	625,548	-	2,709,018	(2,117,753)	591,265
Other assets		3,607,783	3,722,615	(3,521,283)	3,809,116	3,607,783	4,267,631	(4,296,682)	3,578,732
Right of use assets		280,431	-	(239,642)	40,789	472,459	-	(317,115)	155,344
Total Infrastructure, Property, Plant & Equipment		739,942,616	42,430,420	(274,468,640)	507,904,397	808,627,226	27,506,862	(292,424,107)	543,709,984
<i>Comparatives</i>		<i>714,263,633</i>	<i>21,433,334</i>	<i>(259,227,949)</i>	<i>476,469,020</i>	<i>739,942,614</i>	<i>42,430,420</i>	<i>(274,468,640)</i>	<i>507,904,397</i>

Financials

Notes to and Forming Part of the Financial Statements for the year ended 30 June 2022

Note 7 continued - Infrastructure, Property, Plant & Equipment

	FAIR VALUE LEVEL	2021 \$ CARRYING AMOUNT	Carrying amount movements during the year					2022 \$ CARRYING AMOUNT
			Additions		Disposals	Depreciation	Net Revaluation	
			New/Upgrade	Renewals				
Land	3	172,489,559	18,366.00	-	-	-	23,286,090.09	195,794,017
Buildings & Other Structures	3	75,235,283	236,594	221,025	(583)	(2,113,925)	3,436,677	77,015,071
Infrastructure								
Open Space Infrastructure	3	16,876,654	2,827,408	531,299	(21,985)	(1,078,283)	257,092	19,392,185
Roads	3	76,564,843	-	4,281,235	(1,066,658)	(2,116,246)	5,682,689	83,345,863
Kerbing	3	57,955,117	-	1,934,025	(870,990)	(1,212,494)	443,446	58,249,104
Footpaths	3	28,587,789	-	972,773	(274,248)	(1,074,993)	10,084	28,221,405
Linear Parks	3	981,979	-	-	-	(35,354)	34,562	981,187
Stormwater Drainage	3	66,651,667	1,762,483	-	(81,010)	(1,554,765)	1,250,563	68,028,938
Off Roads Car parks	3	2,136,927	-	153,428	(48,381)	(47,854)	40,951	2,235,071
Traffic Control	3	4,145,025	-	376,757	(10,962)	(162,675)	20,192	4,368,336
Plant & Equipment		1,804,101	12,304	244,321	(7,027)	(300,231)	-	1,753,468
Furniture and Fittings		625,548	39,362	25,931	-	(99,577)	-	591,264
Other assets	3	3,809,116	489,548	211,465	(39,391)	(892,006)	-	3,578,732
Right of use assets		40,789	-	192,028	-	(77,473)	-	155,344
Total Infrastructure, Property, Plant & Equipment		507,904,397	5,386,065	9,144,287	(2,421,235)	(10,765,876)	34,462,345	543,709,984
<i>Comparatives</i>		476,469,023	15,807,407	14,742,518	(1,192,091)	(9,968,299)	12,045,839	507,904,398

Financials

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

Note 7 continued - Infrastructure, Property, Plant & Equipment

Valuation of Assets

AASB 13 Fair Value Measurement requires disclosure of the valuation principles adopted for all valuations according to the relevant level in the fair value hierarchy. The hierarchy has three levels and measurements are categorised based on the lowest level that a significant input can be categorised into. The fair value hierarchy levels are outlined below:

Level 1: Measurements are based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Measurements are based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Measurements are based on unobservable inputs for the asset or liability.

Effectively, the hierarchy level reflects the dependence on market evidence used to establish the fair value (i.e. transactions of similar assets).

Valuation Techniques

The valuation approach to define fair value is dependent on the degree to which a market assists in substantiating the value of an asset. The primary approaches by which assets may be valued in the marketplace are:

Market Approach: uses prices and other relevant information generated by market transactions for similar or substitute assets or liabilities.

Income Approach: converts estimated future cash flows or income and expenses into a single current (i.e. discounted) value.

Cost approach: reflects that current replacement cost of an asset at its current service capacity.

All of Council's non-financial assets are considered as being utilised for their highest and best use.

At 1 July 2004 upon the transition to International Financial Reporting Standards (IFRS), the Council elected pursuant to AASB 1.19 to retain a previously established cost under generally accepted accounting principles (GAAP) as its deemed cost. With subsequent additions at cost, this remains as the basis of recognition of non-material asset classes.

Upon revaluation, the current new replacement cost and accumulated depreciation are re-stated such that the difference represents the fair value of the asset determined in accordance with AASB 13 Fair Value Measurement: accumulated depreciation is taken to be the difference between current new replacement cost and fair value. In the case of land, fair value is taken to be the current replacement cost.

Non-current assets, other than receivables, land under roads and investments are valued as follows, and all subsequent additions after valuation are recorded at cost or fair value on acquisition.

Land and Buildings

Land and Buildings assets are independently valued every five (5) years. An independent valuation of the Council's Land and Buildings was undertaken in the 2017-2018 Financial Year by JLL Infrastructure Advisory Pty Ltd based on fair values of the assets as at 30 June 2018.

As the result of revaluation, all of the Council's land assets were reassigned to the fair value hierarchy level 3 from level 2 and all of the Council's building and other structure assets were reassigned to the fair value hierarchy level 3. The transfers took effect as at 30 June 2018.

Valuations of Crown land, community land and land subject to other restrictions on use or disposal, shown above as being based on fair value hierarchy level 3 valuation inputs, are based on prices for similar assets in an active market, but include adjustments for specific advantages or disadvantages attaching to the particular asset that are not directly or indirectly observable in that market, or the number and / or amount of observable adjustments of which are so great that the valuation is more fairly described as being based on level 3 valuation inputs.

If there is no known market for buildings, infrastructure and other assets, these assets are valued at depreciated replacement cost. This method involves:

- the determination of the cost to construct the asset (or its modern engineering equivalent) using current prices for materials and labour, the quantities of each being estimated based on recent experience of this or similar Councils, or on industry construction guides where these are more appropriate; and
- the calculation of the depreciation that would have accumulated since original construction using current estimates of residual value and useful life under the prime cost depreciation method adopted by the Council.

Financials

Notes to and forming part of the Financial Statements for the year ended 30 June 2021

Note 7 continued - Infrastructure, Property, Plant & Equipment

This method has significant inherent uncertainties, relying on estimates of quantities of materials and labour, residual values and useful lives, and the possibility of changes in prices for materials and labour, and the potential for development of more efficient construction techniques.

In 2021-2022, a review and update of replacement cost has been undertaken by the Council based on the annual average movement in value of like assets. Accordingly, Land and Building assets were indexed by 13.5% and 4.7% respectively.

The Council being of the opinion that it is not possible to attribute a value sufficiently reliably to qualify for recognition; land under roads has not been recognised in these reports.

Open Space Assets

The Councils open space assets were independently condition assessed by Tonkin Consulting as at 1 July 2021 and yet finalised. The basis of valuation adopted was written down replacement cost. All acquisitions made after the respective dates of valuation are recorded at cost. Accordingly, total replacement value, total economic working life and residual economic working life were reliably established for each asset. In the interim years, the Council annually assesses and where appropriate revises unit costs based on the independent assessment of those rates. The last review of the unit costs was undertaken as at 1 July 2021.

Road Infrastructure (*Roads, Kerbing & Footpaths*)

Road Infrastructure assets are independently condition assessed every five (5) years. An independent condition assessment was undertaken as at 1 July 2018 by Tonkin Consulting. In the interim years, the Council annually assesses and where appropriate revises unit costs based on the independent assessment of those rates. The last review of the unit costs was undertaken as at 1 July 2021.

The basis of valuation is written down current replacement cost. All acquisitions made after the respective dates of valuation are recorded at cost.

Linear Park

Linear Park assets are independently condition assessed every five (5) years. An independent condition assessment was undertaken as at 1 July 2018 by Tonkin Consulting. In the interim years, the Council annually assesses and where appropriate revises unit costs based on the independent assessment of those rates. The last review of the unit costs was undertaken as at 1 July 2021.

The basis of valuation is written down current replacement cost. All acquisitions made after the respective dates of valuation are recorded at cost.

Stormwater Drainage

Stormwater Drainage assets are independently condition assessed every five (5) years. An independent condition assessment was undertaken as at 1 July 2020 by Tonkin Consulting. In the interim years, the Council annually assesses and where appropriate revises unit costs based on the independent assessment of those rates. The last review of the unit costs was undertaken as at 1 July 2021.

The basis of valuation is written down current replacement cost. All acquisitions made after the respective dates of valuation are recorded at cost.

Off Roads Carparks

Off Roads Carparks assets are independently condition assessed every five (5) years. An independent condition assessment was undertaken as at 1 July 2018 by Tonkin Consulting. In the interim years, the Council annually assesses and where appropriate revises unit costs based on the independent assessment of those rates. The last review of the unit costs was undertaken as at 1 July 2021.

The basis of valuation is written down current replacement cost. All acquisitions made after the respective dates of valuation are recorded at cost.

Financials

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

Note 7 continued - Infrastructure, Property, Plant & Equipment

Traffic Control Devices

Traffic Control Devices assets are independently condition assessed every five (5) years. An independent condition assessment was undertaken as at 1 July 2018 by Tonkin Consulting. In the interim years, the Council annually assesses and where appropriate revises unit costs based on the independent assessment of those rates. The last review of the unit costs was undertaken as at 1 July 2021.

The basis of valuation is written down current replacement cost. All acquisitions made after the respective dates of valuation are recorded at cost.

Plant, Furniture & Equipment

These assets are recognised on the cost less subsequent accumulated depreciation and impairment costs.

Library Books & Materials

These assets are recognised on the cost less subsequent accumulated depreciation.

Right of Use Assets

The Council recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The council uses the modified retrospective method to calculate the leased related balance. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Note 8 - Liabilities

	Notes	2022		2021	
		\$ Current	\$ Non-current	\$ Current	\$ Non-current
Trade & Other Payables					
Goods & Services		3,613,543	-	1,743,249	-
Payments received in advance		5,357,209	-	1,875,865	-
Accrued expenses - employee entitlements		489,044	-	389,121	-
Accrued expenses - other		3,025,349	-	3,474,619	-
Interest Payable		79,556	-	111,931	-
Deposits, Retentions & Bonds		90,333	-	99,621	-
St Peters RSL Trust		42,703	-	42,523	-
Future Open Space Trust Fund		315,575	-	255,441	-
New Tree Legislation Fund		17,569	-	14,064	-
		13,030,882	-	8,006,434	-
Borrowings					
Loans - LGFA		945,921	8,445,897	931,098	9,391,818
Lease Liabilities		75,572	81,236	40,544	-
		1,021,493	8,527,132	971,642	9,391,818
<i>All LGFA interest bearing liabilities are secured over the future revenues of the Council</i>					
Provisions					
Employee entitlements (including on-costs)		3,003,511	1,280,371	3,325,976	1,328,251
		3,003,511	1,280,371	3,325,976	1,328,251
Liability - Equity Accounted Council Business					
Highbury Landfill Authority Inc.	19	-	904,106	-	1,164,265
		-	904,106	-	1,164,265

Financials

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

Note 9 - Reserves	Notes	1 July 2020	Net Increments (Decrements)	30 June 2021
		\$	\$	\$
Asset Revaluation Reserves				
Land		154,196,904	23,286,090	177,482,994
Buildings & Other Structures		72,193,851	3,436,677	75,630,528
Infrastructure				
Open Space Infrastructure		7,005,441	257,092	7,262,534
Roads		64,764,049	5,682,689	70,446,738
Kerbing		63,566,522	443,446	64,009,968
Footpaths		29,986,742	10,084	29,996,826
Linear Parks		(57,521)	34,562	(22,959)
Stormwater Drainage		43,290,446	1,250,563	44,541,009
Off Road Car Park		1,658,175	40,951	1,699,126
Traffic Control Devices		1,970,430	20,192	1,990,621
Other assets		632,578	-	632,578
2022 Total		439,207,617	34,462,345	473,669,965
<i>2021 Totals</i>		427,161,780	12,045,839	439,207,617

Purpose of Reserve

Asset Revaluation Reserve

The asset revaluation reserve is used to record increments and decrements arising from changes in fair value of non-current assets (less any subsequent impairment losses, where applicable).

Note 10 Assets Subject to Restriction

	Notes	2022	2021
		\$	\$
The uses of the following assets are restricted, wholly or partially, by legislation or other externally imposed requirements. The assets are required to be utilised for the purposes for which control was transferred to Council, or for which the revenues were originally obtained.			
Cash & Financial Assets			
Deposits at Call	5	466,180	411,648
Total Assets subject to Externally Imposed Restrictions		466,180	411,648
The following liabilities, included in Note 8, may be discharged from restricted assets in the first instance.			
Future Open Space Trust Fund	8	315,575	255,440
Deposits and Bonds held by Council	8	42,703	99,621
St Peter RSL Trust Funds	8	17,569	42,523
New Tree Legislation Fund	8	90,333	14,064
		466,180	411,648

Financials

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

Note 11 - Reconciliation to Statement of Cash Flow

Notes

2022

2021

\$

\$

(a) Reconciliation of Cash

Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

Total cash & equivalent assets	5	11,393,312	7,070,828
Balances per Statement of Cash Flow		11,393,312	7,070,828

(b) Reconciliation of Change in Net Assets to Cash from Operating Activities

Net Surplus (Deficit)		2,614,954	3,268,424
Non-cash items in Income Statement			
Depreciation, amortisation & impairment		10,765,876	9,968,299
Equity movements in equity accounted investment (increase) decrease		91,771	110,127
Net (increase) decrease in Non-Current Council Rates Postponement Scheme		(9,158)	(7,011)
Net increase (decrease) in unpaid employee benefits		(270,421)	422,665
Net (Gain) Loss on Disposals		2,421,234	1,145,241
Grants for capital acquisitions (treated as Investing Activity Receipts)		(5,785,317)	(2,625,998)
		9,828,940	12,281,747
Add (Less): Changes in Net Current Assets			
Net (increase) decrease in receivables		786,922	(813,451)
Net increase (decrease) in trade & other payables		4,924,525	633,976
Net Cash provided by (or used in) operations		15,540,387	12,102,272

(c) Financing Arrangements

Unrestricted access was available at balance date to the following lines of credit:

Cash Advance Facilities	10,500,000	10,500,000
Corporate Credit Cards	35,000	35,000

The Council has immediate access to a short-term draw-down facility, and variable interest rate borrowings under a Cash Advance facility from the Local Government Finance Authority of SA.

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Financials

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

Note 12 - Functions

	INCOME, EXPENSES AND ASSETS HAVE BEEN DIRECTLY ATTRIBUTED TO THE FOLLOWING FUNCTIONS & ACTIVITIES									
	Income *		Expenses *		Operating Surplus (Deficit) *		Grants Included in Income**		Total Assets Held (Current and Non-Current)	
	Actual	Actual	Actual	Actual	Actual	Actual				
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Community Services	3,936,495	4,006,581	5,143,627	5,245,358	(1,207,132)	(1,238,775)	1,099,617	1,099,053	31,630,627	2,481,3120
Culture	364,730	268,488	2,387,746	2,142,120	(2,023,016)	(1,873,632)	248,141	229,066	12,026,087	5,514,027
Economic Development	221,617	-	1,238,603	1,247,378	(1,016,986)	(1,248,101)		-	23,991	-
Environment	569,217	699,689	7,606,493	7,532,638	(7,037,276)	(6,832,949)	2,088,835	1,260,794	74,838,507	3,653,043
Recreation	586,993	545,344	3,263,404	3,407,966	(2,676,411)	(2,862,622)	6,000	1,618,000	221,181,298	220,147,515
Regulatory Services	1,882,724	1,651,678	3,110,061	2,770,297	(1,227,336)	(1,118,619)		-	985,529	2,757,013
Transport & Communication	-	-	1,082,121	989,637	(1,082,121)	(989,637)	475,257	489,214	177,773,841	238,126,148
Plant Hire/Depot Indirect	32,676	8,766	858,660	827,324	(825,984)	(818,559)		-	2,979,014	-
Council Administration	40,212,720	38,075,434	20,379,199	19,872,915	19,833,521	18,203,241	1,826,706	1,113,164	42,707,216	28,483,960
TOTALS	47,807,173	45,255,980	45,069,914	44,035,633	2,737,259	1,220,347	5,744,556	5,809,291	564,146,109	523,494,826

* Excludes net gain (loss) on disposal or revaluation of assets, net gain (loss) from joint ventures & associated entities, amounts received specifically for new or upgraded assets and physical resources received free of charge.

** Grants, subsidies and contributions received from Commonwealth and State governments as shown on Note 2.

Financials

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

Note 12 continued - Components of Functions

The activities relating to Council functions are as follows:

Business Undertakings

Private Works

Community Services

Public Order and Safety, Crime Prevention, Emergency Services, Other Fire Protection, Other Public Order and Safety, Health Services, Pest Control – Health, Immunisation, Preventive Health Services, Other Health Services, Community Support, Elderly Citizens Facilities, Home Assistance Scheme, Other Services for the Aged and Disabled, Child Care Centres, Children and Youth Services, Community Assistance, Community Transport, Family and Neighbourhood Support, Other Community Support, Community Amenities, Bus Shelters, Public Conveniences, Car Parking – non-fee-paying, Telecommunications Networks, and Other Community Amenities.

Culture

Library Services, Mobile Libraries and Housebound Services, Static Libraries, Other Library Services, Cultural Services, Cultural Venues, Heritage and Other Cultural Services.

Economic Development

Employment Creation Programs, Regional Development, Support to Local Businesses, Tourism, and Other Economic Development.

Environment

Waste Management, Domestic Waste, Green Waste, Recycling, Transfer Stations, Waste Disposal Facility, Other Waste Management, Other Environment, Stormwater and Drainage, Street Cleaning, Street Lighting, Street scaping, Natural Resource Management Levy, and Other Environment.

Recreation

Parks and Gardens, Sports Facilities – Indoor, Sports Facilities – Outdoor, Swimming Centres – Outdoor, and Other Recreation.

Regulatory Services

Dog and Cat Control, Building Control, Town Planning, Clean Air/Pollution Control, Litter Control, Health Inspection, Parking Control, and Other Regulatory Services.

Transport

Bridges, Footpaths and Kerbing, Roads – sealed, Roads – formed, Roads – natural formed, Traffic Management, Local Government Grants Commission – roads (formula funded), and Other Transport.

Council Administration

Governance, Administration, Elected Members, Organisational, Support Services, Accounting/Finance, Payroll, Human Resources, Information Technology, Communication, Rates Administration, Records, Property, Contract Management, Customer Service, Other Support Services, Revenues, Local Government Grants Commission – General Purpose, and Separate and Special Rates.

Financials

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

Note 13 - Financial Instruments

Recognised Financial Instruments

Bank, Deposits at Call, Short Term Deposits

Accounting Policy: Carried at lower of cost and net realisable value; Interest is recognised when earned.

Terms & conditions: Deposits are returning fixed interest rates between 0.30% and 0.74% (2021: 0.30% and 0.70%).

Carrying amount: approximates fair value due to the short term to maturity.

Receivables - Rates & Associated Charges (including legal & penalties for late payment)

Accounting Policy: Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.

Terms & conditions: Secured over the subject land, arrears attract interest of 5.80% (2021: 5.20%) Although the Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State.

Carrying amount: approximates fair value (after deduction of any allowance).

Receivables - Fees & other charges

Accounting Policy: Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.

Terms & conditions: Unsecured, and do not bear interest. Although the Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries.

Carrying amount: approximates fair value (after deduction of any allowance).

Receivables - other levels of Government

Accounting Policy: Carried at nominal value.

Terms & conditions: Amounts due have been calculated in accordance with the terms and conditions of the respective programs following advice of approvals, and do not bear interest. All amounts are due by Departments and Agencies of the Governments of the Commonwealth & State.

Carrying amount: approximates fair value.

Liabilities - Creditors and Accruals

Accounting Policy: Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Council.

Terms & conditions: Liabilities are normally settled on 30 day terms.

Carrying amount: approximates fair value.

Liabilities - Interest Bearing Borrowings

Accounting Policy: Carried at the principal amounts. Interest is charged as an expense as it accrues.

Terms & conditions: secured over future revenues, borrowings are for a fixed term ranging from between 15 years to 20 years; interest is charged at fixed (or variable - describe) rates between 2.40% and 6.77% (2021: 2.40% and 6.77%)

Carrying amount: approximates fair value.

Liabilities - Finance Leases

Accounting Policy: accounted for in accordance with AASB 117 Leases.

Financials

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

Note 13 continued Financial Instruments

Liquidity Analysis

2022	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
	\$	\$	\$	\$	\$
Financial Assets					
Cash & Equivalents	11,393,312	-	-	11,393,312	11,393,312
Receivables	1,379,270	-	-	1,379,270	1,379,270
Other Financial Assets	(2,112)	-	-	(2,112)	(2,112)
Total	12,770,470	-	-	12,770,470	12,770,470

2022	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
	\$	\$	\$	\$	\$
Financial Liabilities					
Payables	3,003,511	1,029,687	250,684	4,283,882	4,283,882
Current Borrowings	1,279,681	-	-	1,279,681	945,921
Lease Liabilities	75,572	81,236	-	156,807	-
Non-Current Borrowings	-	5,118,725	4,734,238	9,852,963	8,445,897
Total	4,358,764	6,229,648	4,984,922	15,573,333	13,675,700

2021	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
	\$	\$	\$	\$	\$
Financial Assets					
Cash & Equivalents	7,070,828	-	-	7,070,828	7,070,828
Receivables	2,266,490	-	-	2,266,490	2,266,490
Other Financial Assets	5,968	-	-	5,968	5,968
Total	9,343,286	-	-	9,343,286	9,343,286

2021	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
	\$	\$	\$	\$	\$
Financial Liabilities					
Payables	3,151,076	1,236,176	259,365	4,646,617	4,646,617
Current Borrowings	1,306,477	-	-	1,306,477	931,099
Lease Liabilities	33,872	7,118	-	40,991	40,543
Non-Current Borrowings	-	6,398,406	4,734,238	11,132,644	9,391,818
Total	4,491,425	7,641,700	4,993,603	17,126,728	15,010,077

The following interest rates were applicable to Council's borrowings at balance date:

	30 June 2022		30 June 2021	
	Weighted Average Interest Rate	Carrying Value	Weighted Average Interest Rate	Carrying Value
	%	\$	%	\$
Fixed Interest Rates	3.67	9,391,818	3.19	10,322,917
		<u>9,391,818</u>		<u>10,322,917</u>

Financials

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

Note 13 continued Financial Instruments

Net Fair Value

All carrying values approximate fair value for all recognised financial instruments. There is no recognised market for the financial assets of the Council.

Risk Exposures

Credit Risk represents the loss that would be recognised if counterparties fail to perform as contracted. The maximum credit risk on financial assets of the Council is the carrying amount, net of any allowance for doubtful debts. All Council investments are made with the SA Local Government Finance Authority and are guaranteed by the SA Government. Except as detailed in Notes 5 & 6 in relation to individual classes of receivables, exposure is concentrated within the Council's boundaries, and there is no material exposure to any individual debtor.

Market Risk is the risk that fair values of financial assets will fluctuate as a result of changes in market prices. All of the Council's financial assets are denominated in Australian dollars and are not traded on any market, and hence neither market risk nor currency risk apply.

Liquidity Risk is the risk that the Council will encounter difficulty in meeting obligations with financial liabilities. In accordance with the model Treasury Management Policy (LGA Information Paper 15), liabilities have a range of maturity dates. The Council also has available a range of bank overdraft and standby borrowing facilities that it can access.

Interest Rate Risk is the risk that future cash flows will fluctuate because of changes in market interest rates. The Council has a balance of both fixed and variable interest rate borrowings and investments. Cash flow fluctuations are managed holistically in seeking to minimise interest costs over the longer term in a risk adverse manner.

Note 14 - Commitments

Notes

2022

2021

\$

\$

Capital Commitments

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Infrastructure – Buildings

Infrastructure – Road & Footpath

304,937

2,350,626

Infrastructure – Open Space

304,937**2,350,626**

These expenditures are payable:

Not later than one year

304,937

2,350,626

304,937**2,350,626**

Other Expenditure Commitments

Other expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:

Audit Services

25,000

Employee Remuneration Contracts

3,389,029

822,133

3,389,029**847,133**

Financials

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

Note 15 - Financial Indicators

	2022	2022	2021	2020
	Amounts	Indicator	Indicator	Indicator

These Financial Indicators have been calculated in accordance with *Information Paper 9 - Local Government Financial Indicators* prepared as part of the LGA Financial Sustainability Program for the Local Government Association of South Australia.

Operating Surplus Ratio

Operating Surplus	2,645,487	5.5%	2.4%	5.2%
Total Operating Revenue	47,929,578			
<i>This ratio expresses the operating surplus as a percentage of total operating revenue.</i>				
Adjusted Operating Surplus Ratio	2,181,557	4.6%	2.5%	5.1%
Total Operating Revenue	47,465,648			

In recent years the Federal Government has made advance payments prior to 30th June from future year allocations of financial assistance grants, as explained in Note 1. The Adjusted Operating Surplus Ratio adjusts for the resulting distortion in the disclosed operating result for each year.

Net Financial Liabilities Ratio

Net Financial Liabilities	13,585,955	28%	29%	28%
Total Operating Revenue	47,929,578			

Net Financial Liabilities are defined as total liabilities less financial assets (excluding equity accounted investments in Council businesses). These are expressed as a percentage of total operating revenue

Asset Sustainability Ratio

Net Asset Renewals	8,937,416	80%	124%	113%
Infrastructure & Asset Management Plan required expenditure	11,117,141			

Net asset renewals expenditure is defined as net capital expenditure on the renewal and replacement of existing assets, and excludes new capital expenditure on the acquisition of additional assets.

Financials

Notes to and forming part of the Financial Statements for the year ended 30 June 2022**Note 16 - Uniform Presentation of Finances****2022**
\$**2021**
\$

The following is a high level summary of both operating and capital investment activities of the Council prepared on a simplified Uniform Presentation Framework basis.

All Councils in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis. The arrangements ensure that all Councils provide a common 'core' of financial information, which enables meaningful comparisons of each Council's finances

Income	47,929,578	45,473,055
Expenses	45,284,090	(44,362,836)
	<u>2,645,487</u>	<u>1,110,219</u>
Net Outlays on Existing Assets		
	8,937,416	
Capital Expenditure on renewal and replacement of Existing Assets		(3,651,937)
Add back Depreciation, Amortisation and Impairment	10,765,876	9,968,299
Add back Proceeds from Sale of Replaced Assets	47,869	21,190
	<u>(1,876,329)</u>	<u>(6,337,552)</u>
Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets	7,215,601	11,507,490
Add back Amounts received specifically for New and Upgraded Assets	2,340,924	2,810,018
Add back Proceeds from Sale of Surplus Assets	1,909	25,659
	<u>4,872,768</u>	<u>8,671,813</u>
Net Lending / (Borrowing) for Financial Year	<u>(350,951)</u>	<u>(1,224,042)</u>

Financials

Note 17 - Leases

Lease payment commitments of Council

The Council leases a fleet motor vehicles and storage facilities while set up below are the carrying amounts of right-of-use assets recognised within Infrastructure, Property, Plant and Equipment and the movements during the period.

Right-of-use assets

	Buildings & Other Structures	Plant, Machinery and Equipment	Total
	\$	\$	\$
At 1 July 2021	1,095	39,694	40,789
Additions of right-of-use assets		192,028	192,028
Depreciation charge	(1,095)	(76,377)	(77,472)
At 30 June 2022	-	155,345	155,345
At 1 July 2020	13,147	128,405	141,552
Additions of right-of-use assets	-	8,218	8,218
Depreciation charge	(12,052)	(96,929)	(108,981)
At 30 June 2021	1,095	39,694	40,789

Leasing Liability

	Buildings & Other Structures	Plant, Machinery and Equipment	Total
	\$	\$	\$
As at 1 July 2021	-	40,543	40,543
Additions	-	192,028	192,028
Accretion of Interest	-	3304	3304
Payment	-	(79,069)	(79,069)
At 30 June 2022	-	156,807	156,807
Current	-	75,571	75,571
Non-Current	-	81,236	81,236

The maturity analysis of lease liabilities is included in Note 13

As at 1 July 2020	13,667	130,188	143,855
Additions	-	8,218	8,218
Accretion of Interest	-	1,607	1,607
Payment	(13,667)	(99,470)	(113,137)
At 30 June 2021	-	40,543	40,543
Current	-	33,469	33,469
Non-Current	-	7,074	7,074

Amounts recognised in profit or loss

	2022	2021
	\$	\$
Depreciation expense of right-of-use assets	77,472	108,981
Interest expense on lease liabilities	3,304	1,607
Expense relating to short term leases	60,073	25,103
Expense relating to leases of low-value assets	71,963	79,194
Total amount recognised in profit or loss	212,812	214,885

Financials

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

Note 18 - Superannuation

The Council makes employer superannuation contributions in respect of its employees to Statewide Super (formerly Local Government Superannuation Scheme). The Scheme has two types of membership, each of which is funded differently. Permanent and contract employees of the South Australian Local Government sector with Salarylink benefits prior to 24 November 2009 have the option to contribute to Marketlink and/or Salarylink. All other employees (including casuals) have all contributions allocated to Marketlink.

Marketlink (Accumulation Fund) Members

Marketlink receives both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of employee earnings in accordance with superannuation guarantee legislation (10% in 2021-2022; 9.5% in 2020-2021).

No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Salarylink (Defined Benefit Fund) Members

Salarylink is a defined benefit scheme where the benefit payable is based on a formula determined by the member's contribution rate, number of years of contribution and final average salary. The Council makes employer contributions to Salarylink as determined by the Scheme's Trustee based on advice from the Scheme's Actuary. The rate is currently 6.3% (6.3% in 2020-2021) of "superannuation" salary.

Given that Employer contributions are based on a fixed percentage of employee earnings in accordance with superannuation guarantee legislation, the Council makes a separate 3% for Salarylink members allocated to their Marketlink account. Employees also make member contributions to the Fund. As such, assets accumulate in the Fund to meet the member's benefits, as defined in the Trust Deed, as they accrue.

The Salarylink Plan is a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by employer, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided by AASB 119.32(b), the Council does not use defined benefit accounting for these contributions.

The most recent actuarial investigation was conducted by the Fund's actuary, Louise Campbell, FIAA, of Willie Towers Watson as at 30 June 2021. The Trustee has determined that the current funding arrangements are adequate for the expected Salarylink liabilities. However, future financial and economic circumstances may require changes to Council's contribution rates at some future time.

Contributions to Other Superannuation Schemes

The Council also makes contributions to other superannuation schemes selected by employees under the "choice of fund" legislation. All such schemes are of the accumulation type, where the superannuation benefits accruing to the employee are represented by their share of the net assets of the scheme, and no further liability attaches to the Council.

Financials

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

Note 19 - Joint Ventures and Associated Entities

2022

2021

All joint ventures and associated entities are required to prepare Annual Financial Statements that comply with the SA Local Government Model Financial Statements.

Highbury Landfill Authority Inc.

The City of Norwood Payneham & St Peters is a member Council of the Highbury Landfill Authority Inc. The other member Councils are the City of Burnside and the Corporation of the Town of Walkerville.

The Highbury Landfill Authority was established on 5 August 2004 by the member Councils.

The purpose of the Highbury Landfill Authority includes facilitation of the closure and post closure of the Highbury Landfill site as well as managing the joint venture interests and liabilities of the Councils in relation to the site.

On 31 December 2004, the property known as the Highbury Landfill site was transferred from East Waste to Highbury Landfill Authority Inc.

Council's respective interests are:

- interest in outputs of the joint operation	40.4%	40.4%
- ownership interest in the joint operation	40.4%	40.4%
- the proportion of voting power in the joint operation	40.4%	40.4%

Movements in Investment in Joint Operation

	\$	\$
Opening Balance	(1,164,264)	(1,396,500)
New Capital Contributions	80,714	80,714
Share in Operating Result	179,445	151,522
Share in Equity of Joint Operation	(904,105)	(1,164,264)

Contingent Liabilities

Each member of the operation is jointly and severally liable for the debts of the operation

- arising from joint and several liability of all members	0	300,000
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Financials

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

Note 19 continued Joint Ventures and Associated Entities

2022

2021

Eastern Waste Management Authority Inc.

The City of Norwood Payneham & St Peters is a member Council of the Eastern Waste Management Authority. The other member Councils are The City of Burnside, The Corporation of the Town of Walkerville, The City of Mitcham, The City of Campbelltown The City of Prospect and Adelaide Hills Council.

The Authority collects and disposes of each Council's waste streams.

Council's respective interests are:

- interest in outputs of the joint operation	14.3%	14.3%
- ownership interest in the joint operation	14.3%	14.3%
- the proportion of voting power in the joint operation	14.3%	14.3%

Movements in Investment in Joint Operation

	\$	\$
Opening Balance	174,324	137,853
Share in Operating Result	(52,764)	36,471
Share in Other Comprehensive Income	-	-
Share in Equity of Joint Operation	121,560	174,324

Expenditure Commitments

Expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities. With the Adoption of AASB 16 Lease commitments are now recognised in the financial statements.

The East Waste Management Authority Inc. does have an expenditure commitment which at the reporting date totalled \$2.02 million

Financials

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

Note 19 continued Joint Ventures and Associated Entities

2022

2021

Eastern Health Authority Inc.

The City of Norwood Payneham & St Peters is a member Council of Eastern Health Authority. The other member Councils are the Cities of Burnside, Campbelltown, and Prospect and the Corporation of the Town of Walkerville.

The Authority provides health services to member Councils.

Council's respective interests are:

- interest in outputs of the joint operation	31.27%	32.18%
- ownership interest in the joint operation	31.27%	32.18%
- the proportion of voting power in the joint operation	31.27%	32.18%

Movements in Investment in Joint Operation

	\$	\$
Opening Balance	181,904	147,436
Share in Operating Result	(4,277)	29,081
Adjustment to Equity Share	(5,125)	5,338
Share in Equity of Joint Operation	172,503	181,905

Expenditure Commitments

Expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities. With the Adoption of AASB 16 Lease commitments are now recognised in the financial statements.

ERA Water

The City of Norwood, Payneham and St Peters is a member Council of ERA Water. The other member Councils are the City of Burnside and the Corporation of the Town of Walkerville.

ERA Water is responsible for managing the Waterproofing Eastern Adelaide project involved the establishment of wetland bio filters, aquifer recharge and recovery, pipeline installations and water storage facilities. ERA Water supplies non-potable water to the Member Council's for the irrigation of the Member Council's parks and reserves. ERA Water may also supply water to external customers such as schools and other Councils for the irrigation of parks and reserves.

Council's respective interests are:

- interest in outputs of the joint operation	33.33%	33.33%
- ownership interest in the joint operation	33.33%	33.33%
- the proportion of voting power in the joint operation	33.33%	33.33%

Movements in Investment in Joint Operation

	\$	\$
Opening Balance	1,850,806	2,178,008
Share in Operating Result	(214,176)	(327,202)
Share in Equity of Joint Operation	1,636,630	1,850,806

Financials

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

Note 20 - Assets and Liabilities not recognised

The following assets and liabilities do not qualify for recognition in the Balance Sheet but knowledge of those items is considered relevant to user of the financial report in making and evaluating decisions about the allocation of scarce resources.

Land under Roads

As reported elsewhere in these Statements, the Council is of the opinion that it is not possible to attribute a value sufficiently reliably for these assets to qualify for recognition, and accordingly land under roads has not been recognised in these reports. Land acquired for road purposes during the year is initially recognised at cost, but transferred to fair value at reporting date, effectively writing off the expenditure.

At reporting date, the Council controlled 171 km of road reserves of average width 14 metres.

Potential Insurance Losses

The Council is a multi-purpose organisation providing a large range of building, parks infrastructure, playgrounds and other facilities accessible to the public. At the reporting date, there were no claims made against Council that remain unsettled. The Council insures against all known insurable risks using a range of insurance policies, each of which is subject to a deductible "insurance excess", the amount of which varies according to the class of insurance. At the reporting date, there were no claims made by the Council that remain unsettled.

Legal Expenses

The Council is the Planning Consent Authority for its area under the *Development Act 1993* (as amended). Pursuant to that Act, certain persons aggrieved by a planning decision of the Council may appeal. It is normal practice that parties bear their own legal costs. All known costs have been recognised, but the amount of further costs cannot be known until the appeals are determined.

Note 21 - Events Occurring After Reporting Date

Consistent with disclosures under AASB 110 - Events after Balance Date, there were no events subsequent to 30 June 2022 that need to be disclosed in the financial statement.

Note 22 – Related Party Disclosures

The Related Parties (Key Management Personnel) of the City of Norwood Payneham & St Peters include the Mayor, Councillors, Chief Executive Officer, and certain prescribed officers pursuant to 112 of the *Local Government Act 1999*.

In all, 27 persons were paid the following total compensation:

	2022	2021
	\$	\$
Salaries, allowances & other short term benefits	1,288,958	1,311,035
Post-employment benefits	91,919	86,770
Long term benefits	-	-
Total Compensation Paid	1,380,878	1,397,805

Amounts paid as direct reimbursement of expenses incurred on behalf of Council have not been included above

No key management personnel or parties related to them had any transactions during the year on terms more favourable than those available to the general public.

Financials

STATEMENT OF AUDITOR INDEPENDENCE

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of the City of Norwood Payneham and St Peters for the year ended 30 June 2022 the Council's Auditor, BDO, has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22(3) *Local Government (Financial Management) Regulations 2011*.

Mario Barone

CHIEF EXECUTIVE OFFICER

John Minney

PRESIDING MEMBER
AUDIT COMMITTEE

Dated 26 October 2021

Financials

CERTIFICATION OF AUDITORS INDEPENDENCE

Attachment B

Annual Financial Statements for Year End 30 June 2022

City of Norwood Payneham & St Peters
175 The Parade, Norwood SA 5067

Telephone 8366 4555
Facsimile 8332 6338
Email townhall@npsp.sa.gov.au
Website www.npsp.sa.gov.au



City of
Norwood
Payneham
& St Peters

Significant Accounting Policies

The following provides a summary of the significant accounting policies adopted in the preparation of 2021-2022 Financial Statements to assist Audit Committee Members in understanding the basis of preparation of the Financial Statements submitted to the Council for adoption.

Audit Committee Members are also referred to the respective accounting policy in Note 1 to the Financial Statements.

Local Government Act 1999

Under Section 127 of the *Local Government Act 1999* (the Act), the Council must prepare Annual Financial Statements in accordance with the *Local Government (Financial Management) Regulations 2011* (the Regulations).

Section 13 of the Regulations requires the Financial Statements of the Council to be prepared in accordance with the requirements set out in the Model Financial Statements.

The City of Norwood, Payneham & St Peters has prepared the Annual Financial Statements in accordance with the Coalface Model Financial Statements.

Section 126 (4) (a) of the Act requires the functions of an Audit Committee to include reviewing Annual Financial Statements to ensure that they present fairly the state of affairs of the Council.

Accounting Standards

Section 8 of The Regulations requires that unless otherwise specified by the regulations, the Council must ensure that all accounting records, accounts and financial statements are prepared and maintained in accordance with all relevant Australian Accounting Standards.

The 2021-2022 Financial Report has been prepared in accordance with Australian Accounting Standards as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and relevant South Australian legislation.

Carrying Value of Non-Current Assets

The overriding requirement for all non-current assets is that they be reviewed to determine whether the carrying amount is in excess of the recoverable amount at balance date. In line with the Council's Impairment Policy and Asset Capitalisation Policy, the carrying value and useful lives have been reviewed to ensure that the carrying amount is in excess of the recoverable amount.

Given the valuation is made on a going concern basis; the recoverable amount is determined by the future net cash inflows generated by an asset.

In the case of the Non-Current Assets held by the Council, the net cash inflows relevant to the determination of recoverable amount are determined from the grouping of these assets working together. It is not necessarily appropriate to isolate individual assets within that group and identify the expected net cash inflows applicable to each of them.

Recoverable amount is therefore determined on the basis of the total group of assets using future net profits of existing operations as an estimate of future net cash inflows.

Land, Buildings and Other structures

Land and Buildings assets are independently valued every five (5) years. In the interim years, the asset values are indexed based on the annual average movement in value of like assets.

In 2021-2022, a review and update of replacement cost has been undertaken by the Council based on the annual average movement in value of like assets. Accordingly, Land and Building assets were indexed by 13.5% and 4.7% respectively

Open Space Assets

The Councils open space assets were independently condition assessed by Tonkin Consulting as at 1 July 2021 and yet finalised. The basis of valuation adopted was written down replacement cost. All acquisitions made after the respective dates of valuation are recorded at cost. Accordingly, total replacement value, total economic working life and residual economic working life were reliably established for each asset. In the interim years, the Council annually assesses and where appropriate revises unit costs based on the independent assessment of those rates. The last review of the unit costs was undertaken as at 1 July 2021.

Road Infrastructure (Roads, Kerbing & Footpaths)

Road Infrastructure assets are independently condition assessed every five (5) years. An independent condition assessment was undertaken as at 1 July 2018 by Tonkin Consulting. In the interim years, the Council annually assesses and where appropriate revises unit costs based on the independent assessment of those rates. The last review of the unit costs was undertaken as at 1 July 2021.

The basis of valuation is written down current replacement cost. All acquisitions made after the respective dates of valuation are recorded at cost. The basis of valuation is written down current replacement cost. All acquisitions made after the respective dates of valuation are recorded at cost.

Linear Park

Linear Park assets are independently condition assessed every five (5) years. An independent condition assessment was undertaken as at 1 July 2018 by Tonkin Consulting. In the interim years, the Council annually assesses and where appropriate revises unit costs based on the independent assessment of those rates. The last review of the unit costs was undertaken as at 1 July 2021.

The basis of valuation is written down current replacement cost. All acquisitions made after the respective dates of valuation are recorded at cost.

Stormwater Drainage

Stormwater Drainage assets are independently condition assessed every five (5) years. An independent condition assessment was undertaken as at 1 July 2020 by Tonkin Consulting. In the interim years, the Council annually assesses and where appropriate revises unit costs based on the independent assessment of those rates. The last review of the unit costs was undertaken as at 1 July 2021.

The basis of valuation is written down current replacement cost. All acquisitions made after the respective dates of valuation are recorded at cost.

Off Roads Carparks

Off Roads Carparks assets are independently condition assessed every five (5) years. An independent condition assessment was undertaken as at 1 July 2018 by Tonkin Consulting. In the interim years, the Council annually assesses and where appropriate revises unit costs based on the independent assessment of those rates. The last review of the unit costs was undertaken as at 1 July 2021.

The basis of valuation is written down current replacement cost. All acquisitions made after the respective dates of valuation are recorded at cost.

Traffic Control Devices

Traffic Control Devices assets are independently condition assessed every five (5) years. An independent condition assessment was undertaken as at 1 July 2018 by Tonkin Consulting. In the interim years, the Council annually assesses and where appropriate revises unit costs based on the independent assessment of those rates. The last review of the unit costs was undertaken as at 1 July 2021.

The basis of valuation is written down current replacement cost. All acquisitions made after the respective dates of valuation are recorded at cost.

Investments in Joint Ventures and Associates

The City of Norwood, Payneham & St Peters is a member Council of:

Highbury Landfill Authority Inc.	40.36% share
Eastern Waste Management Authority Inc.	14.29% share
Eastern Health Authority Inc.	31.27% share
ERA Water	33.33% share

The Council accounts for its interest in Joint Ventures and Associates in accordance with AASB 128 – Investment in Associates, with the full details disclosed in Note 19 to the Financial Statements.

Related Party Transactions

The Related Parties (Key Management Personnel) of the City of Norwood Payneham & St Peters include the Mayor, Councillors, Chief Executive Officer, and certain prescribed officers pursuant to 112 of the *Local Government Act 1999*, in all 27 persons.

With the exception of salaries, allowances and other entitlements, there were no other related party transactions.

Attachment C

Annual Financial Statements for Year End 30 June 2022

City of Norwood Payneham & St Peters
175 The Parade, Norwood SA 5067

Telephone 8366 4555
Facsimile 8332 6338
Email townhall@npsp.sa.gov.au
Website www.npsp.sa.gov.au



City of
Norwood
Payneham
& St Peters

MANAGEMENT QUESTIONNAIRE

We complete this questionnaire to the best of our knowledge and belief, having regard to materiality, and after having made enquiries of relevant Council officers (where appropriate).

Signed:



Name: Sharon Perkins

Position: General Manager, Corporate & Community Services

Dated 13 / 10 / 2022



Andrew Alderson

Financial Services Manager

13 / 10 / 2022

Reporting to Audit Committee Members:

Question	Answer	Comments
Has a review of the City of Norwood Payneham & St Peters operations and the results of those operations been provided for consideration?	Y	Refer to Supporting Report – 2021-2022 Annual Financial Statement
Are there any significant changes in the state of affairs of the City of Norwood Payneham & St Peters that occurred during the financial year and have those particulars been disclosed? Provide details of any non-disclosure.	N	
Have the details of any likely developments in the operations of the City of Norwood Payneham & St Peters and the expected results of those operations in subsequent financial years been provided for consideration?	N	No information on likely developments are known that will significantly impact future years
Have the principal activities of the City of Norwood Payneham & St Peters, and any significant change in their nature in the course of the financial year, been stated?	N	No significant changes have occurred
Have the results of the City of Norwood Payneham & St Peters been substantially affected during the financial year by any item, transaction or event of a material and unusual nature?	N	
Have all Elected Members' remuneration been disclosed in the accounts?	Y	The aggregate value of Elected Member allowances are disclosed in Note 3 and Note 22 to the Accounts

Financial Statements:		
Question	Answer	Comments
Are you in a position to declare that the accounts of the City of Norwood Payneham & St Peters are drawn up so as to give a true and fair view of:		
(i) state of affairs at 30 June 2022?	Y	
(ii) cash flow statement for the year ended 30 June 2022?	Y	
Are there any matters in the accounts, which in your opinion should be brought to the notice of the Elected Members when it is dealing with the annual accounts?	Y	Refer to Paper on Attachment B: Significant Accounting Policies supporting the Annual Financial Statements 2021-2022 report.
Has the City of Norwood Payneham & St Peters kept accounting records, which correctly record and explain the transactions and financial position of the City of Norwood, Payneham & St Peters, in such a manner as to enable true and fair accounts to be prepared and thus enable the accounts to be efficiently and effectively audited?	Y	
Have there been any changes in accounting policies or principles or methods during the year?	N	
Having regard to the requirements of AASB 116 'Property Plant and Equipment' have steps been taken to ensure that individual assets have been written down to their recoverable amount?	Y	General review conducted as part of year-end accounts preparation. Refer to Paper on Significant Accounting Policies
Do the accounts comply with the accounting standards laid down by the accounting bodies? If not, give details.	Y	The City of Norwood Payneham & St Peters adopts the Model Financial Statements as required by the <i>Local Government Act 1999</i>
Have all disclosure requirements been reflected in the accounts?	Y	
As far as you are aware, are any additional disclosure required relating to a benefit by reason of a contract made by the City of Norwood Payneham & St Peters or related Council with any Elected Member, with a firm of which the Elected Member is a member or with a Council in which the Elected Member has a substantial financial interest?	N	Related Party Transactions with Key Management Personnel (which include Elected Members) have been disclosed in Note 22 of the Annual Financial Statements

Financial Statements: (cont.)		
Question	Answer	Comments
Is there shown in the Statement of Financial Position and related notes, the corresponding amounts for the immediately preceding financial year?	Y	
Is there shown in the Statement of Comprehensive Income and related notes, the corresponding amounts for the immediately preceding corresponding period?	Y	
Has there been consistency in the classification of all items contained within the financial statement? If not, what changes have occurred?	Y	
Events Subsequent to Balance Date:		
Question	Answer	Comments
Have any circumstances arisen after the financial year, which render the amount written off for bad debts or the amount of the provision for doubtful debts at balance date inadequate?	N	
Have any circumstances arisen after the financial year-end, which render the values attributed to the current assets or any other amount shown in the accounts misleading?	N	
Has there arisen any item, transaction, or event of a material and unusual nature likely to affect substantially the results of the operations of the next succeeding financial year?	N	
Since balance date have any events occurred which though properly excluded from the accounts are of such importance that they need to be disclosed.	N	

Income Tax:		
Question	Answer	Comments
Have the recognised procedures for tax effect accounting been observed?	N/A	The City of Norwood Payneham & St Peters is not subject to income tax
Have the external auditors had access to the appropriate information to verify the amount included for income tax expense, provision for taxation and related future tax assets and liabilities?	N/A	As above
Is a note included in the financial statements showing a breakup of income tax expense into that attributable to the current financial period, and any amount that is attributable to any other periods of time?	N/A	As above
Do the financial statements disclose, if material:	N/A	As above
(a) the amounts of any Deferred tax liabilities or Deferred Tax?		
(b) the amount of the deferred tax assets relating to tax losses and the conditions under which those losses will be recouped?		
(c) the potential benefit of tax losses not recognised as deferred tax assets?		
Are the deferred tax assets in relation to timing differences only carried forward as an asset where realisation of the benefit can be regarded as being assured beyond any reasonable doubt?	N/A	As above
Current Assets:		
Question	Answer	Comments
Are there any current assets, which are unlikely to realise in the ordinary course of business their value, recorded in the balance sheet?	N	
If so, what further amount should be written-off or provided for?		
Are you satisfied that there are no circumstances rendering misleading the value attributed to any current assets in the accounts?	Y	
Are you satisfied that the provision for doubtful debts covers fully any amounts likely to be irrecoverable and not already written-off?	Y	In line with the Council's Credit Policy, a provision for doubtful debt has been allowed for against accounts receivable for amount owing greater than 150 days.

Non-Current Assets:		
Question	Answer	Comments
Do the financial statements disclose the following matters in relation to a class of assets comprising non-current assets, inventories or investments:		Refer to Significant Accounting Policies Paper (Attachment B) and Note 7 to the Financial Statements
1. The basis of valuation	Y	
2. Whether it was an Internal or an independent valuation	Y	Refer to Significant Accounting Policies Paper (Attachment B).
3. If this is the first time the valuation appears as a note to the balance sheet the name of the person who made that valuation	N/A	
4. Have these details been appropriately recorded on the Asset Register?	Y	
Are the remaining lives shown for all fixed assets considered reasonable?	Y	
Does the amount charged to fixed assets represent all expenditure on actual capital additions?	Y	
Has all construction (work) in progress been reviewed, and those material assets that are physically completed been capitalised and included in the fixed asset register?	Y	
Have all disposals and scrapping of fixed assets been recorded in the books?	Y	Refer to Note 4 and 7 to the Financial Statements.
Has the accounting treatment specified by AASB 116 on acquisition of assets been applied during the year (i.e., the cost of acquisition shall be recorded as the purchase consideration plus incidental costs as at the date of acquisition)?	Y	
Has the assets and depreciation register been properly kept?	Y	
Are adequate checks maintained for monitoring capital costs against levels of approvals granted for the projects?	Y	Budget reviews undertaken three (3) times per year
Are there any circumstances existing at the date of the accounts which would make it appropriate to consider any special provision regarding the value of existing fixed assets? If so, specify the circumstances.	N	
Are non-current assets shown in the books of the Council at an amount which, having regard to its value to the Council as a going concern, exceeds the amount which it would have been reasonable for the Council to spend to acquire that asset as at the end of the financial year.	N	
If so, is adequate provision for writing down any such non-current asset made in the financial statements, or is there included in the financial statements such information and explanations as will prevent the financial statements from being misleading by reason of the amount of overstatement of that asset?	N/A	

Depreciation:		
Question	Answer	Comments
Are all non-current assets (including all buildings except investment properties) being depreciated to their recoverable value at the end of their estimated useful lives.	Y	
Are estimated useful lives and depreciation rates reviewed annually?	Y	
Do the financial statements disclose:		
Accumulated depreciation deducted from each class of assets?	Y	
Any material increase or decrease in depreciation arising from a reassessment of useful lives?	N/A	
Intangible Assets:		
Question	Answer	Comments
What such assets appear in the balance sheet?	N/A	
What is the basis for their valuation?	N/A	
Are the values shown reasonable?	N/A	
Liabilities:		
Question	Answer	Comments
Have all liabilities and guarantees, ascertained or contingent, been properly recorded in the balance sheet or referred to in the notes to the accounts.	Y	
Are there any liabilities, contingent or otherwise, which will become enforceable within 12 months of the end of the financial year which may affect the City of Norwood Payneham & St Peters ability to meet its obligations?	N	
Is the going concern concept still appropriate?	Y	
As regards lease commitments and liabilities have the financial statements been prepared in accordance with Australian Accounting Standards AASB 16.	Y	Refer to note 17 in the City of Norwood Payneham & St Peters financial statements for lease commitments relating to motor vehicles & storage facilities. Computer equipment leases were treated as low value lease payments.
Are there any income tax assessments still under review by the tax authorities? If so have all possible liabilities been provided for?	N/A	The City of Norward Payneham & St Peters is not subject to income tax

Liabilities:		
Question	Answer	Comments
Has adequate provision been made in the accounts for:		
1. Any legal action taken or pending against the City of Norwood, Payneham & St Peters?	Y	There is no material legal action is being taken or pending against the Council
2. Claims outstanding against the City of Norwood, Payneham & St Peters.	Y	There are no claims outstanding against the Council
3. Long Service Leave and Annual Leave?	Y	
Is any provisions surplus to requirements?	N	
Have any of the assets of the City of Norwood Payneham & St Peters been changed since the end of the financial year to secure the liabilities of another person?	N	
Are there any guarantees in favour of other persons?	N	
Has any contingent liability arisen in the City of Norwood Payneham & St Peters since the end of the financial year? If so, state details.	N	
Have all contractual commitments for capital expenditure at balance date been disclosed in the notes to the accounts?	Y	Refer to Note 14 to the Financial Statements. Capital Commitments predominately relate to Contracts signed in relation to the delivery of Norwood Oval Members & Women's Facilities
At the date of this enquiry are there reasonable grounds to believe that the Council will be able to pay its debts as and when they fall due?	Y	

Statement of Cash Flow:		
Question	Answer	Comments
Has a Statement of Cash Flow been prepared in accordance with AASB 107?	Y	
Does the statement disclose:		
The policy adopted for determining which items are classified as cash?	Y	
Cash inflows and cash outflows separately disclosed on a gross basis except in certain circumstances where net flows may be reported?	Y	
Cash flows classified so as to provide users with relevant information about the operating and other activities of the entity. The suggested categories for classification re "operating", "financing", and "investing"?	Y	
Cash balances at the beginning and end of the financial year, and reconciled to the related items in the balance sheet?	Y	
The following cash flows which are separately identified, regardless of their classification:		
1. Interest and other items of a similar nature received;	Y	
2. Interest and other costs of finance paid?	Y	
3. Distributions received from associated entities	Y	
4. Capital contributed to associated entities	Y	
Does the statement disclose:		
A reconciliation of cash flows from operating activities to the operating result?	Y	
The cash flow effect and other information in relation to entities acquired and disposed of during the period?	N/A	
Remuneration of Auditors:		
Question	Answer	Comments
Do the financial statements include a note disclosing the aggregate of the remuneration received, or due and receivable by the external auditors of the Council in connection with:		
• auditing the financial statements of the Council?	Y	
• any other services provided by the auditors to the Council?	N/A	The Council's External Auditors have not been engaged during the year to undertake any non-audit services.

Management Declarations:		
Question	Answer	Comments
In summary, to the best of our knowledge and belief:		
• the financial report and notes thereto comply with accounting standards as disclosed in Note 1 to the financial statements	Y	
• the financial report and notes thereto give a true and fair view of the financial position and performance of the Council	Y	
• the attached report and notes thereto are in accordance with the <i>Local Government Act 1999</i>	Y	
• there are reasonable grounds to believe that the Council will be able to pay its debts as and when they become due and payable	Y	

6.3 LONG-TERM FINANCIAL PLAN

REPORT AUTHOR: General Manager, Corporate & Community Services
GENERAL MANAGER: Chief Executive Officer
CONTACT NUMBER: 8366 4585
FILE REFERENCE: qA1826/A499469
ATTACHMENTS: A

PURPOSE OF REPORT

The purpose of this report is to provide the Audit Committee an update on the financial impact of the 2022-2023 Annual Budget on the financial forecasts set out in the Council's Long-term Financial Plan (LTFP).

BACKGROUND

Section 122 of the *Local Government Act 1999* ("the Act"), requires the Council to prepare a Long-Term Financial Plan for a period of at least ten (10) years. In addition, the Council must undertake a review of the Long-Term Financial Plan as soon as practicable after adopting the Council's Annual Business Plan for a particular financial year.

In addition, pursuant to Section 122 (4) of the Act, the Council must undertake a comprehensive review of its Strategic Management Plans (which incorporates the Long-Term Financial Plan), within two (2) years after each Local Government General Election.

Where a Council undertakes a review of its Strategic Management Plans, the Council must adopt a process or processes, to ensure that members of the public are given a reasonable opportunity to be involved in the development and review of its Strategic Management Plans.

The 2021-2031 Long-Term Financial Plan was adopted by the Council on 18 January 2021. At its meeting held on 25 July 2021, the Audit Committee considered and endorsed an update of the financial projections set out in the LTFP based on the 2021-2022 Budget.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

The Council's Strategic Management Plan, *CityPlan 2030: Shaping our Future*, provides the framework upon which the Council's Strategic Management Plans are developed. The Council's suite of Strategic Management Plans comprises *CityPlan 2030: Shaping the Future*, the LTFP, the Infrastructure and Asset Management Plans and the Annual Business Plan and Budget.

The LTFP is the primary financial management tool which links all of the Councils' Strategic Management Plans, *City Plan 2030*, Whole of Life Asset Management Plans and the Annual Business Plan and Budget and the Social Development Framework.

FINANCIAL AND BUDGET IMPLICATIONS

The financial projections contained within the LTFP, are designed to provide an indication of the Council's direction and financial capacity, rather than predicting the future financial performance and position of the Council. The LTFP should be viewed as a guide to future actions or opportunities which encourages the Council to consider the future impact of decisions which are made on the Council's long-term financial sustainability. To this end, reference should be made each year to the LTFP when preparing the Annual Business Plan and Budget, to ensure that the broad financial outcomes of the Council are achieved.

EXTERNAL ECONOMIC IMPLICATIONS

This report provides information on the financial projections of the Council for the 10-year period from 2021-2022 through to 2030-2031. The financial projections are based on a set of assumptions, some of which are based on external economic indicators relating to wages growth and cost increases. Should the assumptions regarding the economic indicators not come true, the financial outcomes set out in the projections may not be delivered.

SOCIAL ISSUES

Nil.

CULTURAL ISSUES

Nil.

ENVIRONMENTAL ISSUES

Nil.

RESOURCE ISSUES

Nil.

RISK MANAGEMENT

Nil.

COVID-19 IMPLICATIONS

Nil.

CONSULTATION

- **Elected Members**

Through the various resolutions passed during the preparation of the 2022-2023 Annual Business Plan and Budget, Elected Members have contributed to the review of the financial projections set out in the LTFP.

- **Committee Members**

Committee Members considered the 2022-2023 Annual Business Plan and Budget at meetings held on 28 February 2022 and 28 March 2022 and 25 May 2022.

- **Community**

Pursuant to Section 122 (6) of the Act, the Council must adopt processes to ensure that members of the public have reasonable opportunity in the development or review of its strategic management plans however, given this review has been limited to the review of the financial projections only, as opposed to a review of the strategic objectives set out in the LTFP, a formal community consultation process is not recommended.

Members of the public were provided opportunity to provide feedback and comments on the 2022-2023 Annual Business Plan and Budget.

- **Staff**

Staff via the development of the 2022-2023 Budget have contributed to the review of the financial projections set out in the LTFP.

- **Other Agencies**

Not applicable

DISCUSSION

Pursuant to Section 122 (4) of the *Local Government Act 1999* ("the Act"), the Council is required to undertake a review of the Long-term Financial Plan on an annual basis. The annual review is undertaken following the adoption of the Council's current Annual Business Plan and Budget. The Council adopted the 2022-2023 Annual Business Plan and Budget on 4 July 2022. In considering the 2022-2023 Annual Business Plan and Budget, the Council considered the impact of the decisions made when preparing the Annual Business Plan and Annual Budget on the LTFP, to ensure that the broad financial outcomes of the Council are continuing to be achieved.

In reviewing the LTFP, the broad underlying principles adopted in preparing the 2021-2031 Long-Term Financial Plan have been maintained however, the following assumptions have been reviewed and updated.

Local Government Price Index (LGPI) and Consumer Price Index (CPI).

The financial projections set out in the 2021-2031 Long-term Financial Plan adopted in January 2021 and updated in July 2021, were based on the ten-year average of the LGPI and CPI. Given the current economic conditions, with high inflation, the financial projections assume a higher-than-average LGPI and CPI for the next three (3) years before returning to the Reserve Bank preferred band-width of between 2% and 3%.

The LGPI and CPI assumptions are used to index operating and capital expenditure and forms the base position of the proposed Rate revenue increases.

Wages Growth

The Council is currently re-negotiating the Enterprise Agreement for staff covered by the Municipal Officers Award. Given the current economic and labour market conditions, it is anticipated that the final negotiated position will be higher than the increase of 2% used in the adopted LTFP. Like the cost escalation, the wage indexation has been increased to reflect and increased percentage over the first three (3) years, then gradually reducing to come in-line with CPI.

The financial projections, contained in **Attachment A**, have been updated for the impact of the closing financial position as a 30 June 2022 and the adoption of the 2022-2023 Budget and the review of the assumptions as set out in this report.

Financial Projections

The financial projections contained in the LTFP, seek to achieve the following objective;

A City which delivers on its Strategic Outcomes by managing our financial resources in a sustainable and equitable manner.

The Council's long-term sustainability is dependent upon ensuring that, on average over time, the operating expenses are less than the projected revenues and that there is sufficient cash generated from the operating activities to meet the financial commitments required to meet asset renewal needs and the repayment of financing commitments.

Intergenerational equity is primarily achieved by funding the cost of renewing and replacing assets through revenue sources, including rates. This means the cost of replacing assets which benefit existing and future ratepayers, are being funded by those ratepayers.

The financial projections contained within the LTFP, are meant to provide an indication of the Council's direction and financial capacity rather than predicting the future financial performance and position of the Council.

The delivery of the Councils financial objective is measured against the achievement of four financial outcomes.

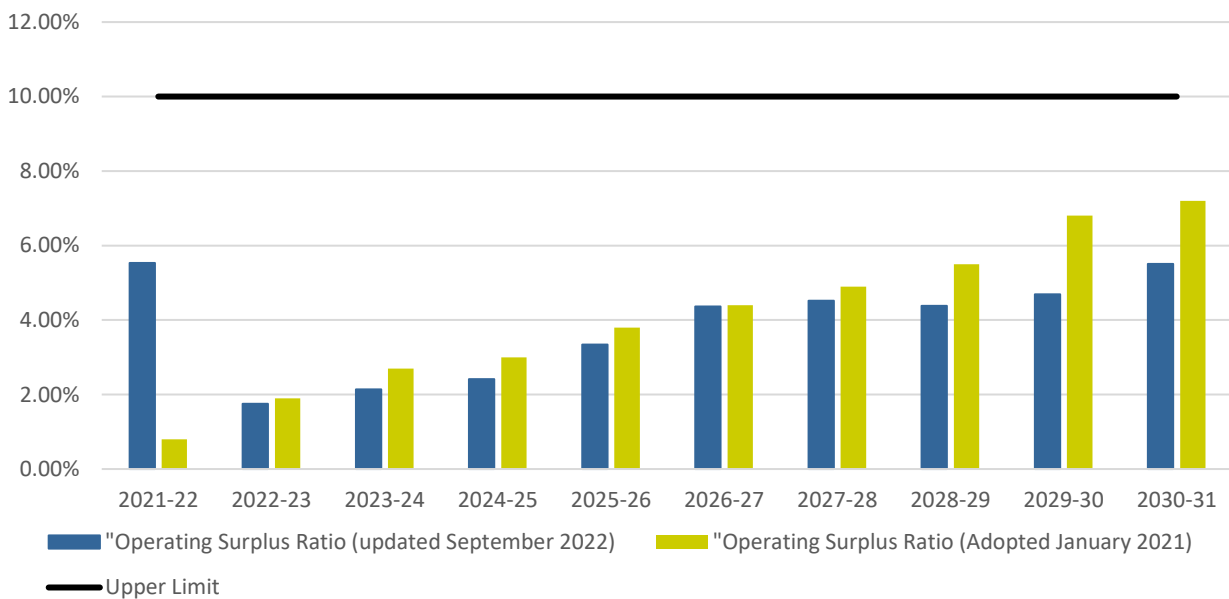
Outcome 1: A Balanced Budget

Council’s services and programs, including depreciation of infrastructure and assets, is fully funded and the costs are shared equitably between current and future ratepayers

Achievement of this objective is measured by the *Operating Surplus Ratio*, which measures the extent that income from all sources meets the day-to-day operational costs and have income available for capital funding and other purposes. The target has been set at between 0% and 10%.

As illustrated in Figure 1 below, the revised financial projections are forecasting a reduction in the forecast Operating Surplus compared to the Plan adopted in January 2021. The decrease is driven by the increase in the cost escalation factors for the period from 2023-2024 through to 2025-2026 and a reduction in the annual rate revenue increases. These negative impacts have been offset by the anticipated improvement in the Operating Result, following the redevelopment of the Payneham Memorial Swimming Centre, which is scheduled to be completed for the commencement of the 2024-2025 Swimming Season.

Figure 1: Operating Surplus Ratio



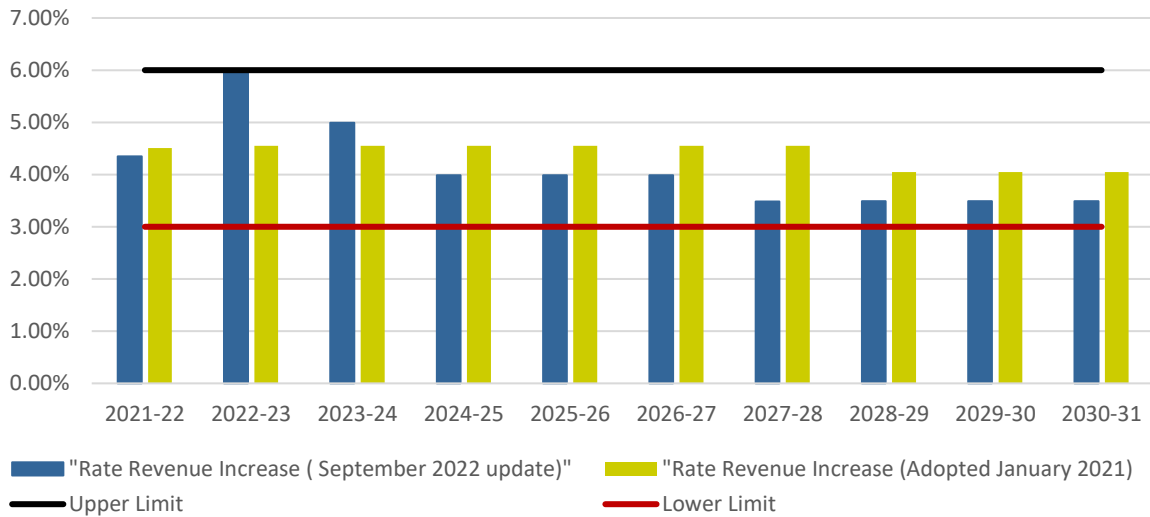
Outcome 2: Rate Stability

Annual rate collections are fair and equitable for our residents and ratepayers with the aim to keep rate revenue increase stable over the medium term

A number of factors impact on the annual rate increase which is adopted by the Council each year. Such factors include new property development, general valuation growth, general cost increases and the service level changes resulting from asset upgrades and new services, programs and activities.

The target has been set at Rate Revenue increases to be set between 3% and 6%. As Committee Members may recall, the basis for determining rate revenue increase is the ten year average of the Local Government Price Index (LGPI), growth in new assessments and a factor for the future financial impacts of new and upgraded infrastructure investment. The revised financial projections reflect the adjustments to the LGPI.

Figure 2: Rate Revenue Increase



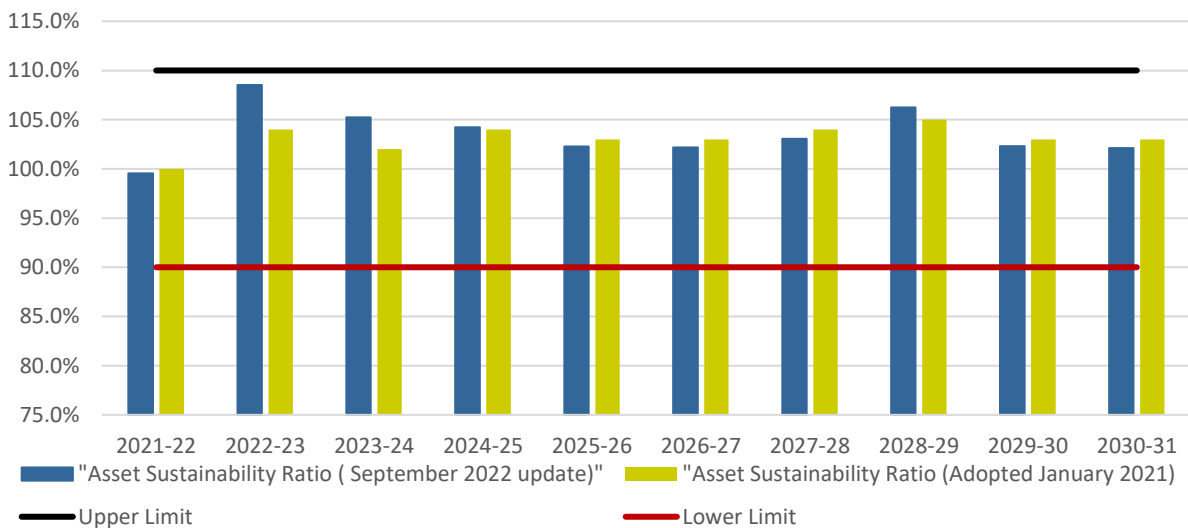
Outcome 3: Infrastructure and Asset Management

Maintain Infrastructure and Assets in line Council’s Whole-of-Life Infrastructure Framework to achieve the outcomes and objectives, as set out in City Plan 2030

Achievement of this objective is measured by the Asset Sustainability Ratio, which measures whether the Council is renewing or replacing existing physical assets (roads, footpaths, buildings etc.) at the rate it has set out in its Infrastructure and Asset Management Plans. It is recognised that given Asset Management Plans are developed for a 10-year period and like the LTFP periodically reviewed, renewal expenditure may be accelerated or deferred from one year to the next, and as such the target has been set at between 90% and 110% over a rolling five-year average.

The revised financial projections are based on the Asset Management Plans which have been adopted by the Council. The 2022-2023 ratio, includes unspent funds carried forward from 2021-2022. In addition, the adopted LTFP was based on a constant spend on Building renewal spend, whereas the adopted Asset Management Plan, while being based on the same level of spend over the ten year period, the annual proposed spend was more variable across the life of the adopted Asset Management Plan.

Figure 3: Asset Sustainability Ratio



Outcome 4: Debt Management

Prudent use of debt to invest in new long-term assets to ensure intergenerational equity between current and future users

Managing debt is critical for the financial 'health' of the Council. If debt levels become too high, interest and principal loan repayments obligations will limit the capacity of the Council to invest in assets and services. Future investment in new and upgrade infrastructure and assets must be undertaken in a measured approach to ensure that the Council has the financial capacity to meet its current and on-going financial commitments and that intergenerational equity is maintained, as debt that is too high may lead to future generations paying for benefits that are received today.

Achievement of this objective is measured by the Net Financial Liabilities Ratio, which measures the level of debt being managed by the Council as a percentage of total revenue. The lower the ratio, the greater financial capacity the Council has to meet its future investment needs through the use of debt. The long-term target which has been set by the Council is less than 75% of total revenue, however it is recognised that in some circumstances it may be appropriate for the ratio to exceed this target, if the Council is committed to sound financial strategies, which take into account all four (4) of its financial outcomes.

Financial Sustainability is dependent on the Council's ability to not only meet its operational costs but also have sufficient cash and financial resources to meet its debt management needs. As such, the Council measures its debt servicing ratio, which measures interest and loan repayments as a percentage of Rate Revenue. The target has been set at 15% of rate revenue.

As detailed in Figure 4 and Figure 5 below, there has been a projected improvement in both the Debt Management Indicators. The main factor behind the improvement is the 2021-2022 closing cash position and a reduction in total borrowings over the remaining life of the Plan, as the Council has been successful in securing Grant funding for a number of Strategic Projects, in particular the \$9.9 million of grant funding for the Trinity Valley Stormwater Drainage Project.

Figure 4: Net Financial Liabilities

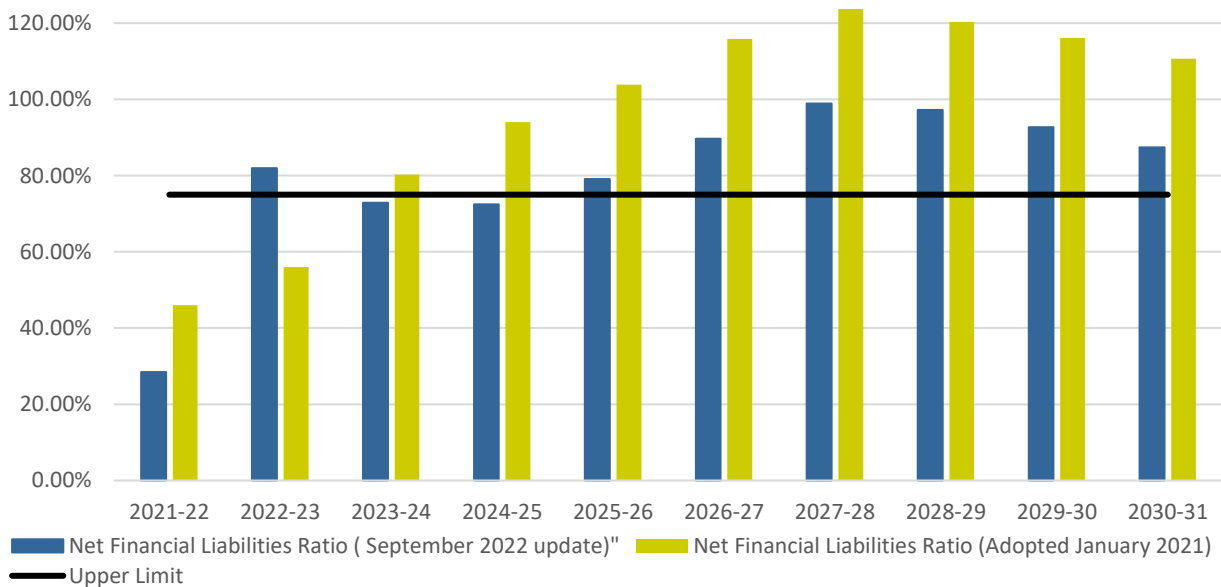
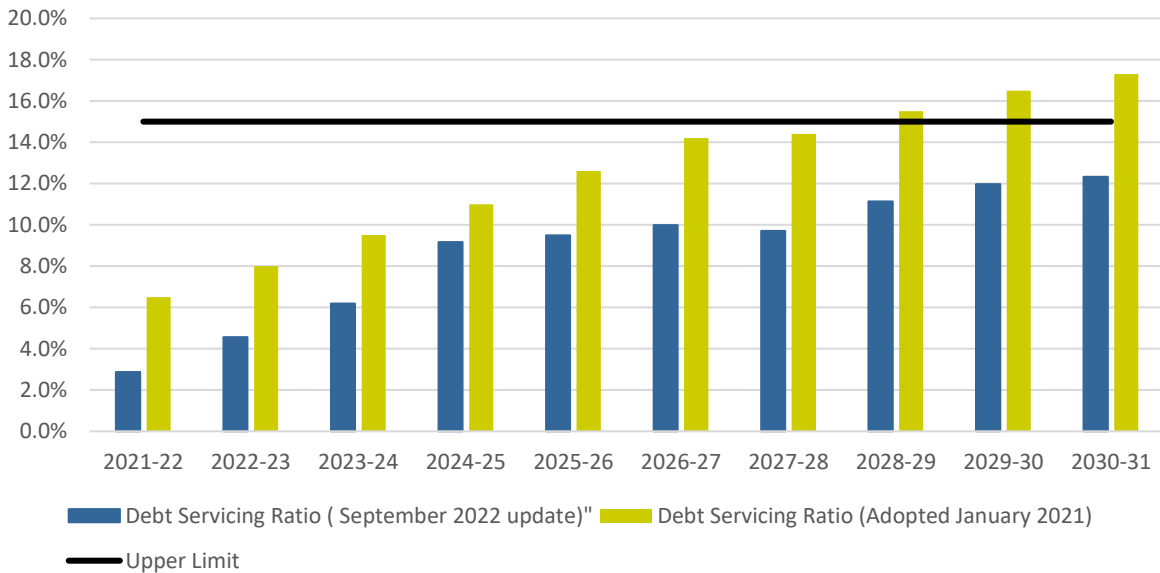


Figure 5: Debt Servicing Ratio



OPTIONS

The Audit Committee has the following options with respect to the revised financial projects set out in the LTFP:

1. Recommend to the Council the revised financial projections as presented in this report , which has been revised in line with the decision made by the Council in adopting the 2022-2023 Annual Business Plan and Budget and takes into account the impact of the current economic climate be endorsed; or
2. Recommend to the Council that revised financial projections be changed by either:
 - changing the base assumptions; and/or
 - changing the timing of new capital project priorities; and/or
 - including new capital project priorities.

Given that the 2021-2031 Long-Term Financial Plan has only recently been adopted and that the overall financial outcomes demonstrate an improvement with those set out in the adopted LTFP. Option 1 is recommended.

CONCLUSION

The LTFP should be viewed as a guide to future actions or opportunities which encourages the Council to consider the future impact of decisions which are made on the Council’s long-term financial sustainability.

The financial projections provide an indication of the Council’s direction and financial capacity to meet its long-term goals which have been set out in the Councils Strategic Management Plans and for this reason, the projections should be regularly reviewed to ensure that decisions made by the Council, are not adversely impacting on the Council's ability to deliver on its objectives and maintain its financial sustainability.

Despite the increase in the cost escalation assumptions due to the current economic climate, there has been an improvement in the some of the key financial indicators, in particular the Net Financial Liabilities Ratio, which measures the Councils indebtedness.

COMMENTS

If Committee Members have any questions or require clarification, do not hesitate to contact the General Manager, Corporate & Community Services, Sharon Perkins on 8366 4585 or e-mail: sperkins@npsp.sa.gov.au, prior to the meeting.

RECOMMENDATION

That the revised Long-Term Financial Plan financial projections, as contained in Attachment A, which has been revised in line with the decisions made by the Council when adopting the 2022-2023 Annual Business Plan and Budget, be recommended to the Council for adoption.

Attachment A

Long-Term Financial Plan

City of Norwood Payneham & St Peters
175 The Parade, Norwood SA 5067

Telephone 8366 4555
Facsimile 8332 6338
Email townhall@npsp.sa.gov.au
Website www.npsp.sa.gov.au



City of
**Norwood
Payneham
& St Peters**



City of
Norwood
Payneham
& St Peters

2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
Actual	Actual	Budget	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Key Financial Indicators										
0.64%	4.35%	6.0%	5.0%	4.0%	4.0%	4.0%	3.5%	3.5%	3.5%	3.5%
1,110	2,645	862	1,104	1,333	1,924	2,618	2,794	2,797	3,100	3,755
2.5%	5.5%	1.8%	2.1%	2.4%	3.3%	4.4%	4.5%	4.4%	4.7%	5.5%
13,314	13,587	40,364	37,626	40,076	45,540	53,795	61,202	62,128	61,231	59,598
29.4%	28.4%	82.0%	72.9%	72.5%	79.1%	89.7%	98.9%	97.2%	92.7%	87.4%
1.0%	0.7%	1.7%	1.3%	1.9%	1.9%	1.9%	2.1%	2.4%	2.4%	2.3%
112.1%	92.8%	96.8%	104.5%	104.3%	98.9%	100.0%	101.6%	106.1%	103.3%	95.5%
79%	100%	109%	105%	104%	102%	102%	103%	106%	102%	102%
5.8%	2.9%	4.6%	6.2%	9.2%	9.5%	10.0%	9.7%	11.1%	12.0%	12.3%

Statement of Comprehensive Income for the 10 year period ended 30 June 2031

2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
Actual	Actual	Budget	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income										
36,288	37,938	39,921	41,913	43,584	45,320	47,126	48,769	50,470	52,230	54,049
1,751	2,003	2,007	2,107	2,180	2,245	2,313	2,382	2,453	2,526	2,589
3,506	3,561	3,738	3,924	5,741	6,149	6,572	6,690	6,868	7,079	7,251
2,921	3,433	2,516	2,629	2,721	2,802	2,886	2,958	3,031	3,107	3,184
19	24	46	168	146	108	117	107	88	114	97
771	848	518	544	562	579	597	614	633	652	668
		492	362	362	362	362	362	362	362	362
45,256	47,807	49,237	51,647	55,297	57,566	59,972	61,881	63,904	66,069	68,200
Expenses										
14,448	14,126	16,083	16,772	18,317	19,012	19,728	20,310	20,982	21,666	22,177
19,165	19,832	19,999	19,425	20,585	21,287	22,015	22,637	23,380	24,088	24,767
454	346	872	815	1,216	1,222	1,261	1,405	1,595	1,687	1,669
9,968	10,766	11,159	12,318	12,571	12,837	13,095	13,370	13,742	14,202	14,491
		-	1,213	1,275	1,284	1,256	1,366	1,408	1,326	1,341
110	92	262	-	-	-	-	-	-	-	-
44,146	45,162	48,374	50,543	53,963	55,642	57,354	59,088	61,107	62,969	64,444
1,110	2,645	862	1,104	1,333	1,924	2,618	2,794	2,797	3,100	3,755
(1,145)	(2,371)	25	36	36	35	35	35	35	35	35
3,303	2,341	10,025	6,220	3,424	128	132	135	138	142	-
3,268	2,615	10,912	7,360	4,793	2,087	2,784	2,964	2,970	3,277	3,790
Other Comprehensive Income										
12,046	34,462	2,000	5,192	5,508	5,736	5,981	6,231	6,501	6,866	6,678
5	(5)	-	-	-	-	-	-	-	-	-
12,051	34,457	2,000	5,192	5,508	5,736	5,981	6,231	6,501	6,866	6,678
15,320	37,072	12,912	12,552	10,301	7,822	8,766	9,195	9,472	10,143	10,468

Balance Sheet for the 10 year period ended 30 June 2031



City of
Norwood
Payneham
& St Peters

2020-2021	2021-2022		2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
Actual	Actual		Budget	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
\$'000	\$'000		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets											
Current Assets											
7,071	11,393	Cash & cash equivalents	6,342	5,856	4,582	3,876	4,301	3,579	2,355	3,408	3,695
3,699	2,788	Trade & other receivables	2,959	3,056	3,078	3,116	3,000	3,042	3,059	3,059	3,055
10,770	14,181	Total Current Assets	9,301	8,912	7,661	6,992	7,301	6,621	5,414	6,467	6,750
Non-current Assets											
104	-	Financial Assets	-	6,500	6,317	5,948	5,570	5,183	4,786	4,380	3,964
2,207	1,931	Equity accounted investments in Council businesses	2,131	2,431	2,731	3,031	3,331	3,431	3,531	3,631	3,731
507,904	543,710	Infrastructure, Property, Plant & Equipment	587,524	597,038	609,490	622,476	639,197	655,699	665,996	675,143	683,878
2,509	4,324	Other Non-current Assets	-	-	-	-	-	-	-	-	-
512,725	549,965	Total Non-current Assets	589,655	605,969	618,538	631,455	648,098	664,313	674,313	683,154	691,573
523,495	564,146	Total Assets	598,956	614,881	626,199	638,447	655,399	670,934	679,727	689,621	698,323
Liabilities											
Current Liabilities											
8,006	13,031	Trade & Other Payables	8,016	8,527	8,978	9,312	9,573	8,881	9,054	9,160	9,196
972	1,021	Borrowings	946	1,782	2,781	3,077	3,446	3,331	4,021	4,564	4,996
3,326	3,004	Short-term Provisions	2,995	3,042	3,100	3,093	3,047	3,056	3,068	3,073	3,067
12,304	17,056	Total Current Liabilities	11,957	13,351	14,860	15,482	16,066	15,267	16,143	16,797	17,260
Non-current Liabilities											
9,392	8,527	Long-term Borrowings	35,321	37,283	36,783	40,570	48,185	55,329	53,772	52,866	50,637
1,328	1,280	Long-term Provisions	1,220	1,238	1,245	1,262	1,249	1,243	1,248	1,250	1,250
1,164	904	Other Non-current Liabilities	1,166	1,166	1,166	1,166	1,166	1,166	1,166	1,166	1,166
11,884	10,712	Total Non-current Liabilities	37,707	39,687	39,194	42,998	50,601	57,738	56,186	55,282	53,053
24,188	27,767	Total Liabilities	49,665	53,038	54,054	58,480	66,666	73,006	72,328	72,079	70,313
499,306	536,378	Net Assets	549,291	561,843	572,145	579,967	588,733	597,928	607,399	617,542	628,011
Equity											
60,099	62,709	Accumulated Surplus	73,621	80,982	85,775	87,862	90,646	93,610	96,580	99,857	103,648
439,208	473,670	Asset Revaluation Reserve	475,670	480,862	486,369	492,105	498,086	504,317	510,819	517,685	524,362
499,306	536,379	Total Equity	549,291	561,843	572,144	579,967	588,732	597,927	607,399	617,542	628,010

Statement of Cash Flow for the 10 year period ended 30 June 2031



City of
Norwood
Payneham
& St Peters

2020-2021	2021-2022		2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
Actual	Actual		Budget	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
\$'000	\$'000		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cashflow from Operating Activities											
Receipts											
36,672	37,859	Rates - general & other	39,750	41,913	43,584	45,320	47,126	48,769	50,470	52,230	54,049
1,613	2,010	Fees & other charges	2,007	2,107	2,180	2,245	2,313	2,382	2,453	2,526	2,589
3,113	4,592	User Charges	3,738	3,827	5,718	6,111	6,688	6,647	6,851	7,079	7,255
19	24	Investment receipts	46	168	146	108	117	107	88	114	97
2,756	3,440	Grants utilised for operating purposes	3,008	2,991	3,083	3,164	3,248	3,320	3,393	3,469	3,546
998	911	Other Income	518	544	562	579	597	614	633	652	668
Payments											
(14,547)	(13,739)	Employee Costs	(16,151)	(16,706)	(18,252)	(19,001)	(19,788)	(20,307)	(20,966)	(21,659)	(22,181)
(18,074)	(19,208)	Contractual services & materials	(25,013)	(20,127)	(21,408)	(22,237)	(23,010)	(24,695)	(24,615)	(25,308)	(26,072)
(447)	(156)	Finance payments	(872)	(815)	(1,216)	(1,222)	(1,261)	(1,405)	(1,595)	(1,687)	(1,669)
12,102	15,734	Net Cash provided by (or used in) Operating Activities	7,029	13,902	14,398	15,067	16,031	15,432	16,712	17,414	18,282
Cash Flows from Investing Activities											
Receipts											
2,626	5,785	Amounts specifically for new or upgraded assets	10,025	6,220	3,424	128	132	135	138	142	-
47	50	Sale of replaced assets	25	36	36	35	35	35	35	35	35
11	8	Repayments of loans by community groups	-	7	183	369	378	387	397	406	416
Payments											
(9,652)	(13,661)	Expenditure on renewal/replacement of assets	(15,757)	(13,826)	(13,656)	(12,928)	(12,405)	(13,281)	(14,385)	(12,280)	(10,129)
(5,508)	(2,492)	Expenditure on new/upgraded assets	(33,884)	(9,486)	(5,155)	(7,233)	(10,946)	(11,165)	(3,007)	(4,091)	(6,441)
(81)	(170)	Capital contributed to joint ventures	(200)	(300)	(300)	(300)	(300)	(100)	(100)	(100)	(100)
(12,556)	(10,480)	Net Cash provided by (or used in) Investing Activities	(39,791)	(17,348)	(15,468)	(19,929)	(23,106)	(23,989)	(16,922)	(15,888)	(16,219)
Cash Flows from Financing Activities											
Receipts											
-	-	Proceeds from Borrowings - Capital/Projects	28,657	4,743	2,577	7,233	10,946	11,165	3,007	4,091	3,220
-	-	Proceeds from Borrowings - Short term financing	-	-	-	-	-	-	-	-	-
Payments											
(1,653)	(931)	Repayments of Borrowings	(946)	(1,782)	(2,781)	(3,077)	(3,446)	(3,331)	(4,021)	(4,564)	(4,996)
(1,653)	(931)	Net Cash provided by (or used in) financing Activities	27,711	2,961	(204)	4,155	7,500	7,834	(1,014)	(473)	(1,776)
(2,106)	4,323	Net Increase (Decrease) in cash held	(5,051)	(486)	(1,274)	(706)	425	(722)	(1,223)	1,053	287
9,177	7,070	Cash & cash equivalents at beginning of period	11,393	6,342	5,856	4,582	3,876	4,301	3,579	2,356	3,408
7,070	11,393	Cash & cash equivalents at end of period	6,342	5,856	4,582	3,876	4,301	3,579	2,356	3,408	3,695

Statement of Changes in Equity for the 10 year period ended 30 June 2031

2020-2021	2021-2022		2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
Actual	Actual		Budget	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
\$'000	\$'000		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Accumulated Surplus											
56,824	60,093	Balance at end of previous reporting period	62,708	73,620	80,980	85,774	87,860	90,645	93,609	96,579	99,856
3,268	2,615	Net Surplus/(Deficit) for Year	10,912	7,360	4,793	2,087	2,784	2,964	2,970	3,277	3,790
60,093	62,708	Balance at end of period	73,620	80,980	85,774	87,860	90,645	93,609	96,579	99,856	103,646
Asset Revaluation Reserve											
427,162	439,207	Balance at end of previous reporting period	473,670	475,670	480,862	486,369	492,105	498,086	504,317	510,819	517,685
12,046	34,462	Gain on revaluation of infrastructure, property, plant & equipment	2,000	5,192	5,508	5,736	5,981	6,231	6,501	6,866	6,678
439,207	473,670	Balance at end of period	475,670	480,862	486,369	492,105	498,086	504,317	510,819	517,685	524,362
499,300	536,378	Total Equity at the end of the Reporting Period	549,290	561,842	572,143	579,965	588,731	597,926	607,398	617,541	628,009



City of
Norwood
Payneham
& St Peters

Uniform Presentation of Finances for the 10 year period ended 30 June 2031

2020-2021	2021-2022		2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
Actual	Actual		Budget	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
\$'000	\$'000		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
45,256	47,807	Operating Revenues	49,237	51,647	55,297	57,566	59,972	61,881	63,904	66,069	68,200
(44,146)	(45,162)	less Operating Expenses	(48,374)	(50,543)	(53,963)	(55,642)	(57,354)	(59,088)	(61,107)	(62,969)	(64,444)
1,110	2,645	Operating Surplus (Deficit)	862	1,104	1,333	1,924	2,618	2,794	2,797	3,100	3,755
Less: Net Outlays on Existing Assets											
9,652	13,661	Capital Expenditure on Renewal/Replacement of Existing Assets	15,757	13,826	13,656	12,928	12,405	13,281	14,385	12,280	10,129
1,145	2,371	less Proceeds from Sale of Replaced Assets	(25)	(36)	(36)	(35)	(35)	(35)	(35)	(35)	(35)
(9,968)	(10,766)	less Depreciation, Amortisation & Impairment	(11,159)	(12,318)	(12,571)	(12,837)	(13,095)	(13,370)	(13,742)	(14,202)	(14,491)
829	5,267		4,573	1,471	1,049	56	(725)	(124)	608	(1,957)	(4,397)
Less: Net Outlays on New and Upgraded Assets											
5,508	2,492	Capital Expenditure on New/Upgraded Assets	33,884	9,486	5,155	7,233	10,946	11,165	3,007	4,091	6,441
-	-	less Assets received Free of charge	-	-	-	-	-	-	-	-	-
(3,303)	(2,341)	less Amounts received specifically for new or upgraded assets	(10,025)	(6,220)	(3,424)	(128)	(132)	(135)	(138)	(142)	-
2,204	151		23,859	3,265	1,731	7,105	10,815	11,030	2,869	3,949	6,441
(1,923)	(2,772)	Net Lending (Borrowing) for Financial Year	(27,570)	(3,632)	(1,447)	(5,237)	(7,471)	(8,112)	(679)	1,108	1,711

6.4 AUDITOR-GENERAL'S REPORT OF MANAGEMENT OF KERBSIDE WASTE SERVICES

REPORT AUTHOR: Manager, Governance & Legal
GENERAL MANAGER: General Manager, Governance & Civic Affairs
CONTACT NUMBER: 8336 4646
FILE REFERENCE: qA74130
ATTACHMENTS: A

PURPOSE OF REPORT

To inform the Audit Committee of the recent examination by the Auditor-General into the management of kerbside waste services by the City of Norwood Payneham & St Peters (the Council).

BACKGROUND

On 8 June 2021, the Acting Auditor-General, Mr Ian McGlen, wrote to the Mayor and the Chief Executive Officer of the Council giving notice of the intention to conduct an examination of the Council's management of kerbside waste services under section 32(1)(a) of the *Public Finance and Audit Act 1987*.

The purpose of the examination was to make findings on whether the Council effectively managed its kerbside waste management services, including achieving its waste related targets set by State Government.

As part of the examination the Council assisted the Auditor-General's Department by providing material and information for the purposes of the examination, including relevant Minutes from Audit and Risk Management Committee Meetings for the scope of the examination.

At its Special Meeting held on 21 June 2022, the Council considered the Draft Report prepared by the Auditor-General titled '*Examination of the Management of Kerbside Waste Services*'. The Draft Report made ten (10) findings and associated recommendations to the Council. The Council responded to each of the findings, which were tabled in Parliament along with the Final Report. The Council largely accepted the findings by the Auditor-General.

On the 17 August 2022, the Auditor-General published the Final Report into the *Management of Kerbside Waste Services* (Final Report) in accordance with Section 38(2) of the *Public Finance and Audit Act 1987*.

A copy of the Final Report published by the Auditor-General is contained in **Attachment A**.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

Objective 4.1- Sustainable and efficient management of resources

Strategy

4.1.2 Investigate and implement innovative waste reduction and education initiatives

FINANCIAL AND BUDGET IMPLICATIONS

Not applicable

EXTERNAL ECONOMIC IMPLICATIONS

Not Applicable

SOCIAL ISSUES

Not Applicable

CULTURAL ISSUES

Not Applicable.

ENVIRONMENTAL ISSUES

A key responsibility of the Council under the *Local Government Act 1999*, is to effectively manage kerbside waste collection, including promoting and educating the community about recycling and the disposing of organic waste.

RESOURCE ISSUES

A working group will be established with East Waste and other subsidiary Councils to develop and implement the recommendations by the Auditor-General in the Final Report. This will involve some Council staff with relevant skills and expertise in waste management.

RISK MANAGEMENT

The examination was undertaken by the Auditor-General in accordance with the *Public Finance and Audit Act 1987*. The Auditor-General has the power to examine accounts of publicly funded bodies under section 32(1)(a) of the Act. The Council is a publicly funded body for the purposes of section 4 of the Act. The Auditor-General must prepare a report setting out the results of the examination for the purposes of section 32 of the Act.

COVID-19 IMPLICATIONS

Not Applicable.

CONSULTATION

- **Elected Members**
Special Council Meeting on 21 June 2022
- **Community**
Not Applicable.
- **Staff**
Chief Executive Officer
General Manager, Governance and Civic Affairs
Manager, Governance & Legal
Manager, City Services
Manager, WHS & Risk
Manager, Finance
Manager, Urban Planning & Sustainability
- **Other Agencies**
Not Applicable.

DISCUSSION

As foreshadowed, the Final Report by the Auditor-General assessed whether the Council effectively managed its kerbside waste services to achieve diversion of waste from landfill against State Government targets. The Auditor-General also examined the City of West Torrens in parallel with the Council.

The Auditor-General's examination found that the Council was operating effectively in managing kerbside waste services. However, there were also opportunities for improvement specific to this Council, but also generally across Local Government.

The improvements related to the Council holding East Waste accountable for kerbside waste services. The Auditor-General found that the Council is at 'arms-length' with East Waste, meaning that the Council could not effectively manage its kerbside wastes services.

The Auditor-General recommended that the Council develop and implement a number of measures, including a Service Agreement with East Waste, with specific performance measures and targets, so that the Council could effectively manage and monitor East Waste's delivery of kerbside waste collection and performance generally.

The findings also suggested that the Council address waste management at a strategic level in its Corporate Plan and a Waste Management Plan.

Of relevance to the Audit Committee was Finding Seven and Finding Eight. The Auditor-General found that the Council had not implemented a risk management framework and that waste management risks were not fully assessed and documented.

At the time of the Auditor-General's examination, the Council's risk management procedure was being reviewed. Since the findings were made the Council endorsed a Risk Management Policy dated 6 October 2020, which included a Risk Register. The Council was also in the process of drafting an Implementation Plan addressing the comments and recommendations of the findings.

The next step is to establish a Working Group with East Waste and other Constituent Councils to implement the findings of the Auditor-General.

OPTIONS

Not Applicable.

CONCLUSION

The Auditor-General's examination into the management of kerbside services by the Council, has provided the Council with an opportunity to review its operations into waste management, as well as acknowledging what the Council does well.

COMMENTS

Not Applicable.

RECOMMENDATION

That the Audit Committee notes the Final Report by the Auditor-General into the management of kerbside waste services by the City of Norwood Payneham & St Peters.

Attachment A

Auditor-General's Report of Management of Kerbside Waste Services

City of Norwood Payneham & St Peters
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City of
Norwood
Payneham
& St Peters

Report 5 of 2022

Management of kerbside waste services



Report of the Auditor-General

Report 5 of 2022

Management of kerbside waste services

Delivered to the President of the Legislative Council and the Speaker of the
House of Assembly on 15 August 2022 and published on 17 August 2022
under to section 38(2) of the *Public Finance and Audit Act 1987*

First Session, Fifty-Fifth Parliament

By authority: C. McArdle, Government Printer, South Australia

*The Auditor-General's Department acknowledges and respects
Aboriginal people as the State's first people and nations, and
recognises Aboriginal people as traditional owners and occupants of
South Australian land and waters.*



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ISSN 0815-9157



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15 August 2022

President
Legislative Council
Parliament House
ADELAIDE SA 5000

Speaker
House of Assembly
Parliament House
ADELAIDE SA 5000

Dear President and Speaker

**Report of the Auditor-General:
Report 5 of 2022 *Management of kerbside waste services***

Under section 32(1)(c) of the *Public Finance and Audit Act 1987* (PFAA), I have conducted a review of the management of kerbside waste services by The Corporation of the City of Norwood, Payneham and St Peters (NPSP Council) and the City of West Torrens (West Torrens Council).

I present to each of you my independent assurance report on the findings of the review.

Copies of this report have also been provided to the NPSP Council and the West Torrens Council.

Content of the report

Our review assessed whether the NPSP Council and the West Torrens Council have effectively managed kerbside waste services to work towards achieving their targets and the targets set by the State Government for diversion of waste from landfill.

We concluded that both Councils successfully collect, transport and process kerbside waste to a high level of community satisfaction. We found some common areas where neither Council was operating effectively, including that they:

- did not have strategic plans for waste management setting out their objectives, strategies and performance targets
- did not have a formal waste education strategy and program
- did not monitor and report against local waste performance targets.

We also found some areas where both Councils were operating effectively in managing kerbside waste services.

Our detailed conclusions are in section 4.1 for the NPSP Council and section 5.1 for the West Torrens Council of this report.

My responsibilities

Reviews conducted under section 32(1)(c) of the PFAA are assurance engagements that assess whether a publicly funded body is achieving economy, efficiency and effectiveness in its activities. These engagements conclude on the performance of the activities evaluated against identified criteria.

The Auditor-General's roles and responsibilities in undertaking reviews are set out in the PFAA. Section 32(1)(c) of the PFAA empowers me to conduct this review while sections 32(4) to (6) deals with the reporting arrangements.

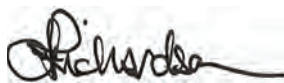
The review was conducted in line with the Standard on Assurance Engagements *ASAE 3500 Performance Engagements*. We complied with the independence and other relevant ethical requirements for assurance engagements.

Acknowledgements

The audit team for this report was Salv Bianco, Andrew Corrigan, Iolanda Telford, Kris Slaytor and Sharon Ryan. They were assisted by Blue Environment Pty Ltd.

We appreciate the cooperation and assistance given by staff of the NPSP Council and the West Torrens Council.

Yours sincerely



Andrew Richardson
Auditor-General

Contents

1	Report overview	1
1.1	Introduction	1
1.2	Overall observations	1
1.3	The structure of this report	2
2	Background	3
2.1	Why this review is important	3
2.2	Roles and responsibilities	4
2.3	South Australia’s waste strategies	6
2.4	Waste management services	8
2.5	Metropolitan councils’ kerbside waste performance	11
2.6	Solid waste levy	13
2.7	Challenges in managing kerbside waste services	14
3	Audit mandate, objective and scope	19
3.1	Our mandate	19
3.2	Our objective	19
3.3	What we reviewed and how	19
3.4	What we did not review	20
4	The Corporation of the City of Norwood, Payneham and St Peters	21
4.1	Executive summary	21
4.2	Overview of The Corporation of the City of Norwood, Payneham and St Peters	22
4.3	Strategic planning for waste management services	27
4.4	Governance and service arrangements	33
4.5	Waste management education activities	42
4.6	What The Corporation of the City of Norwood, Payneham and St Peters did well	45
5	City of West Torrens	46
5.1	Executive summary	46
5.2	Overview of the City of West Torrens	47
5.3	Governance and strategic planning for waste management services	52
5.4	Service arrangements	59
5.5	Processes to assess the effectiveness of education activities	61
5.6	What West Torrens Council did well	63
5.7	Other observation	64
	Appendices	
	Appendix 1 – Abbreviations and terms used in this report	67
	Appendix 2 – Waste management frameworks	71
	Appendix 3 – Metropolitan councils’ organics food waste systems	72

Appendix 4 – The Corporation of the City of Norwood, Payneham and St Peters flyer	73
Appendix 5 – Overview of roles, legislation and policy	74
Appendix 6 – Response from the Chief Executive Officer, The Corporation of the City of Norwood, Payneham and St Peters	75
Appendix 7 – Response from the Mayor, City of West Torrens	76

1 Report overview

1.1 Introduction

We chose two councils, The Corporation of the City of Norwood, Payneham and St Peters (NPSP Council) and the City of West Torrens (West Torrens Council), to assess whether they have effectively managed their kerbside waste services to work towards achieving their targets and the targets set by the SA Government for diverting waste from landfill.

Kerbside waste management is an essential and highly valued service provided by councils to their communities. The kerbside waste services we refer to in this report are the household three-bin waste system: residual waste bin (red or blue), co-mingled recyclables bin (yellow) and organics bin (green).

Metropolitan councils spent \$158 million on providing these services in 2019-20 and not effectively managing them increases the risks of:

- reduced levels of waste services, negatively impacting community satisfaction and public health and safety
- significant cost increases
- less waste diverted from landfill, and the associated costs and environmental impacts
- higher rates of contamination in recycling and organic kerbside bins.

However, if kerbside waste services are properly managed, waste can become a valuable resource for reuse, repurposing or recycling.

The SA Government has set targets for metropolitan councils for landfill diversion in its waste strategies. While these targets are not mandatory, we found that both Councils we reviewed are committed to working towards them and to continuous improvement in this area.

All further comments and analysis are for kerbside waste management in the metropolitan area unless otherwise stated.

1.2 Overall observations

We concluded that both Councils successfully collect, transport and process kerbside waste to a high level of community satisfaction.

There are many related areas that contribute to the overall effective management of kerbside waste services. We found some common areas where neither Council was operating effectively, including that they:

- did not have strategic plans for waste management setting out their objectives, strategies and performance targets

- did not have a formal waste education strategy and program
- did not monitor and report against local waste performance targets.

We also found some areas where both Councils were operating effectively in managing kerbside waste services.

Our detailed conclusions are in section 4.1 for the NPSP Council and section 5.1 for the West Torrens Council.

Councils face many challenges in providing kerbside waste services to their communities and achieving the State targets for waste. Section 2.7 provides more detail on these challenges.

1.3 The structure of this report

This report details our review approach and results (including audit conclusions, findings and recommendations) for the two metropolitan councils we reviewed and their responses as follows:

- section 2 provides an overview of kerbside waste management across the local government sector
- section 3 details our review mandate, objectives and approach
- section 4 provides an overview of the NPSP Council's kerbside waste management services, the results of our review and the Council's responses
- section 5 provides an overview of the West Torrens Council's kerbside waste management services, the results of our review and the Council's responses.

2 Background

2.1 Why this review is important

Kerbside waste is a shared concern for governments, communities and individuals. It must be effectively managed to ensure the health, wellbeing and safety of the public is preserved, the environment is protected and resources are recovered.

Councils incur significant costs in providing these services and not effectively managing them increases the risks of:

- reduced levels of waste services, negatively impacting community satisfaction and public health and safety
- significant cost increases
- less waste diverted from landfill, and the associated costs and environmental impacts
- higher rates of contamination in recycling and organic kerbside bins.

The benefits of effective kerbside waste management to public health, wellbeing and safety are clear. They range from preventing the infestation and spread of disease by vermin and the emission of odours, to averting unsightly and cluttered kerbsides that can impact the safety of pedestrians and enjoyment of street aesthetics.

The environmental benefits of effectively managing kerbside waste are also well established. Less waste in landfill (particularly food waste) reduces the release of greenhouse gases, keeps valuable material resources circulating within the economy, lowers energy demands and saves water usage.¹ Diverting organic waste such as food and garden waste from landfill to appropriate resource recovery and treatment, including aerobic commercial composting systems reduces the amount of methane,² a contributor to climate change, being emitted from landfills.

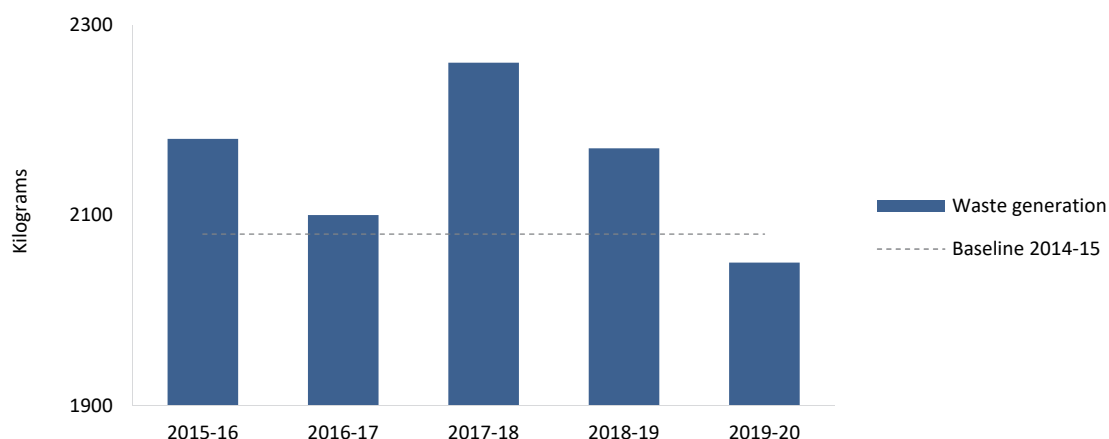
However, waste generation per capita remains a challenge for South Australians.³ Figure 2.1 shows the total waste generated per capita in South Australia for the last five years.

¹ Green Industries SA 2021, *South Australia's Recycling Activity Survey 2019-20 Report*, Government of South Australia, Adelaide, p. 77.

² Green Industries SA 2021, *Valuing our Food Waste, South Australia's strategy to reduce and divert household and business food waste 2020-2025*, Government of South Australia, Adelaide.

³ Green Industries SA 2020, *South Australia's Recycling Activity Survey 2018-19 Report*, Government of South Australia, Adelaide, p. 8.

Figure 2.1: Total per capita waste generation for South Australia



Source: *South Australia's Recycling Activity Survey 2016-17 Financial Year Report*, p 10 and *South Australia's Recycling Activity Survey 2019-20 Report*, p. 12.

South Australia's Waste Strategy 2015–2020 set a target to reduce waste generated per capita by 5% by 2020 from 2015 levels. In 2017-18, waste generated per capita increased by 8.7% from the 2015 baseline. While 2018-19 saw a decrease, waste generated per capita was still 4.3% higher than 2015. In 2019-20, waste generated per capita was 1.4% lower than the baseline, but still fell short of the 5% reduction target.

All levels of government have publicly committed to improving waste management practices to reduce landfill disposal rates. This is demonstrated by the frameworks and strategies currently in place, including the national waste policy and action plan and South Australia's waste and food waste strategies.

2.2 Roles and responsibilities

Appendix 2 lists the international, national, state and local government frameworks that govern the roles and responsibilities for managing waste.

While all levels of government, together with business, waste industry groups and the community, have a role to play in managing waste, the regulation of waste management and resource recovery in Australia is shared between the Commonwealth, state and local governments. Appendix 5 provides an overview of these roles, legislation and policy.

2.2.1 Commonwealth Government

The Commonwealth Government is responsible for a national framework for waste and resource recovery, which recognises obligations under international agreements. In addition, the *Recycling and Waste Reduction Act 2020* (Cth) establishes a legislative framework to enable Australia to manage the environmental and human health and safety impacts of products and waste material more effectively, as well as the impacts of disposing of our waste.

The Commonwealth Government has developed the 2018 *National Waste Policy: Less Waste, More Resources*, and the corresponding 2019 action plan, which focuses on circular economy principles and outlines the roles and responsibilities for collective actions by businesses, governments, communities and individuals for waste management. It sets national targets, including an 80% average resource recovery rate from all waste streams by 2030.

The Commonwealth Government has also established a national food waste strategy that aims to halve food waste by 2030.

2.2.2 State government

The regulation and management of waste and resource recovery in Australia is primarily the responsibility of state and territory governments. The SA Government's key legislation in this area is the:

- *Environment Protection Act 1993* (EP Act) which provides a broad framework for the protection of the State's environment, including the regulation of waste management and promoting the waste management hierarchy. Under the EP Act, the SA Government has issued the *Environment Protection (Waste to Resources) Policy 2010*. This requires metropolitan councils to provide a weekly kerbside residual waste collection service for residential premises within their areas⁴
- *Green Industries SA Act 2004* (GISA Act) which promotes innovation and business activity in the State's waste management, resource recovery and green industry sectors and includes the principles of:
 - the circular economy
 - the waste management hierarchy
 - ecologically sustainable development
 - best practice methods and standards in waste management and efficient use of resources.

The GISA Act requires Green Industries SA (GISA) to develop a waste strategy for the state every five years.⁵ The South Australian waste strategy is discussed further in section 2.3. The GISA Act also allows GISA to provide grants to the waste and resource recovery industry, including local government.

2.2.3 Local government

The *Local Government Act 1999* (the LG Act) requires South Australian councils to provide services that benefit their areas, ratepayers, residents and visitors.⁶

In line with the LG Act, local councils:

- provide household waste and recycling collection and disposal services

⁴ *Environment Protection (Waste to Resources) Policy 2010*, clause 10(2).

⁵ GISA Act, section 18.

⁶ LG Act, section 7.

- deliver education and awareness programs
- can form regional subsidiaries (waste management authorities) that receive and process material for their constituent councils and a range of clients, including businesses and industry.

Some South Australian councils have established waste management authorities to provide waste management services. Others provide these services directly or outsource them to the private sector.

Metropolitan councils must provide a weekly kerbside collection of residual waste. However, in consulting with their communities, councils determine the level of service they will provide for recyclables and organic waste, including the frequency of bin collections. While these services are discretionary, there is a long history of metropolitan councils collecting recyclables and organic waste fortnightly. All metropolitan councils have offered a food organics and garden organics (FOGO) collection service since 2020.

Councils must balance the cost of providing these services against community expectations and the SA Government's desire that they work towards achieving landfill diversion targets.

Councils are supported by the Local Government Association of South Australia, which advocates on their and the communities' behalf to the Commonwealth and SA Governments. It has established a Waste Action Plan that outlines local government views on actions needed to stabilise the waste industry, ensure the ongoing commercial viability of recycling services and establish a circular economy.

2.3 South Australia's waste strategies

In 2005, the SA Government released South Australia's first waste strategy. Since then, waste strategies setting out the State's objectives, targets and priorities have been released every five years. Each one has sought to avoid and reduce waste, maximise the useful life of materials through reuse and recycling and maximise the diversion of waste from landfill.

Our review principally focused on the period of *South Australia's Waste Strategy 2015–2020*, although we also considered developments to December 2021. The strategy had three objectives:

- to encourage a resource efficient economy where the best or full value is obtained from products and materials produced, consumed and recovered
- to establish a clear policy framework to encourage investment in the sector
- to establish a culture enabling the community to implement zero waste strategies/ programs.

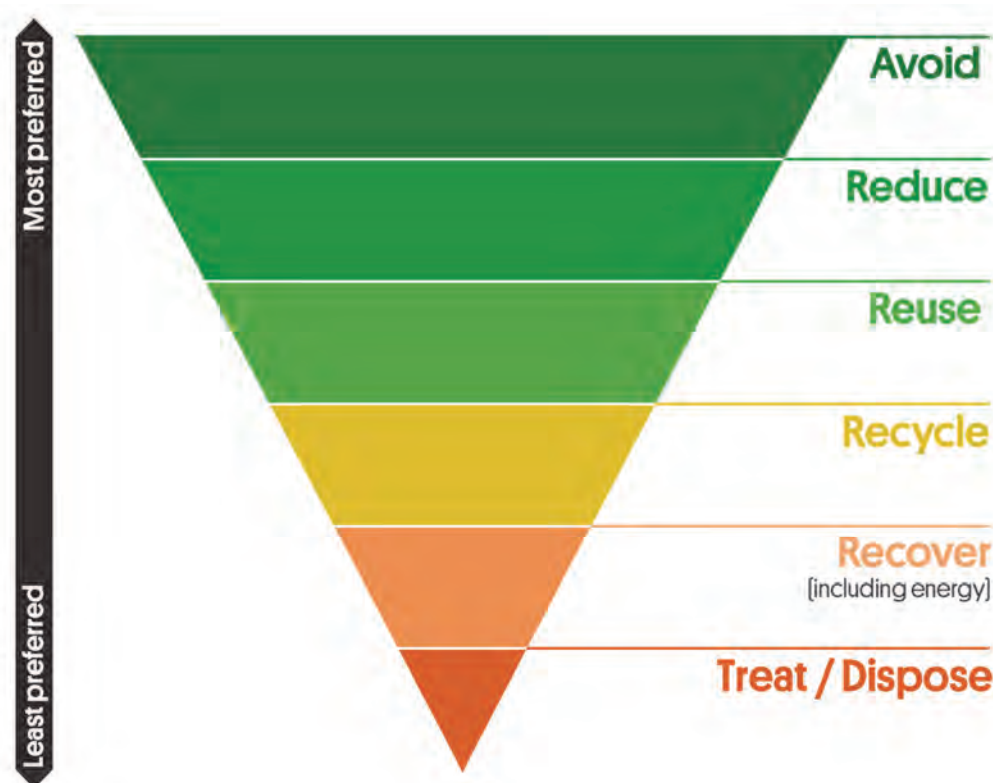
The SA Government set a landfill diversion target of 70% for metropolitan municipal solid waste by 2020. Included in this target was a goal of 60% diversion from landfill for waste in the kerbside bin system that is not mandatory for metropolitan councils. The most recent available published data about kerbside waste performance⁷ shows that no metropolitan council has achieved this goal. Some possible reasons for this are discussed in section 2.7.

The State's current waste strategy *Supporting the Circular Economy: South Australia's Waste Strategy 2020–2025* has increased the landfill diversion target for municipal solid waste to 75% by 2025. This includes a goal of 70% diversion from landfill for waste in the kerbside bin system for metropolitan councils by 2025.⁸

The State's current waste strategy also includes the internationally recognised waste management hierarchy model. This model sets the guiding principles for waste management in South Australia and its principles are enshrined in legislation across Australian states, including the EP Act and GISA Act.

Figure 2.2 shows the waste management hierarchy, which provides an order of priority⁹ for managing waste. The first priority is to avoid producing waste and the last option is to dispose of it where all other options are not reasonably practicable.

Figure 2.2: The waste management hierarchy



Source: Supporting the Circular Economy: South Australia's Waste Strategy 2020–2025.

⁷ Green Industries SA 2021, *South Australia's Kerbside Waste Performance Report 2018-19*, March, Government of South Australia, Adelaide.

⁸ Green Industries SA 2020, *Supporting the Circular Economy: South Australia's Waste Strategy 2020–2025*, Government of South Australia, Adelaide, p. 17.

⁹ *Environment Protection Act 1993*, section 4B.

Councils generally focus their education programs on the priorities of avoid, reduce, reuse and recycle, while offering waste collection and processing services involving recycling, recovery, treatment and disposal.

In support of the State's waste strategy and move to a circular economy, some councils have implemented the waste management hierarchy in their own strategies, for example by:

- using recyclable materials (such as glass and plastics) in roads and park bench seats
- creating plastic-free council run venues and events
- building infrastructure to process recyclable materials.

In support of the national and State waste strategies, the SA Government has also established a food waste strategy, *Valuing our Food Waste: South Australia's strategy to reduce and divert household and business food waste 2020–2025*. Its objectives include reducing the generation of food waste, improving food waste collection and processing systems for beneficial resource use, and working towards a biological circular economy. It also includes actions for change to address food waste in households, as well as in the commercial and industrial sectors.

2.4 Waste management services

In South Australia, local councils are responsible for providing waste management services to residents. They do this primarily by collecting, processing and disposing of kerbside waste, as well as through education programs and materials for residents about responsible waste behaviour.

Figure 2.3: Metropolitan councils kerbside waste management services



All metropolitan councils offer the three-bin system to residents. However, in some metropolitan councils organics bins are optional or must be purchased by residents.

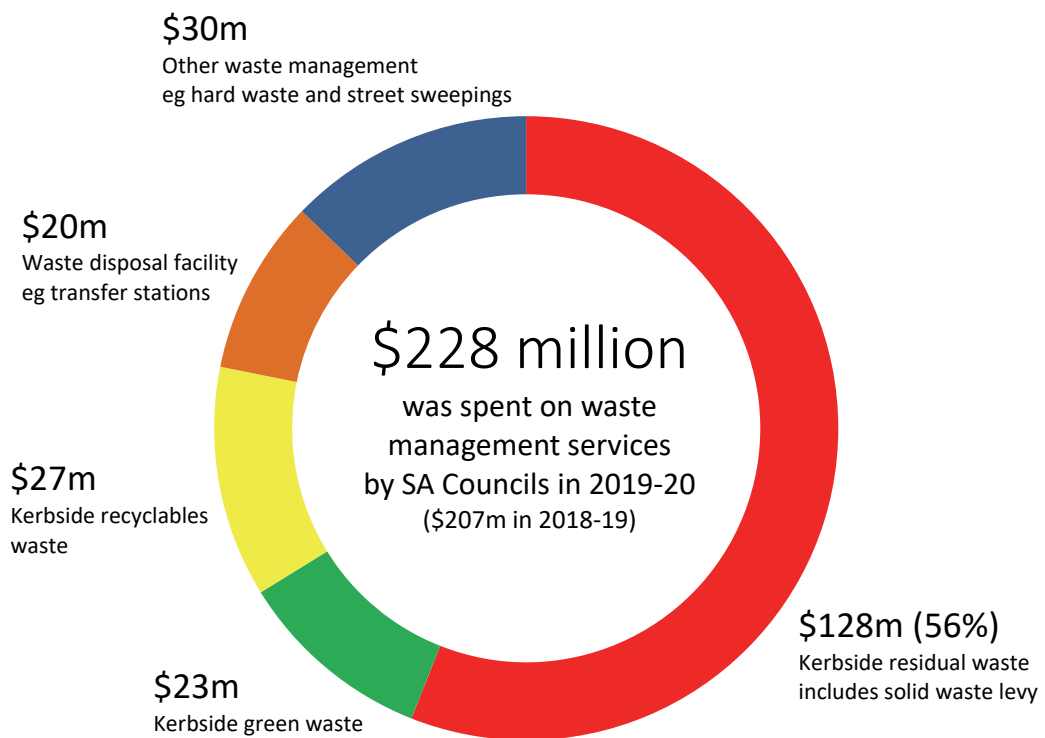
All metropolitan councils collect the residual waste bins weekly as mandated by the *Environment Protection (Waste to Resources) Policy 2010*, and the recyclables and organics bins fortnightly.

All metropolitan councils use a waste contractor or regional subsidiary to manage waste collection and disposal, with the exception of two that collect their own residual waste.

While some metropolitan councils have issued food caddies to all their households to encourage the collection of food waste, many provide them on an opt-in basis. Appendix 3 lists Adelaide metropolitan councils’ organics food waste systems.

In 2019-20, South Australian councils (metropolitan and regional) spent \$228 million on waste management services. Figure 2.4 shows where this was spent.

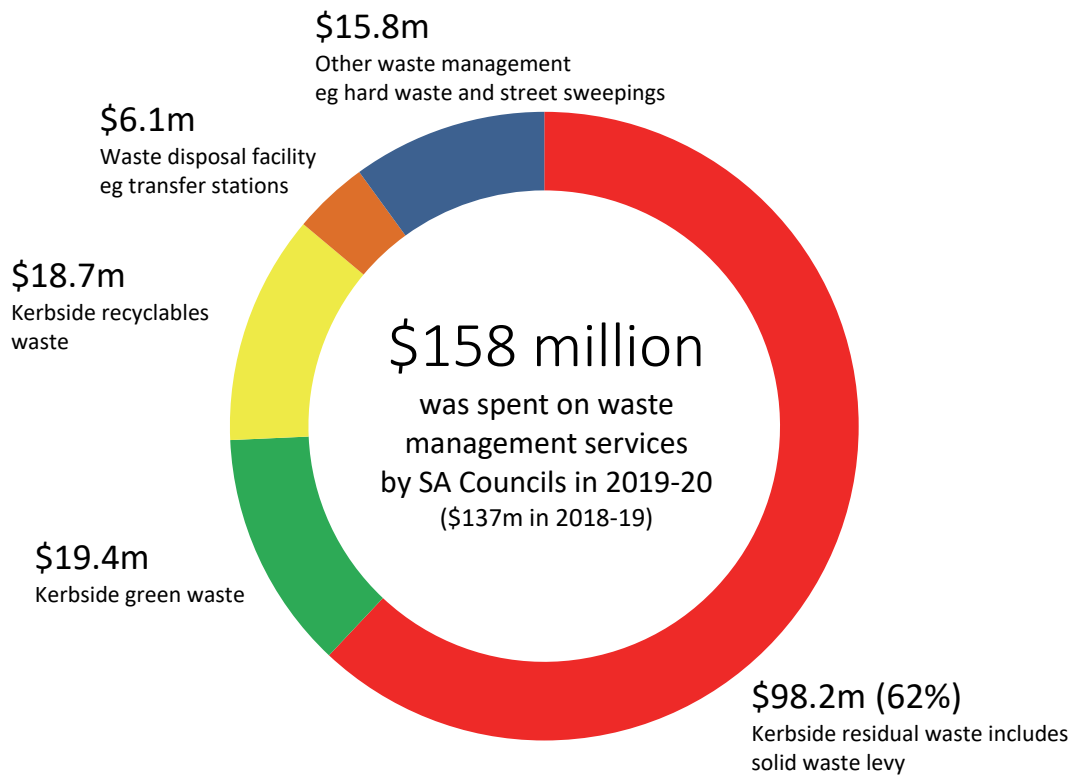
Figure 2.4: South Australian councils’ waste management costs for 2019-20



Source: Prepared from South Australian Local Government Grants Commission unaudited data and GISA’s annual kerbside waste performance reports.

Figure 2.5 shows that metropolitan councils spent \$158 million on waste management services in 2019-20, an increase of \$21 million (15%) from 2018-19.

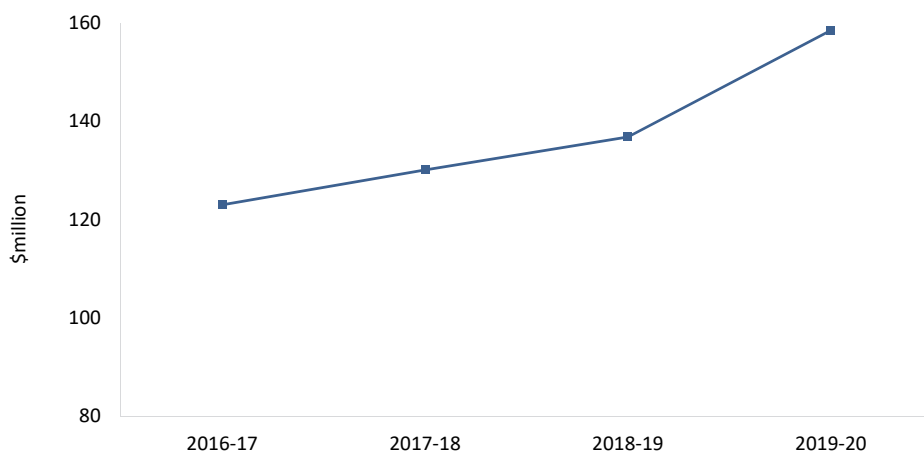
Figure 2.5: Metropolitan councils' waste management costs for 2019-20



Source: Prepared from South Australian Local Government Grants Commission unaudited data and GISA's annual kerbside waste performance reports.

While the public expects kerbside waste will be managed effectively and provided at a reasonable cost, councils' waste management expenses have increased significantly in recent years as shown in figure 2.6.

Figure 2.6: Metropolitan councils' waste management costs for last four years



Source: GISA's kerbside waste performance reports. Information for 2016-17 is based on South Australian Local Government Grants Commission unaudited data.

Ratepayers are directly impacted by the cost increases as councils seek to recover them through rates. But despite these increasing costs, there has been little change in the rate at which metropolitan councils have diverted kerbside waste from landfill. Potential reasons for this are explored in section 2.7.

2.5 Metropolitan councils' kerbside waste performance

GISA helps councils to improve kerbside waste collection systems for residents through grants, incentives and education campaigns. Reporting undertaken by GISA and published on its website includes councils' three-bin recovery rate, which represents the percentage of recyclable material (co-mingled recyclables and organics) diverted from landfill.

The formula used to calculate the three-bin recovery rate is:¹⁰

$$\text{Three-bin recovery rate} = \frac{\text{organics} + \text{recyclables}}{\text{organics} + \text{recyclables} + \text{residual}} \times 100\%$$

While GISA's kerbside waste performance report refers to this recovery rate, the State's waste strategy sets a non-mandatory landfill diversion target of 60% for metropolitan councils' household kerbside bin system. Metropolitan councils provide the waste tonnes collected from the household kerbside bin system to GISA. GISA uses this data to calculate the average metropolitan council three-bin recovery rate and reports this against the landfill diversion target in its annual kerbside performance reports. This measures the household kerbside waste performance at the beginning of the waste diversion process, being at the point of waste collection. Because recovery rates and the diversion target in this instance are both based at the point of collection from the kerbside, these measures can be compared.

The three-bin recovery rate formula does not consider contamination in the organics and recyclables bins. Contamination constitutes any material found in the recyclables bin that a materials recovery facility cannot recycle or any material found in the organics bin that is not compostable by a processing facility. Therefore, the three-bin recovery rate does not reflect the actual amount of material diverted from landfill. GISA has reported contamination of around 13% by weight (post-collection) in recyclables bins and 2% in organics bins.¹¹

GISA advised us that it collects gross data about organics and recyclables collections because this provides valuable insights into understanding:

- household behaviour and areas requiring further intervention
- trend analysis of kerbside behaviour
- geographic and socio-economic impact
- actions needed to support the State's waste strategy targets, such as education
- investment requirements for resource recovery infrastructure.

In 2019-20, about 517,800 tonnes of waste was collected from kerbsides in metropolitan Adelaide. This represented an increase of 5.8% from 2018-19 and equated to 390 kilograms

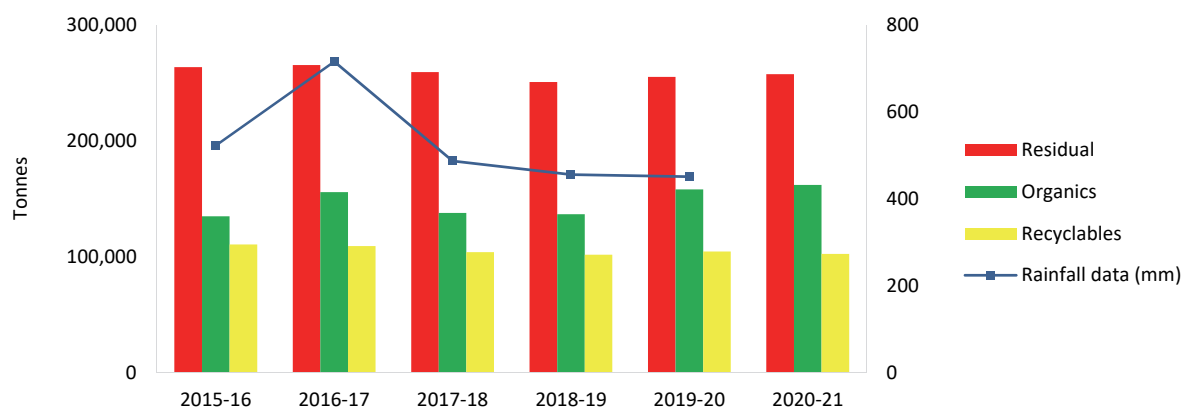
¹⁰ Green Industries SA 2021, *South Australia's Kerbside Waste Performance Report 2018-19*, March, Government of South Australia, Adelaide, p. 9.

¹¹ *ibid*, p. 29.

of kerbside waste per person or 1,039 kilograms of kerbside waste per serviced household. Of this, 262,600 tonnes were recovered as organics (60.2%) or recyclables (39.8%), for a total recovery rate of 50.7% (48.7% in 2018-19).¹²

Figure 2.7 shows the tonnes of waste collected in kerbside bins between 2015-16 and 2020-21 by metropolitan councils. It shows that the amount of waste collected for each kerbside bin type has remained consistent during this period. There was a slight increase in organics waste collected in 2016-17 due to higher levels of rainfall¹³ and in 2019-20 due to the full impact of a fortnightly organics bin service being introduced in Adelaide’s largest metropolitan council.¹⁴

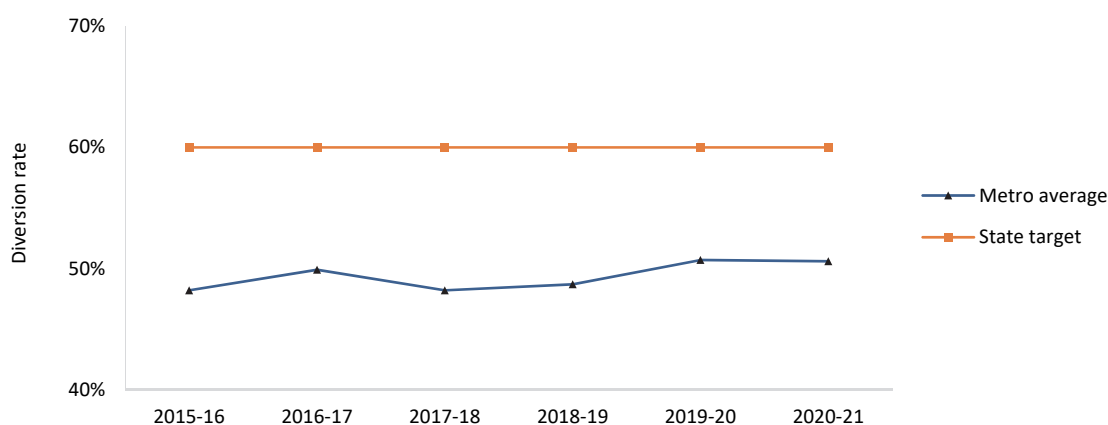
Figure 2.7: Metropolitan councils tonnages collected by kerbside bin type



Source: GISA’s annual kerbside waste performance reports.

Figure 2.8 shows the metropolitan councils’ average three-bin recovery rate against the State’s waste strategy target for metropolitan councils of 60% landfill diversion from the kerbside bin system for the last six years.

Figure 2.8: Metropolitan councils’ average recovery rate against the State landfill diversion target



Source: GISA’s annual kerbside waste performance reports and South Australia’s waste strategy.

¹² Data provided to us by GISA.

¹³ Green Industries SA 2020, *South Australia’s Kerbside Waste Performance Report 2017-18*, Government of South Australia, Adelaide, p. 26.

¹⁴ Data provided to us by GISA.

The average recovery rate for metropolitan councils between 2015-16 and 2020-21 has fluctuated between 48.2% and 50.6% (an increase of 2.2%).

The Adelaide metropolitan council recovery rate of 50.7% for 2019-20 is below the State's landfill diversion target of 60% for metropolitan councils. In 2020-21 the Adelaide metropolitan council recovery rate decreased by 0.1% to 50.6%, but still fell short of the target. The State's target remains at 60% until 2023 but increases to 70% by 2025.¹⁵

2.6 Solid waste levy

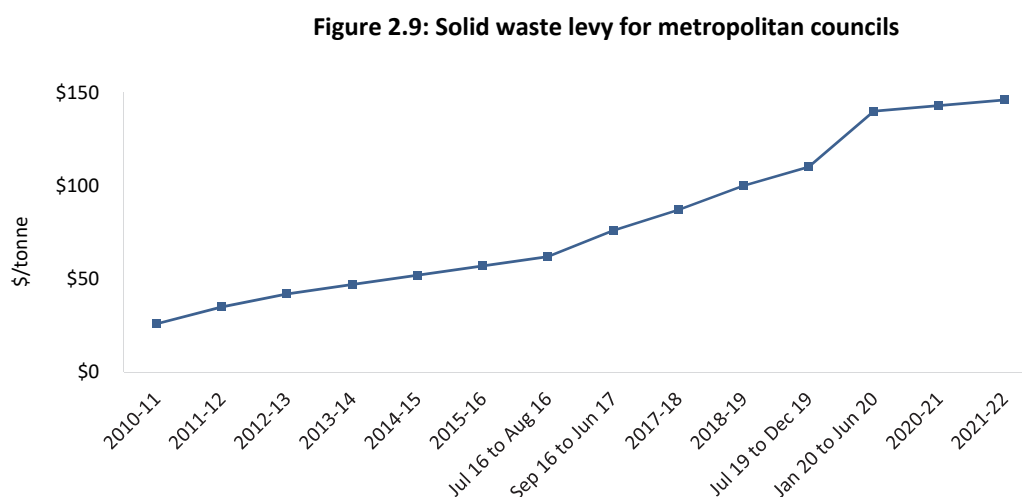
Under the EP Act a solid waste levy is payable to the Environment Protection Authority (EPA) on solid waste disposed to landfill. The waste levy incentivises resource recovery by increasing the costs of waste disposal, making resource recovery a preferable financial option.¹⁶

The levy comprises a proportion of overall waste management costs for councils. The waste levy has significantly increased in recent years, reflecting:

- the SA Government's desire to reduce waste to landfill and move to a circular economy model¹⁷
- China's introduction of the National Sword Policy in 2018, which prevents Australia from exporting certain waste and heavily reduces contamination rates for recyclables.

The solid waste levy was \$146 per tonne in 2021-22 compared to \$35 per tonne 10 years ago, an increase of 317%. The levy has increased by 151% since 2015-16 for metropolitan councils.

Figure 2.9 shows the increase in the solid waste levy for metropolitan councils over the past 12 years.



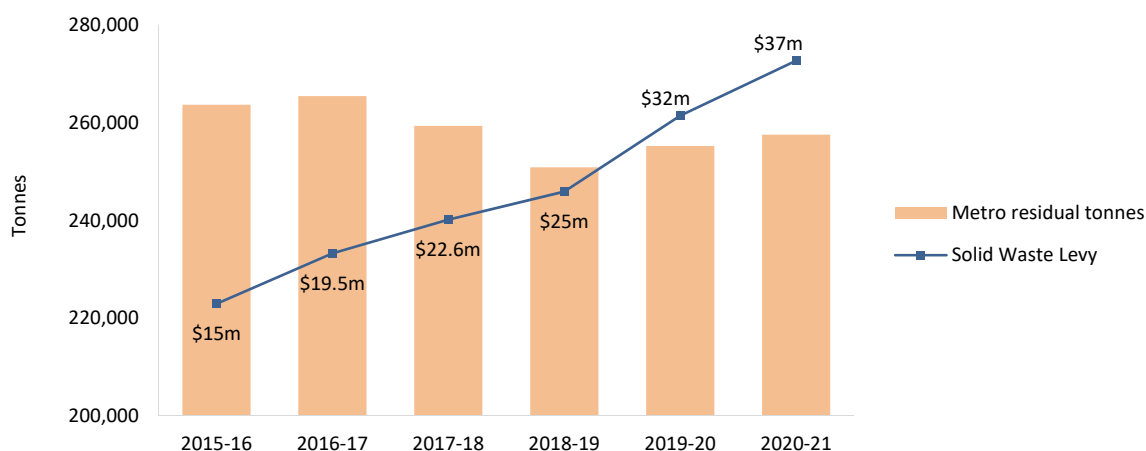
¹⁵ Green Industries SA 2020, *Supporting the Circular Economy: South Australia's Waste Strategy 2020–2025*, Government of South Australia, Adelaide, p. 17.

¹⁶ www.epa.sa.gov.au, viewed 20 June 2022.

¹⁷ Green Industries SA 2020, *Supporting the Circular Economy: South Australia's Waste Strategy 2020–2025*, Government of South Australia, Adelaide.

Figure 2.10 shows the effect the increase in the solid waste levy has had on the cost of disposing residual waste since 2015-16.

Figure 2.10: Total metropolitan councils' residual tonnes and solid waste levy



Source: GISA's annual kerbside waste performance reports for residual tonnes. Solid waste calculation based on total tonnage multiplied by solid waste levy.

The GISA Act requires the EPA to transfer 50% of the levies to the Green Industry Fund. The fund can only be applied by:

- GISA:
 - in line with a business plan approved by the Minister
 - in any other manner authorised by the Minister for the purposes of the GI Act
- the Minister for Climate, Environment and Water, towards the costs of:
 - climate change initiatives, including research and development, education, innovation and business activity, for mitigating the effects of climate change, minimising carbon emissions and adapting to climate change
 - managing waste or debris, or harm to the environment, following an identified major incident, major emergency or disaster under the *Emergency Management Act 2004*.

In 2020-21, the EPA transferred \$48 million (\$37 million in 2019-20) to the fund, which had a balance of \$90 million on 30 June 2021 (\$114 million on 30 June 2020).

GISA has provided approximately \$13 million in grants for waste management to councils from the fund over the last six years.

2.7 Challenges in managing kerbside waste services

Councils face many challenges in providing kerbside waste management services and achieving local and state landfill diversion targets. While some can be addressed by council activities, others are externally imposed and beyond their control. Some of the challenges are discussed below.

2.7.1 Cost pressures

Cost pressures faced by councils include:

- increases in costs at landfill sites to dispose of residual waste, primarily due to the increase in the solid waste levy explained in section 2.6. Food waste discarded in the residual bin is heavy, contributing substantially to the weight of waste sent to landfill and therefore these costs
- increases in gate fees at materials recovery facilities to dispose of co-mingled recyclables. The gate fees are impacted by the often fluctuating market prices for recycled products. For example, China's 2018 National Sword Policy impacted the price of mixed paper and cardboard and mixed plastics. At the time, the estimated increase in cost was around \$8.8 million across South Australia based on a one-year period¹⁸
- increases in transport costs (eg fuel) to collect and dispose of all waste.

2.7.2 Food waste in residual bins

The SA Government has recognised that food waste in residual bins is a financial challenge for councils with significant environmental impact. In response it published a food waste strategy (see section 2.3).¹⁹

South Australian households and businesses send around 200,000 tonnes of food waste to landfill each year. Up to 40% of the material content in residual waste bins is food waste.²⁰ This directly impacts the costs paid by councils to dispose of waste to landfill, such as the solid waste levy. The NPSP Council has estimated that savings of \$395,000 per year in landfill fees could be achieved if food waste is diverted from landfill. Appendix 4 provides a copy of the flyer that the NPSP Council distributed to its community.

Food waste is heavy due to its moisture content. If discarded with residual waste, it contributes substantially to the weight of waste sent to landfill, increasing the solid waste levy and gate fee costs paid by councils.

Food decomposing in landfill without the aid of air produces methane, a greenhouse gas around 28 times more potent than carbon dioxide at trapping heat,²¹ and a contributor to the global greenhouse gas emissions causing climate change.

Food waste in landfill is also a lost resource that could have been used, together with other types of organic waste streams, to produce commercial compost and soil enhancement products.²² As composting is an aerobic process, it produces less or prevents the release of methane and is a better environmental alternative to landfill.

There are many reasons why residents do not dispose of food waste in organics bins. These

¹⁸ Rawtec Pty Ltd 2018, *Market Analysis of South Australian Kerbside Comingled Recyclables Report for the Local Government Association of SA*, May, Adelaide.

¹⁹ Green Industries SA 2021, *Valuing our Food Waste, South Australia's strategy to reduce and divert household and business food waste 2020–2025*, Government of South Australia, Adelaide.

²⁰ *ibid*, pp. 5 and 8.

²¹ *ibid*, p. 7.

²² *ibid*, p. 14.

include a personal dislike of the look of a food caddy on a benchtop, lack of access to free compostable bags or lack of awareness about the impact of food waste in landfill. However, it is likely that most concerns are about the pests and odours produced from decomposing food while organics bins await the fortnightly collection.

Several councils have recently trialled the weekly collection of organics bins. The results of these trials have shown positive changes in residents' waste disposal behaviour and an increase in landfill diversion rates. For example, the City of Holdfast Bay recently completed an 18-month FOGO trial that involved more than 1,000 households having their organics bin collected weekly and their residual waste bin collected fortnightly. The trial found the amount of food waste disposed of in the organics bins more than doubled, achieving a landfill diversion rate of 84% in the areas participating in the trial.²³ From July 2022, the City of Holdfast Bay will provide this bin collection service to all its residents unless they want to continue having their residual bin collected weekly.

This trial shows that a weekly collection of organics bins would encourage residents to dispose of food waste more responsibly and discourage them from putting food into residual waste bins. This would help divert food waste from landfill and increase council recovery rates. However, collecting organics bins weekly without any changes to the collection frequency of other bins would increase costs for most councils. Current legislation requires metropolitan councils to collect residual waste weekly but does not prescribe how often organics and recyclables bins must be collected.

2.7.3 Legislation mandates weekly collection of residual waste bins

The SA Government's *Environment Protection (Waste to Resources) Policy 2010* requires metropolitan councils to collect kerbside residual waste weekly from residential premises within their areas.²⁴ Councils determine how often they collect recyclables and organics bins and there is a long history of councils collecting them fortnightly. These services are highly valued and relied on. All metropolitan councils now collect organics and recyclables bins fortnightly, with the exception of three that provide these services on an opt-in basis.

Councils must balance the cost of providing weekly residual waste collections against:

- the cost of collecting organics and recyclables waste more frequently
- residents' expectations about the frequency of organics and recyclables collections
- the cost of providing services that will help achieve the SA Government's landfill diversion targets.

The most recent data published by GISA indicates that no metropolitan council's recovery rate has achieved the SA Government's landfill diversion target.²⁵ Figure 2.11 shows that the average metropolitan councils' recovery rate has remained relatively unchanged in the last

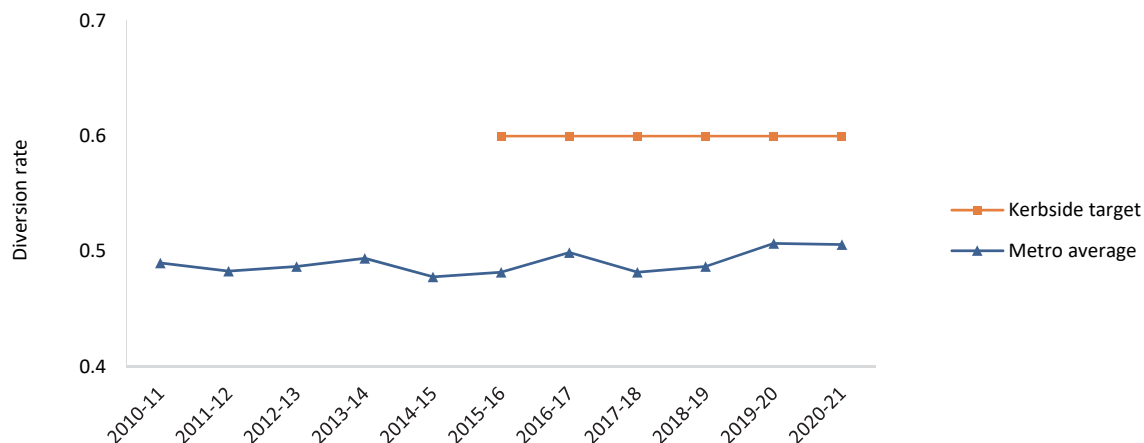
²³ www.holdfast.sa.gov.au/council/news - Households embrace weekly green bin collections | City of Holdfast Bay, viewed 22 June 2022.

²⁴ *Environment Protection (Waste to Resources) Policy 2010*, clause 10(2).

²⁵ Green Industries SA 2021, *South Australia's Kerbside Waste Performance Report 2018-19*, March, Government of South Australia, Adelaide, p. 19.

11 years. In 2009-10, the recovery rate was 48%,²⁶ with the same result achieved in 2019-20. Prior to 2015-16, the State's waste strategy did not include landfill diversion targets for kerbside waste in the targets set for total municipal solid waste.

Figure 2.11: Metropolitan councils' average recovery rate compared to the State target for landfill diversion



Source: GISA's annual kerbside waste performance reports.

Allowing councils to decide how often they collect each bin type to meet community expectations may be a solution to improving landfill diversion, as demonstrated by the City of Holdfast Bay's recent FOGO trial.

2.7.4 Multi-unit dwellings and urban infill

Multi-unit dwellings (MUDs) are generally accepted to be any dwelling other than a standalone single unit dwelling and can range from townhouses, semi-detached or row terraces, through to multi-storey apartment complexes.

Urban infill and the rise in the number of MUDs present unique challenges to councils for waste management. Councils often contract these services out to commercial contractors, as the kerbside collection service does not align with the bin types required for these buildings.

MUDs do not generally perform well in source separation, landfill diversion and the contamination of recyclables. Reasons for poor performance can include:

- design issues. Older MUDs were designed for a one or two bin waste system. Introducing a third bin can be difficult due to limited space. New MUDs may not consider waste management sufficiently in the design phase or developers may see areas for bins as expensive and wasted space.²⁷ This may result in bin systems that do not offer all three waste streams, as well as increased, ongoing waste management costs for councils and residents

²⁶ Green Industries SA 2019, *Adelaide Metropolitan Area Kerbside Waste Performance Report 2016-17*, February, Government of South Australia, Adelaide, p. 23.

²⁷ The Local Government Association of South Australia continues to advocate for the planning and design code to be reviewed to consider effective, efficient and safe waste management for medium to high density development areas.

- a lack of street access and limited turning points for waste collection vehicles
- a lack of public road verge or presentation space for kerbside bin collection
- contamination issues due to the lack of supervision or management of communal bins and residents' lack of ownership of bins.

Exploring ways to improve MUD waste performance remains a challenge for councils but is necessary to improve recovery rates.

2.7.5 Educating the community

Councils play an important role in educating the community about waste reduction and responsible recycling. Through education the community can improve its waste practices, which will reduce the amount of waste sent to landfill and councils' disposal costs and increase the volume of materials to be recycled.

However, education programs can be expensive and can absorb significant human resources. A challenge for councils is balancing the areas most in need of education to achieve the best results against the cost of providing them.

While education, in addition to other strategies such as the wider rollout and promotion of food caddy use, will help councils raise community awareness about responsible waste disposal, changing residents' behaviour long-term will remain a challenge.

3 Audit mandate, objective and scope

3.1 Our mandate

We performed our review under section 32(1)(c) of the *Public Finance and Audit Act 1987*. This allows the Auditor-General to review the efficiency, economy and effectiveness of a publicly funded body.

A council constituted under the LG Act is included in the definition of a publicly funded body.

3.2 Our objective

The objective of our review was to conclude on whether the two councils we reviewed were effectively managing kerbside waste services to work towards achieving their targets (and the targets set by the SA Government).

Our review covered the period of South Australia's Waste Strategy 2015–2020. We extended it to also consider developments between June 2020 and December 2021.

We considered whether the two councils had:

- documented plans and/or strategies to deliver kerbside waste services to meet their targets and community expectations
- implemented governance structures to manage and oversee the performance of their kerbside waste services to meet their targets and community expectations
- processes to assess the effectiveness of their education activities.

3.3 What we reviewed and how

There are many areas that contribute to the successful management of kerbside waste services. To inform our conclusion about how effectively the two Councils were managing their services, we assessed whether they had:

- established a waste strategy/plan that detailed service levels, local waste performance targets and the actions to be taken to achieve them
- established a waste education strategy and program to educate and promote responsible waste behaviour to the community in support of local and State targets
- engaged with the community and considered their expectations in waste planning
- established clear roles and responsibilities for waste management
- established frameworks and processes to identify, assess and manage waste risks
- implemented contract management processes to manage roles and responsibilities, communication with contractors and the community, and the reporting and monitoring of performance, costs and risks
- collected accurate and reliable data to monitor waste performance.

Our assessment considered:

- the LG Act requirements
- the *Environment Protection (Waste to Resources) Policy 2010*
- each Council's strategic management framework and policies
- South Australia's Waste Strategy 2015–2020 and 2020–2025 issued by GISA
- South Australia's Valuing Our Food Waste Strategy
- generally accepted standards of contract management and risk management practices.

We reviewed documents in detail and held discussions with relevant staff of each Council.

The NPSP Council's regional subsidiary, Eastern Waste Management Authority (East Waste), delivers kerbside waste management services to the community on its behalf.

For the NPSP Council, we also held discussions with East Waste staff to obtain an understanding of their role and responsibilities in delivering kerbside waste management services on the NPSP's behalf. We did not assess the activities of East Waste as part of this review.

We would like to acknowledge the staff of each Council and East Waste who went to considerable effort to promptly respond to our information requests and inquiries during the review.

3.4 What we did not review

We did not review the Councils' waste collection practices for:

- kerbside hard waste
- street sweepings, council operated parks and other public place locations
- other drop-off facilities they operate
- their commercial service operations.

We did not review waste collection practices managed by the private sector for:

- commercial and industrial waste
- construction and demolition waste
- the Container Deposit Scheme returns.

While we used waste data provided by the Councils to calculate recovery rates, we did not independently confirm the integrity of the data.

We did not review the methodology of kerbside bin audits performed by East Waste or contractors on behalf of the Councils.

We did not assess the activities of East Waste.

West Torrens Council has outsourced its waste management services to an independent contractor. We did not review the independent contractor's activities.

4 The Corporation of the City of Norwood, Payneham and St Peters

4.1 Executive summary

4.1.1 Audit conclusion

We assessed the effectiveness of the NPSP Council's management of kerbside waste services between 2015 and 2021 against our review objective in section 3.2.

We concluded that the NPSP Council successfully collects, transports and processes kerbside waste to a high level of community satisfaction.

There are many areas that contribute to the overall effective management of kerbside waste services. We identified some areas that were not operating effectively during the period we reviewed. These were:

- the development of a plan to support waste management services
- setting waste performance measures and targets
- establishing a service level agreement with East Waste
- evaluating and reporting on waste performance
- developing a waste education strategy and program.

These issues are explained in section 4.1.2.

We also identified some areas that were operating effectively during the period we reviewed. These were that the NPSP Council had:

- consulted its community and key stakeholders when it reviewed CityPlan 2030 to understand their expectations and satisfaction with the levels of waste management service
- sound processes to manage and resolve complaints from residents about collection services.

4.1.2 What we found and recommended

The key findings from our review of the NPSP Council's management of kerbside waste services were that it:

- did not have a corporate plan or an overarching plan to support its strategic objective and strategy for waste management (section 4.3.2)
- had not documented the initiatives it had identified and implemented to support its strategic objective and strategy for waste management. This reduced the effectiveness of achieving its strategic objectives and reaching its long-term vision (section 4.3.3)
- did not have a service level agreement with East Waste for waste management services (section 4.4.2)
- had not evaluated and reported its kerbside waste performance against the set target. This reduced the effectiveness of monitoring its waste performance and its capacity to take necessary action to improve its performance to reach, or get closer to, the set target (section 4.4.3)

- had not set any performance standards, measures and targets to monitor and evaluate East Waste’s performance in delivering kerbside waste management services to its community (section 4.4.3)
- did not have a formal waste education strategy outlining its approach to community education on waste and recycling issues (section 4.5.1)
- had not evaluated and reported on the effectiveness of the waste initiatives and activities it implemented each financial year (section 4.5.1).

We recommended the NPSP Council:

- develop a corporate plan, and a plan that specifically covers waste management, which outlines its key priorities, corporate objectives, actions and activities to achieve the corporate objectives, and measures and targets to monitor and evaluate its performance (sections 4.3.2 and 4.3.3)
- set performance measures and targets for kerbside waste management that are consistent with those set by East Waste and support the State’s waste strategy target (section 4.3.4)
- establish a service level agreement with East Waste to clarify and agree on the roles and responsibilities and other matters important to waste management services (section 4.4.2)
- evaluate and report on the outcome of all its kerbside waste initiatives and activities, actual kerbside waste performance against set targets and the performance of East Waste (section 4.4.3)
- develop and document a waste education strategy and program outlining its approach to community education on waste and recycling issues (section 4.5.1).

4.1.3 NPSP Council’s response

The NPSP Council responded to our findings and advised us how it would action our recommendations, which it generally accepted. Its response to each recommendation is included in sections 4.3 to 4.5.

The NPSP Council provided a response to our proposed report to Parliament that is included as Appendix 6.

4.2 Overview of The Corporation of the City of Norwood, Payneham and St Peters

4.2.1 Waste management services

The NPSP Council is located just east of Adelaide’s CBD and covers an area of around 15 km², with an estimated resident population of about 37,000.²⁸

²⁸ Australian Bureau of Statistics 2020, *Norwood Payneham St Peters: Region summary: Data by region*, ABS, viewed 25 May 2022, <<https://dbr.abs.gov.au/region.html?lyr=lga&rgn=45290>>.

Population, area and dwelling types determine the nature, type and collection frequency of the waste services councils provide.

The NPSP Council provides a standard kerbside three-bin service to about 17,500 residential households and 2,000 commercial properties.²⁹ 49.6% of households are multi-unit dwellings and 49.7% are separate houses.³⁰

Figure 4.1: NPSP Council standard kerbside three-bin waste collection service



Source: NPSP Council website.

The NPSP Council also provides households with a free food caddy and two rolls of compostable bags annually to make it easier for residents to compost food waste through their green bin.

A regional subsidiary,³¹ East Waste, delivers waste management services to the NPSP Council's community on its behalf. More information on East Waste is provided in section 4.4.1.

4.2.2 Waste management costs

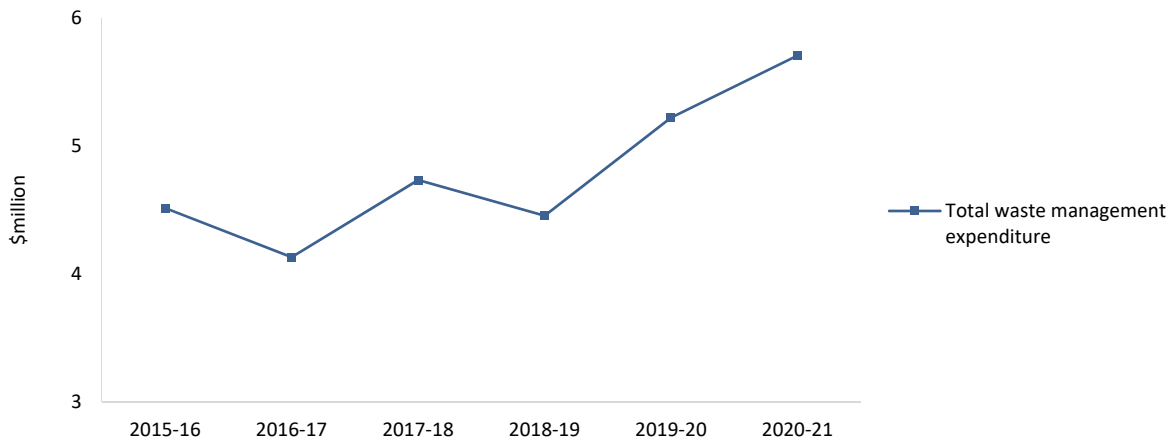
In addition to the kerbside three-bin waste service, the NPSP Council's waste management services include collecting and disposing of kerbside hard waste, public litter bins, street sweepings and illegal dumping. The costs of waste management are shown in figure 4.2 and totalled \$5.7 million in 2020-21.

²⁹ City of Norwood, Payneham and St Peters 2021, *Council Agenda and Minutes*, 5 October 2021, item 11.1, p. 19, <https://www.npsp.sa.gov.au/about_council/council_and_committees/council_agenda_and_minutes>.

³⁰ City of Norwood Payneham and St Peters 2021, *City of Norwood Payneham and St Peters: Dwelling type*, viewed 15 July 2022, <<https://profile.id.com.au/npsp/dwellings>>.

³¹ Constituent councils are Adelaide Hills Council, City of Burnside, Campbelltown City Council, City of Norwood, Payneham and St Peters, City of Mitcham, Corporation of the Town of Walkerville and City of Prospect.

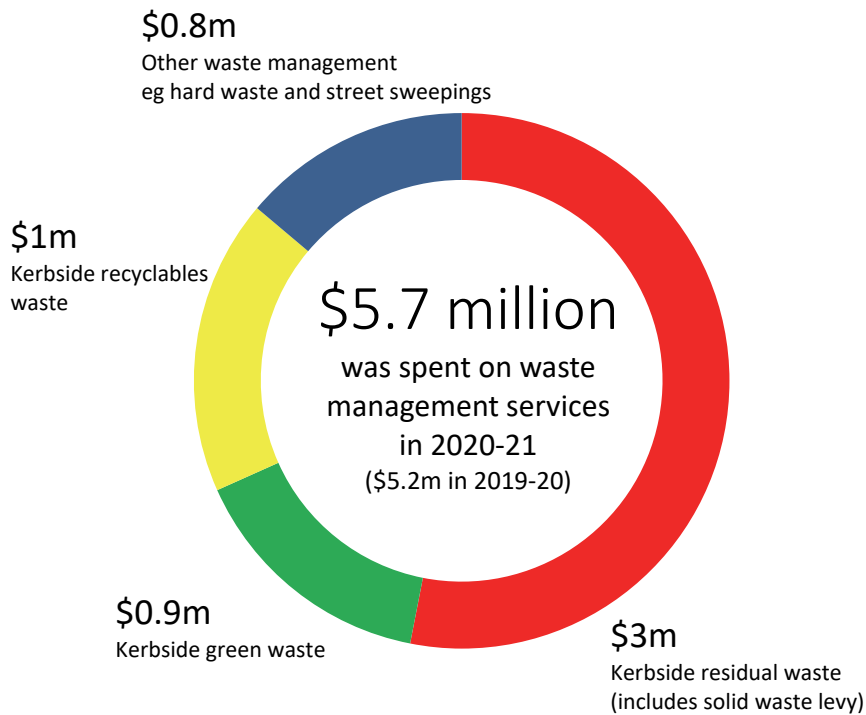
Figure 4.2: NPSP Council waste management costs for the past six years



Source: Based on data provided by the NPSP Council (unaudited).

Figure 4.2 shows that the NPSP Council’s waste management costs fluctuated annually up to 2018-19 and then increased by 17% in 2019-20 and 9% in 2020-21. This is partly due to the increase in the solid waste levy during this period. On 30 June 2019, this levy was \$100 per tonne and increased to \$143 per tonne by 30 June 2021, an increase of 43%. The increase in costs is also the result of the increase in residual waste collected by NPSP Council since 2018-19, as shown in figure 4.6. In 2020-21, the NPSP Council spent \$5.7 million on waste management services, an increase of \$500,000 (10%) from 2019-20. Figure 4.3 shows where this was spent.

Figure 4.3: NPSP Council waste management costs for 2020-21



Of the \$5.7 million, 53% was spent on collecting and disposing kerbside residual waste, including the solid waste levy. The solid waste levy is 18%³² of the NPSP Council's total waste management costs for 2020-21.

4.2.3 Kerbside waste management performance

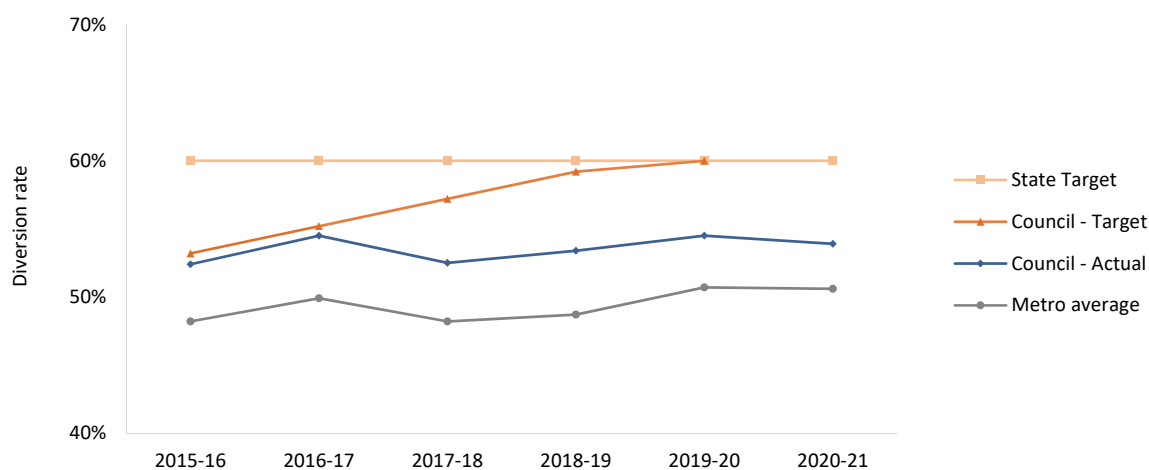
The NPSP Council's actual kerbside waste diversion from landfill rate compared to its target and the actual metropolitan council average recovery rate since 2015-16 is shown in figure 4.4.

Figure 4.4: Kerbside waste diversion from landfill rate and performance targets

Year	NPSP Council actual ³³	NPSP Council target ³⁴	Metropolitan council average ³⁵
2015-16	52.4%	53.2%	48.2%
2016-17	54.5%	55.2%	49.9%
2017-18	52.5%	57.2%	48.2%
2018-19	53.4%	59.2%	48.7%
2019-20	54.5%	60%	50.7%
2020-21	53.9%	no landfill diversion target set	50.6%

Figure 4.5 shows the above rates compared to the State's landfill diversion target of 60%.

Figure 4.5: Kerbside waste diversion from landfill rate and performance targets



Source: Based on data provided by the NPSP Council, East Waste and GISA.

³² Calculated by us based on the residual tonnes provided by the NPSP Council multiplied by the solid waste levy.

³³ This rate was calculated by us based on the formula published in GISA's annual kerbside waste performance reports. The waste collection tonnages used in the formula were provided by the NPSP Council and are unaudited. The tonnages of recycling and organics collected have not been adjusted for contamination.

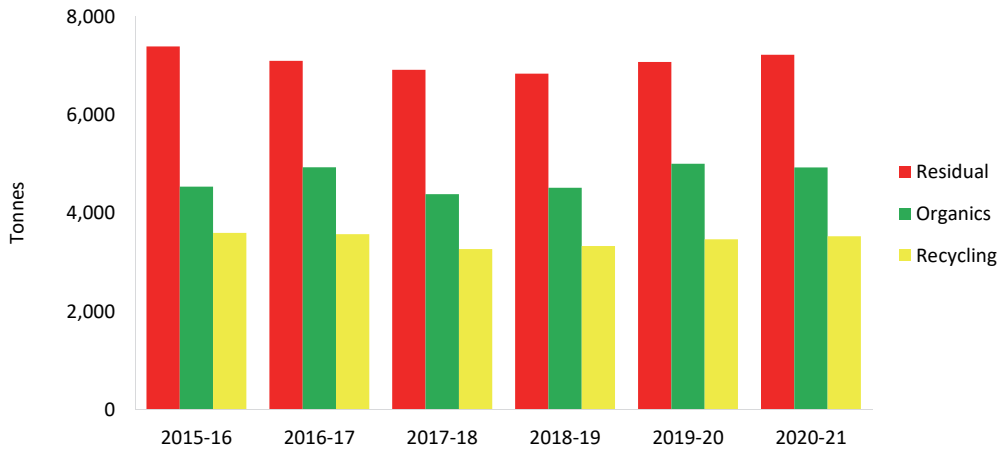
³⁴ We calculated these percentages based on the performance measure and target information disclosed in the NPSP Council's CityPlan 2030 over that period.

³⁵ Taken from GISA's annual kerbside waste performance reports. Data provided to us by GISA for 2019-20 and 2020-21 on 15 June 2022.

Figure 4.5 shows that the NPSP Council achieved a higher diversion from landfill rate than the metropolitan council average but fell short of its own target each year. 2016-17 and 2019-20 were the NPSP Council’s best performing years. It was close to its target in 2016-17 but by 2019-20 was 5.5% below it. Both the NPSP Council and the metropolitan council average fell short of the 60% State target by 2020-21. GISA provided us with data it has not yet published which shows that only one metropolitan council achieved a recovery rate of 60% in 2020-21.

Figure 4.6 shows the NPSP Council’s total tonnes collected by kerbside bins for each waste stream for the last six years.

Figure 4.6: NPSP Council’s kerbside waste collected

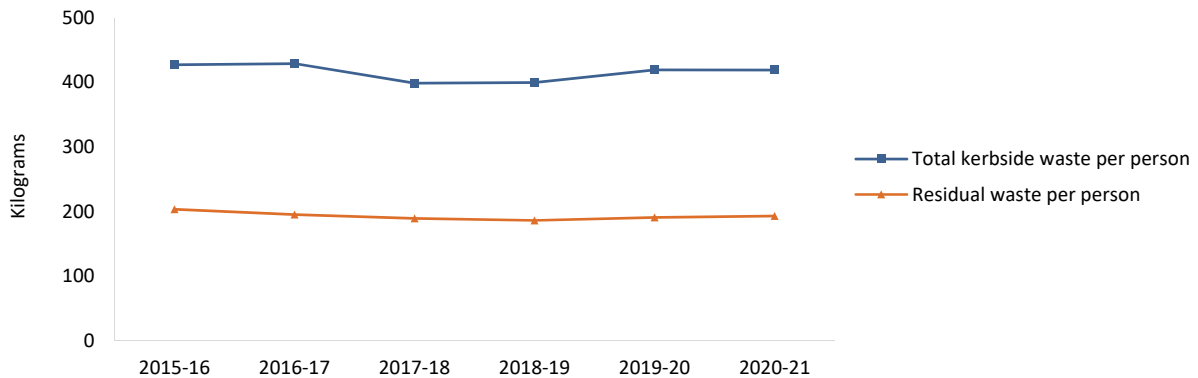


Source: Based on data from East Waste and the NPSP Council.

Figure 4.6 shows that the amount of waste collected for each waste stream has remained steady during this period. There was a slight increase in organics waste collected in 2016-17 due to higher levels of rainfall.³⁶

Figure 4.7 shows total kerbside waste and residual waste generated per person in the NPSP Council area over the last six years.

Figure 4.7: NPSP Council waste per person



Source: Based on data provided by East Waste and the NPSP Council about tonnes. Data about population is from the Australian Bureau of Statistics (<https://explore.data.abs.gov.au/>).

³⁶ Green Industries SA 2020, *South Australia’s Kerbside Waste Performance Report 2017-18*, Government of South Australia, Adelaide, p. 26.

Figure 4.7 shows a decrease in kerbside waste generated per person in 2017-18 and an increase in 2019-20. The 2017-18 decrease was driven by a 13% decrease in organics due to higher rainfall in the previous year.³⁷ An explanation for the increase in 2019-20 may be that during the pandemic more people shopped online, increasing the amount of packaging used in shipping/postage and discarded by residents. This may have been further impacted by people establishing home offices during the initial lockdown as evidenced by the shortage of office furniture and IT equipment in South Australia in March, April and May 2020. Figure 4.7 also shows that residual waste per person has remained consistent in the NPSP Council area over the past six years.

4.2.4 Other waste management initiatives

The NPSP Council has recognised the importance of implementing innovative waste reduction and education initiatives to manage waste resources sustainably and efficiently. During our review we noted some examples of this where the NPSP Council:

- joined the Local Government Association of South Australia’s circular procurement pilot project. The project is working towards developing local markets and onshore processing for recyclable materials
- implemented the plastic free precincts project, which helps food retailers in the Norwood Parade precinct to switch from single-use plastic products to reusable or compostable alternatives. This aligns with an SA Government priority to ban single-use plastics
- promotes product stewardship and buy recycled opportunities on its website.

4.3 Strategic planning for waste management services

4.3.1 Background

Section 122 of the LG Act requires a council to develop and adopt strategic management plans for the management of its area. It establishes a framework for each council to:

- identify its strategic objectives over a period of at least four years
- identify and implement strategies to achieve its strategic objectives and to deliver the range and level of services it intends to provide to its community
- identify the resources needed to support its strategies and protect its long-term financial sustainability
- set measures used to monitor and assess its performance against its objectives
- identify the extent of participation with other councils, regional bodies and State and national governments achieving common objectives.

³⁷ Green Industries SA 2020, *South Australia’s Kerbside Waste Performance Report 2017-18*, Government of South Australia, Adelaide, p. 14.

The NPSP Council’s CityPlan 2030: Shaping our future (CityPlan 2030) provides its long-term strategic vision and plan. The plan is reviewed every four years to ensure it reflects the community’s vision and aspirations to 2030. It sets out the strategic planning and reporting framework and identifies the key plans that support its implementation (as shown in figure 4.8).

Figure 4.8: NPSP Council’s strategic planning and reporting framework



Source: The NPSP Council’s CityPlan 2030.

CityPlan 2030 focuses on four outcomes, with one being environmental sustainability where the NPSP Council strives to be a leader in this area. It provides the following objective and strategy for waste management:

Objective 4.1: Sustainable and efficient management of waste resources

Strategy 4.1.2: Investigate and implement innovative waste reduction and education³⁸ initiatives

CityPlan 2030 also states that minimising waste and increasing recycling and reuse remain important environmental priorities. The NPSP Council wants to use less resources, proactively monitor its waste production and recycling, and adapt its programs to continue to reduce waste.

³⁸ Education initiatives were included in the strategy in response to the 2020 mid-term review of CityPlan 2030.

4.3.2 The NPSP Council does not have overarching corporate objectives and priorities for waste management

Recommendation

The NPSP Council should develop a corporate plan that outlines the:

- key priorities and corporate objectives covering essential services like waste management
- actions and activities needed to achieve the corporate objectives and reach the Council's long-term vision
- measures and targets to monitor and evaluate its performance against the objectives.

The corporate plan should be published on the NPSP Council's website. The NPSP Council should also report outcomes against targets each year in its annual report to ensure transparency and accountability to the community.

Finding

CityPlan 2030 has a series of strategic documents to support its implementation. It states that:

The Council will also prepare a Corporate Plan to identify the specific programs and actions required to implement and integrate all of the elements of CityPlan over the next four years.

We found that the NPSP Council had not prepared a corporate plan. The risk register presented to its audit committee in October 2019 identified the development of a corporate plan as an action to mitigate the following strategic risks:

- not delivering the project or the right project
- the lack of innovation and forward planning
- the lack of organisational and departmental strategy.

A year later, an October 2020 report on the risk status to the audit committee stated that developing the corporate plan was deferred until the existing strategic plan documents³⁹ were finalised. The NPSP Council was performing a mid-term review of its CityPlan 2030 at the time.

Why it is important to have a corporate plan

Long-term strategic plans should be integrated into a council's daily operations through its operational plans (such as annual business plan, annual budget, project plans) and policies. This provides assurance that a council's resources are allocated to activities that will achieve its long-term strategic objectives. A corporate plan should clearly explain how the CityPlan 2030 strategic vision will be achieved and integrated into operational plans and processes, including waste management.

³⁹ These documents include the NPSP Council's CityPlan 2030, long-term financial plan and asset and infrastructure asset management plans.

A corporate plan also addresses the administration of the NPSP Council's own activities to ensure resources are employed efficiently and effectively to achieve its strategic and corporate objectives. It provides detailed guidance to integrate into short-term plans the key priorities and resources needed for each financial year.

NPSP Council's response

While there is not a legislative requirement for the Council to develop a corporate plan, the Council will prepare a corporate plan.

Waste management is an operational service ... the Council will consider the Auditor-General's comments in relation to waste management as an inclusion in a corporate plan.

4.3.3 The NPSP Council has not documented the initiatives that support its waste strategy

Recommendation

The NPSP Council should develop a specific plan for waste management, or a plan that is focused on environmental sustainability and includes waste as one component, that clearly documents:

- the innovative waste reduction and education initiatives identified that will be implemented to support CityPlan 2030 strategy 4.1.2
- the actions and activities performed annually that contribute to strategic objective 4.1
- the financial and human resources needed to implement the initiatives, actions and activities, and who is assigned the responsibility to implement them
- the measures and targets to monitor and evaluate the NPSP Council's performance
- how the NPSP Council has adopted the principles of the waste management hierarchy
- how East Waste's strategic actions and activities contribute to achieving the NPSP Council's strategic objectives.

Finding

The NPSP Council's planned strategy under CityPlan 2030 was to investigate innovative waste reduction and education initiatives that it intended to implement over time to meet its strategic objective. We found no documentary evidence of the outcome of this investigation.

NPSP Council staff advised us that there were no specific plans that provided this information and that the following activities were performed each year and resourced through the annual business plan and budget:

- the Reinvigorate the Food Recycling Project 2018–2021 – providing food caddies to new residential properties and to those existing ones that did not have access to one

- education activities including stalls at NPSP Council events, an annual collection calendar with waste service and ‘which bin’ information, a local services app, and an online waste and recycling guide.

We found that the annual business plans produced since 2015-16 had limited or no information on the NPSP Council’s specific planned actions to implement its waste strategy and did not target kerbside waste avoidance or minimisation, the most preferred option of the waste management hierarchy.

East Waste delivers waste management services to the community on the NPSP Council’s behalf, including education programs. The NPSP Council relies on East Waste’s service and performance to help meet its strategic objectives. There is little to no detail in the NPSP Council’s existing documented plans of these services to demonstrate the alignment of waste management strategies between the entities.

Why this is important

As waste disposal costs have grown substantially in recent years following SA Government increases to the solid waste levy, there is significant financial incentive for the NPSP Council to provide a cost-effective and efficient kerbside waste management service to:

- reduce the amount of kerbside waste going to landfill
- increase waste recycling and recovery
- contribute to the reduction in carbon emissions from landfill.

A documented waste management plan would help the NPSP Council to effectively implement waste strategies, achieve its strategic objectives and reach its vision.

NPSP Council’s response

There is no legislative requirement on the Council to develop a waste management plan either separately or as component of another plan.

East Waste has been established by the Constituent Councils for the purposes of delivering effective kerbside waste management. It is East Waste’s role to develop plans which reduce landfill, promote recycling and organics re-processing. East Waste reports to the Council in its Annual Report on how it achieves its functions under its Strategic Plan and Charter.

Notwithstanding this, East Waste has a 2030 Strategic Plan which sets out Strategies and Key Performance Indicators for leadership in waste management logistics and innovative collection and resource management services for the Constituent Councils of East Waste.

4.3.4 The NPSP Council no longer has kerbside waste performance measures and targets

Recommendation

The NPSP Council should set performance measures and targets in line with the kerbside waste management results it wants to achieve. These should be consistent with any key

performance indicators set by East Waste and support the State's waste strategy target for metropolitan councils.

Finding

Section 122(1)(d) of the LG Act requires a council's suite of strategic management plans to provide the financial and non-financial measures used to monitor and assess a council's performance against its objectives.

CityPlan 2030 outlined an objective and strategy for kerbside waste management along with the performance measure and target to evaluate the NPSP Council's performance. The performance measure and target changed over the period we reviewed.

We found that from 2016-17 the NPSP Council's kerbside performance target⁴⁰ was to achieve the State's waste target of 60% of waste diverted from landfill by 2020.

The NPSP Council removed this performance measure and target when it reviewed the CityPlan 2030 in 2020 and no longer has a landfill diversion target. NPSP Council staff advised us:

... that this performance measure was no longer a valid measurement due to the following factors, packaging weight can change, might be more volume of plastic but is lighter; or people are avoiding packaging and tonnes decrease.

We consider that these factors would impact the performance target set but would not make the performance measure invalid.

NPSP Council staff advised us that it decided to focus on circular procurement. The target set for this is a year-on-year increase in corporate purchases of products or materials that contain recycled content. However, this is not a relevant measure for the kerbside three-bin waste system.

Removing the performance measure and target means that the NPSP Council cannot clearly demonstrate:

- what it will monitor and evaluate its waste performance against. This may reduce the effectiveness of understanding changes in waste behaviours and making better and informed decisions about future education programs/initiatives
- its commitment to contributing to the State's waste target, which increases to 70% by 2025.⁴¹

We noted that East Waste's 2030 Strategic Plan provides key performance indicators to measure its success in reaching its objectives. These include:

- a percentage of total kerbside three-bin system materials is separately collected and recycled, targeting 75% by 2030 (ie waste diverted from landfill)

⁴⁰ We calculated this percentage based on the performance measure and target information disclosed in the NPSP Council's CityPlan 2030 over that period.

⁴¹ Green Industries SA 2020, *Supporting the Circular Economy: South Australia's Waste Strategy 2020–2025*, Government of South Australia, Adelaide.

- a percentage of total food waste is separately collected and recycled by 2030, targeting 100% by 2030
- reduced average contamination of the kerbside co-mingled recycling stream, targeting less than 7% by 2030.

The NPSP Council has not set performance measures and targets that align with those set by East Waste.

Why it is important to have kerbside waste performance measures and targets

For the NPSP Council to effectively oversee and monitor its kerbside waste performance, it should set performance measures and targets and regularly report actual results against them. This will inform the NPSP Council about whether its actions have been successful in achieving its targets, or whether changes to activities are needed to improve results.

NPSP Council's response

Waste reduction targets have been removed from City Plan 2030, which due to current legislative constraints, is an outcome of the Council having little control over this, other than through seeking to influence behaviour change through education. Obtaining accurate information through household bin audits, to measure progress against targets, is very costly and cannot be replicated or indeed justified on an annual basis.

It is noted that the South Australian Waste Strategy 2020-2025, sets a Municipal Solid Waste target of 75% diversion by 2025. The Council has and will continue to work with the State Government to deliver programs and initiatives that seek to achieve this target. It is noted that following previous major waste system interventions, such as food waste programs, a plateau has been reached in household behaviours and new critical intervention will be required which are led or supported by the State Government. These interventions will, by necessity, need to include changes to legislation which has been set by the State Government in respect to Local Government waste collection services.

The Council accepts that it should set performance measures and targets that align with East Waste's 2030 Strategic Plan. However, these performance measures and targets are operational rather than strategic. It is intended to incorporate performance measures and targets in the service agreement with East Waste.

4.4 Governance and service arrangements

4.4.1 Background

The NPSP Council is a constituent council of East Waste, a regional subsidiary established under section 43 of the LG Act. East Waste operates under a Charter that outlines its

governance, administrative and financial management arrangements. It is governed by a board of management and a councillor of the NPSP Council has been appointed to this board. The NPSP Council receives a copy of the board of management's meeting minutes and agenda papers.

East Waste delivers waste management services to the community on the NPSP Council's behalf. Its primary purpose is to collect and dispose of waste within the areas of its constituent councils. The NPSP Council may arrange for East Waste to provide other functions such as:

- promote the minimisation of waste and recycling of recyclable materials
- undertake waste community education programs
- conduct all activities in a way that complies with regulatory requirements and minimises risk to the constituent councils.⁴²

An NPSP Council manager attends a regular East Waste Committee meeting to discuss service and operation matters.

4.4.2 The NPSP Council does not have a service level agreement with its service provider for waste management services

Recommendation

The NPSP Council should establish a service level agreement with East Waste to have clarity and agreement on roles and responsibilities and other matters important to delivering waste management services.

Finding

We found that there is no contract or service level agreement between the NPSP Council and East Waste for the provision of waste services. East Waste prepared an 'offerings' spreadsheet that outlines the services agreed with the NPSP Council. This document did not include any details on the NPSP Council's operational performance expectations and standards.

East Waste is subject to the joint direction and control of its constituent councils, who are ultimately liable for its activities. It is important that the NPSP Council properly oversees and monitors East Waste's performance, manages risks and takes action to direct its activity when necessary. This will help ensure East Waste effectively implements the NPSP Council's service level policy decisions.

We found the NPSP Council has little oversight over the waste activity and service delivery performance specific to it and its community. This is because the NPSP Council has not set any key performance measures and targets to enable it to monitor and evaluate East Waste's performance.

⁴² Eastern Waste Management Authority Charter, clause 9.2, 26 September 2017.

NPSP Council staff advised us that information specific to the NPSP Council's performance and activity is limited to waste tonnages, additional bins and service exceptions.

The NPSP Council should have a service level agreement that at a minimum:

- clearly outlines its and East Waste's roles and responsibilities for common functions such as community education activities and dealing with complaints
- sets out its expectations of performance standards, measures and targets in delivering the agreed services. These would need to be aligned with the NPSP Council's strategic objectives, performance standards and targets for waste management
- provides the data and information required to enable it to:
 - monitor and evaluate East Waste's performance in service delivery against the pre-determined standards, performance measures and targets
 - inform its future waste management strategy and policy decisions
 - inform its future community education programs, including an evaluation of the effectiveness of existing education programs and waste initiatives
 - assess and evaluate East Waste's management of risks
- requires East Waste to detail the controls in place to ensure waste data used for reporting and decision making is complete and accurate. East Waste should also certify annually that the controls have been operating effectively.

NPSP Council's response

The Council agrees that a Service Level Agreement with East Waste would allow the Council to set governance and performance measures and targets addressing waste management. The Council intends to develop a Service Level Agreement that allows the Council to monitor East Waste on the service delivery of kerbside waste management and other services. As discussed, the Service Level Agreement will include the recommendation outlined in [section 4.3.4].

4.4.3 The NPSP Council did not evaluate and report against the key performance targets and waste initiatives

Recommendation

The NPSP Council should ensure there is proper oversight, monitoring and reporting on the performance of kerbside waste management services by:

- setting clear performance measures and targets it wants to achieve and that support the State's waste strategy
- evaluating and reporting actual performance against set targets
- evaluating and reporting on the outcome of all waste initiatives and activities that support performance
- consulting with East Waste to establish key performance measures and targets and define the data and information needed to monitor and evaluate their performance.

Finding

We reviewed how the NPSP Council monitored, evaluated and reported on the performance of its kerbside waste management services. We found that it has gaps in some important areas. This is because the NPSP Council:

- did not evaluate and report on actual performance against established targets
- did not evaluate the effectiveness of all waste initiatives and activities to inform decisions on future actions and allocation of resources
- did not consider and decide on the opportunities identified as part of evaluating one of its key waste initiatives
- did not establish performance measures and targets for East Waste.

Key performance measure and target

Prior to 2020-21, the NPSP Council aimed to achieve a target of 60% of waste diverted from landfill by 2019-20.

East Waste provided the total tonnages collected by waste stream and the percentage of waste diverted from landfill for each financial year. The NPSP Council's annual reports provided the annual waste tonnages by waste stream but did not report on its performance against the 60% diversion target.

Our analysis of the NPSP Council's actual kerbside waste diversion from landfill rate compared to the performance target and the metropolitan council average since 2015-16 is provided in section 4.2.3.

If the NPSP Council had clear oversight of its kerbside bin waste performance against targets, it would have been evident that it had not achieved its target each year and was not on track to achieve this and the State target over time. It could have then considered changes needed to improve its performance to reach, or get close to, the targets.

Waste reduction and education initiatives and activities

NPSP Council staff advised us that information on waste management activity is provided to elected members when needed. For example, the elected members were informed of the Reinvigorate the Food Recycling Project 2018–2021. This project's purpose was to increase the use of food caddies by giving them out to residents between 31 August 2019 and 30 June 2021. The NPSP Council exceeded its target of 3,200 with a total of 4,211 food caddies given out.

The NPSP Council prepared a report for the elected members and GISA⁴³ on the outcome of its evaluation of the project, which included:

- the outcome of the resident survey results
- an analysis of organics collection data.

⁴³ GISA provided funding to the NPSP Council under its Kerbside Performance Plus Food Organic Incentives Program.

The report outlined a further opportunity to increase the diversion of food waste from landfill by reviewing the frequency of kerbside waste collection at the State level and undertaking further modelling and trials to better understand how this could further influence behaviour change. The report did not provide any recommendations to the elected body for decision on these opportunities and the next steps to further the NPSP Council's waste initiatives and education programs.

We also found that the NPSP Council is not evaluating the effectiveness of all the waste management initiatives and activities it undertakes during the year. Consequently, a summary of the outcome and impact of these activities on achieving strategic objectives is not provided to the elected body to inform future decisions on waste management services.

East Waste's performance and kerbside bin service to the community

The NPSP Council has not set any performance standards, measures and targets to monitor and evaluate East Waste's performance in delivering kerbside waste management services to its community.

East Waste's 10-year business plan recommends key performance indicators that could be implemented and reported against to the NPSP Council.

Why it is important to monitor and report on kerbside waste performance

To effectively oversee and monitor its waste performance, the NPSP Council must regularly see actual results reported against set performance targets. This comparison, together with evaluation of programs/initiatives and East Waste's performance, will inform the NPSP Council about whether its actions have been successful in achieving its targets, or whether changes are needed to improve results and work towards achieving its strategic objectives and vision.

NPSP Council's response

The Council intends to develop a Service Level Agreement with East Waste and part of that Agreement, will include key performance measures and targets for East Waste to deliver and report to the Council. This will increase East Waste's accountability to the Council, as well as shaping future performance measures and targets.

The Council accepts that regular reporting of key performance measures and targets is necessary and is ultimately a key facet in informing the community on waste management indicators.

4.4.4 No reporting on kerbside waste performance targets to the community

Recommendation

The NPSP Council's annual report should provide performance information on its kerbside waste management activity against measures and targets.

Finding

Schedule 4 of the LG Act requires a council to report on its performance in implementing its strategic management plans and against its annual business plan each year. A council is required to provide this information in its annual report.

Consistent with these requirements, the NPSP Council's strategic planning and monitoring framework provides for regular reporting to its community through its annual report.

Our review of the NPSP Council's annual reports from 2015-16 to 2020-21 found that they did not provide information on waste management performance against the measure and target published in CityPlan 2030. However, they did comment on the various waste activities and initiatives the NPSP Council had implemented during the year. The lack of performance reporting makes it difficult for a reader of the annual report to have a clear and accurate understanding of how well the NPSP Council performed against its waste management objectives.

Why it is important to report on performance

Clear performance reporting on the delivery of waste management services against set measures and targets:

- enables the NPSP Council to demonstrate, and be held to account for, its achievements in meeting its objectives and working towards its vision
- provides useful information about the effectiveness of services provided that strengthens community trust
- keeps the community and key stakeholders better informed, which may strengthen future community engagement in managing waste.

NPSP Council's response

It is intended to report the established performance measures and targets as per the Service Level Agreement with East Waste in the Council's 2022-2023 Annual Report.

4.4.5 Residual waste tonnages collected are not reconciled

Recommendation

The NPSP Council should consult with East Waste to:

- identify effective controls to ensure residual waste data is complete and accurate
- determine who is responsible for implementing these controls.

Finding

East Waste provides data on the waste tonnages collected from the kerbside three-bin system to the NPSP Council, which is published in its annual report. NPSP Council staff advised us that they do not check the data for accuracy or completeness.

East Waste staff advised us that each month they reconcile the tonnes of organics and recyclables collected recorded on its drivers' weigh bridge docket to invoices received from third parties who sort and process this material. East Waste then invoices the NPSP Council for the disposal of organics and recyclables once this reconciliation is done.

East Waste records the data on the drivers' weigh bridge docket for residual waste, but does not perform a reconciliation as the NPSP Council receives these invoices directly from the third party. NPSP Council staff advised us that they review the invoices for reasonableness only.

Why it is important to reconcile the data

Reconciling the data East Waste records and what the NPSP Council is invoiced helps to minimise the risk of overpayment.

NPSP Council's response

The Council agrees that tighter measures need to be put in place to cross-check data provided by East Waste and the third-party at the time of invoicing. To progress this, discussions will be held with East Waste to better understand the process and take correct action as required.

4.4.6 Risk management framework not fully implemented

Recommendation

The NPSP Council should finalise and fully implement its risk management framework as a matter of priority. To assist with this, it should develop an implementation plan that provides the key activities, allocation of responsibilities and time frames to implement the framework. Key activities should include:

- endorsing the risk management procedure and distributing it to all staff
- delivering a risk management training program to all staff as soon as practicable after the risk management procedure is released
- having a dedicated resource to ensure its policy requirements are being met, risks are regularly reviewed, evaluated and reported, and the risk register is maintained
- assigning responsibility for managing individual risks to the manager level and recording this in the risk register
- regularly reviewing and reporting on risks as provided in the policy and procedure.

Finding

Risk management is the process by which potential impediments and opportunities for a council to achieve its objectives are managed. It underpins a council's control environment and is therefore integral to its operations.

The NPSP Council's risk management policy (dated October 2020) provides its risk management principles and defines responsibilities for risk management across its operations. Its audit committee is responsible for monitoring the NPSP Council's risk exposure by determining if appropriate risk management processes are in place.

We found that some aspects of the NPSP Council's risk management process had not been finalised and fully implemented across its operations. This is because:

- the risk management procedure was in draft and had not been distributed to NPSP Council staff
- the risk register does not assign responsibility for managing risk at the manager level
- the information in the risk register is incomplete as the risk assessment and the evaluation of the effectiveness of controls are not documented for some risks
- the risk treatment plans we reviewed did not assign responsibility and time frames for implementing the appropriate action
- there was no documentary evidence that the risk registers had been reviewed since 2019
- the executive leadership team had not provided the audit committee with quarterly reports on extreme and high operational risks
- there was no annual reporting of strategic risks to the audit committee.

NPSP Council staff advised us that the manager responsible for helping the executive leadership team to implement the risk management framework was seconded to assist the local government sector in responding to emergency events for extended periods of time. The NPSP Council did not have a dedicated resource to progress the implementation of its risk management framework and practices during these absences. Our review of audit committee meeting minutes and agenda papers found no evidence that it had considered the implications of these secondments and whether to reassess the time frames to implement the framework.

NPSP Council's response

The Council has endorsed a Risk Management Policy which is periodically reviewed and updated and which is supported by a Risk Register which sets out key strategic and operational risks. A new Risk Management Procedure and a Risk Management Implementation Plan is currently being finalised to ensure that the new Procedure is effectively embedded throughout the organisation. The new Procedure - and supporting Implementation Plan - has been designed to improve the quality of Council's Risk Register, assign risk control plans (including responsibilities) and ensure the necessary training is undertaken.

Since the examination conducted by the Auditor-General, the Council has drafted an Implementation Plan. A large number of the comments and recommendations in these findings have been actioned and systematically adopted to the risk management framework.

In addition, a Service Level Agreement with East Waste will assist the Council set, monitor and evaluate key performance measures and targets delivered by East Waste.

4.4.7 Waste management risks not fully assessed and documented

Recommendation

The NPSP Council should regularly assess East Waste's assessment and response to risks to determine whether they are appropriate and adequate in delivering waste management services. The outcome of this assessment should be documented in the NPSP Council's risk register and reported to its audit committee.

The NPSP Council should identify and assess any remaining waste management risks it is responsible for managing. These risks should be clearly documented in the risk register.

The NPSP Council should review its business continuity plan (BCP) to ensure it is up to date and contains accurate information in preparing and responding to emergency events. The NPSP Council should have a copy of East Waste's current BCP.

Finding

We found that the NPSP Council's risk register did not specifically identify risks related to the delivery of waste management services. Without these risks being clearly documented it was difficult to determine if the NPSP Council had identified and was managing all of its waste management risks. NPSP Council staff advised us that the risk statements are broad and the operational risk of business interruption was relevant to these services.

The NPSP Council's risk register identifies its BCP as a key existing control to mitigate business interruption risk. Its BCP (dated May 2018) identifies domestic waste management as a critical function. It outlines the policy and procedures in place to be ready for an event and the immediate action response. For waste management, the contract with East Waste is identified as the policy and procedure but we found that there is no contract. One immediate action needed in response to an emergency is to ask East Waste about its BCP.

It is important that the NPSP Council has a copy of East Waste's current BCP in preparedness for an emergency. This will ensure the risks and responsibilities of the NPSP Council and East Waste are clearly understood before an event occurs and enable the NPSP Council to respond quickly.

In response to our document requests, NPSP Council staff also referred us to East Waste's risk documents, including its risk management framework, risk registers and business continuity framework and plan.

This shows how reliant the NPSP Council is on East Waste's risk management practices. However, the NPSP Council did not provide documentary evidence that it had assessed and accepted East Waste's risk responses as appropriate and adequate in delivering waste management services.

We also found that the NPSP Council's risk analysis did not consider:

- the financial impacts of a failure in recyclables and organic waste collections, to facilitate waste reduction and the market fluctuations in recyclable materials
- the impacts on pathways of collected material due to various disruptions. For example, the NPSP Council relies on third parties to manage the recycling and disposal of collected materials. In recent years there have been fires and materials recovery facilities market failures that have had major impacts on pathways of collected material, including additional financial outlays (such as costs for transporting recyclables to interstate facilities or storing them pending local sorting availability, or additional costs and levies of sending recyclables to landfill) and reputational impacts (such as community affront on landfilling collected recyclables)
- the oversight and monitoring of East Waste's performance.

NPSP Council's response

See the NPSP Council's response in section 4.4.6.

4.5 Waste management education activities

4.5.1 Background

East Waste's services include delivering waste community education programs to its constituent councils. It developed an education program for them in 2016-17, which focused on promoting behaviours to ensure residential waste material is put in the correct bin.

The program is updated each year for the activities that will be delivered across the constituent councils, including the delivery of waste education to schools and the general community and a range of education resource materials (such as waste tips via social media, street signage, bin stickers and articles for the constituent councils' websites).

The NPSP Council also provides community education, which includes:

- stalls at events
- an annual collection calendar with waste service and 'which bin' information
- a local services app
- an online waste and recycling guide to things like the supply of compostable bags and educational materials.

The NPSP Council provides education resources directly to residents based on weekly reports it receives from East Waste for illegal additional bins and service exceptions (such as missed bins, contamination in bins and bins too heavy to lift).

4.5.2 The NPSP Council does not have a formal waste education strategy

Recommendation

The NPSP Council should develop and document a waste education strategy and program. This should align with its overall waste strategy and support the achievement of its strategic objectives.

The NPSP Council should establish a system for annual planning of the education program, monitoring its implementation and reviewing its performance.

Finding

The NPSP Council relies primarily on East Waste's community education activities but also carries out some of its own.

We met with NPSP Council and East Waste staff to discuss the waste education activities that had been carried out during the review period.

We found that the NPSP Council does not have its own policy, strategy or plan that:

- demonstrates how its, and East Waste's, community education programs will support its strategic objectives and contribute towards achieving the State's waste strategy and targets
- outlines the activities and information needed to inform the education approach to address waste and recycling issues
- describes the nature and extent of East Waste's role in community waste education
- shows how East Waste's waste education strategy aligns with its own
- provides the financial and human resources allocated to deliver education programs and activities
- outlines the approach to evaluating the effectiveness of waste education programs and activities in improving kerbside waste performance, such as bin audits, regular analysis of waste data and community involvement
- supports the implementation of innovative waste education initiatives.

East Waste's education activities

We found that East Waste's education program was not documented in, or linked to, an NPSP Council strategy. There was no documentary evidence that the NPSP Council had assessed this program to ensure it would help meet its strategic objectives for waste management and agreed service delivery to its community (such as how many and which schools in the NPSP Council area East Waste would deliver waste education to in each year).

The NPSP Council's waste education activity evaluation

East Waste staff advised us that it is very difficult to evaluate the effectiveness of a specific education activity/initiative. It conducted a kerbside bin audit in late 2019 to assess kerbside waste performance and understand household waste disposal and recycling behaviour. These audits identify issues in waste behaviours, such as the nature of contamination and the incorrect use of bins. This information helps to make informed decisions to improve services and make changes to the education program for the region and the NPSP Council.

The NPSP Council engaged a third party to do a kerbside bin audit in 2016. The purpose was to gain accurate and reliable data on the performance of the kerbside waste management system and the recycling behaviours of its residents. This information would then be used to identify opportunities for performance improvement and develop education materials targeting specific behaviour issues.

NPSP Council staff advised us that some recommendations from the 2016 bin audit were progressed, including facilitating ongoing and more frequent data collection to monitor progress. We found no documentary evidence that the NPSP Council had regularly analysed kerbside waste data to monitor performance and determine whether it was successful in changing community behaviour.

We found that the NPSP Council did not have a documented approach to evaluating the effectiveness of its waste education activities, such as the impact the education activity has on landfill diversion rates.

Why it is important to have a waste education strategy

A documented waste education strategy will help the NPSP Council to define its strategic education directions, set clear objectives and describe the actions it will take to educate the community on areas such as:

- practicing the waste management hierarchy with increased focus on avoiding or minimising waste
- increasing the level of food scrap recycling
- disposing of food scrap recycling in the organics bin
- increasing the level of recycling
- decreasing the level of contamination in recycling.

Further, a documented strategy will help the NPSP Council make decisions about the priority of education programs and activities, prepare plans and allocate resources to them.

Education programs can be expensive and can absorb significant human resources. Without a clear vision of program objectives, the NPSP Council may find it difficult to assess whether sufficient and suitable resources have been applied to deliver specific programs.

NPSP Council's response

The Council agrees that educating the community on waste management with a focus on minimising waste and increasing the recycling, food scrap and general recycling, is fundamental to reducing landfill and improving recycling.

The Council will seek to provide greater clarity over the educational activities which it already conducts each year, with the production of an internal Waste Education Calendar, documenting events, campaigns, materials that will be rolled out in any given year and how this integrates with the educational activities conducted by East Waste which the Constituent Councils fund.

The Service Level Agreement will also document the education programs and formats to be delivered or overseen by East Waste (such as schools' education) and the expectation for the minimum number of sessions to be delivered. The Service Level Agreement will include a requirement on East Waste to report to the Council on the effectiveness of the education activities in accordance with the opening statement of the service level agreement and East Waste's 2030 Strategic Plan.

The Service Level Agreement will not remove the education activities undertaken by the Council. However, these activities will be consistent with the topics provided for in the Service Level Agreement. The Council will endeavour to publish the annual education plan on its website.

4.6 What the NPSP Council did well

We found some areas of effective waste management that were operating effectively during the period we reviewed. These included the NPSP Council:

- consulting its community and key stakeholders when it reviewed CityPlan 2030 to understand their expectations and satisfaction with the levels of waste management service
- having sound processes to manage and resolve complaints from residents about kerbside waste collection services
- having a waste management policy that outlined domestic kerbside waste collection services, additional bin requirements and lost and stolen bins. It was updated in late 2021 to provide direction on specific areas such as MUDs and hard waste services.

5 City of West Torrens

5.1 Executive summary

5.1.1 Audit conclusion

We assessed the effectiveness of West Torrens Council's management of kerbside waste services between 2015 and 2021 against our review objective in section 3.2.

We concluded that West Torrens Council successfully collects, transports and processes kerbside waste to a high level of community satisfaction.

There are many areas that contribute to the overall effective management of kerbside waste services. We identified three areas that were not operating effectively during the period we reviewed. These were:

- establishing a stand-alone waste strategy
- setting local performance targets
- establishing a formal education strategy.

These issues are explained in section 5.1.2.

We also identified some areas where West Torrens Council was operating effectively during the period, including that it had:

- established clear roles and responsibilities for waste management, including an oversight and monitoring committee
- sound frameworks and processes to identify, assess and manage waste risks
- clear processes to manage and resolve complaints from residents about collection services.

West Torrens Council has recognised the importance of continuous improvement in waste management. For example, it has recognised the need for and developed a local waste strategy and has completed, or has plans in place to start, other initiatives.

5.1.2 What we found and recommended

The key findings from our review of West Torrens Council's management of kerbside waste services were that it:

- did not have a stand-alone waste strategy that identified its key priorities and objectives for waste management, established local targets and measures to monitor performance and detailed the specific actions and activities that it would take to achieve these. We acknowledge West Torrens Council commenced developing a stand-alone waste strategy (see section 5.3.2)

- had not set local performance targets for waste management, reducing the effectiveness of its monitoring of waste performance (see section 5.3.3)
- did not have a formal waste education strategy that outlined its approach to community education on waste and recycling issues and defined how it would assess the effectiveness of its education activities (see section 5.5.1).

We recommended that West Torrens Council:

- sets local performance targets that support the State's waste strategy targets for metropolitan councils and reports its waste performance against them
- develops and documents a waste education strategy that aligns to its waste strategy and local targets.

5.1.3 West Torrens Council's response

West Torrens Council responded to our detailed findings and advised us how it would action our recommendations, which it accepted.

West Torrens Council's response to each individual recommendation is included in sections 5.3 to 5.5 and in section 5.7.

West Torrens Council provided a response to our proposed report to Parliament that is included as Appendix 7.

5.2 Overview of the City of West Torrens

5.2.1 Waste management services

West Torrens Council is located immediately west of the City of Adelaide. Its estimated resident population is around 61,000 with a population density of 1,649 people per square kilometre. It covers an area of around 37 km² and census data from 2021 shows that 37% of its dwellings are medium or high density, while 63% are separate houses.⁴⁴

Population, area and dwelling type determine the nature, type and collection frequency of the waste services councils provide. West Torrens Council provides a three-bin kerbside waste collection service that consists of:

- weekly residual waste
- fortnightly organics
- fortnightly recycling.

⁴⁴ City of West Torrens 2021, *City of West Torrens: dwelling type*, viewed 15 July 2022, <<https://profile.id.com.au/west-torrens/dwellings>>.

Residents are entitled to a free food caddy and a roll of compostable bags, as well as replacement bags.

West Torrens Council has developed a shared waste service for MUDs to provide kerbside services to developments that would not have qualified for its waste collection service.

An independent waste contractor provides collection and transportation services for West Torrens Council's three-bin kerbside waste.

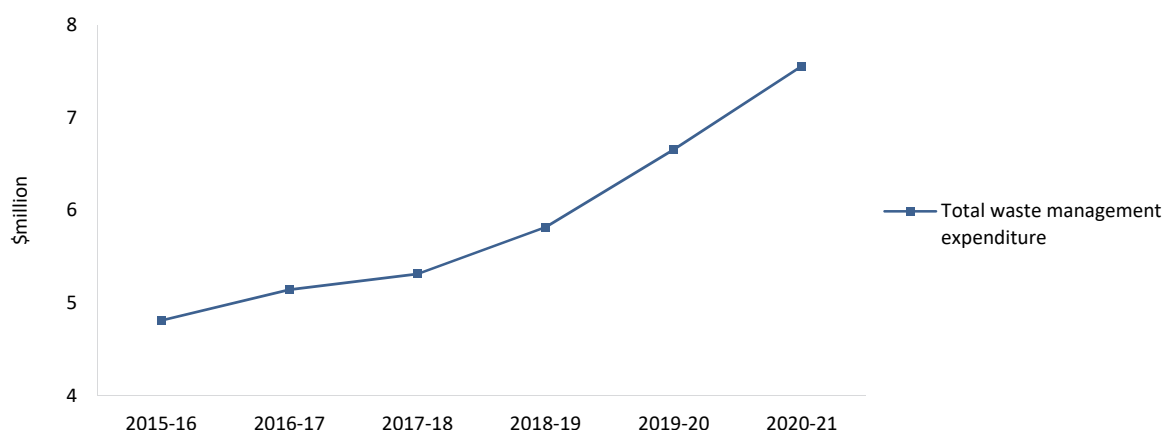
In addition to the kerbside three-bin waste service, West Torrens Council collects and disposes of kerbside hard waste and public litter bins, street sweepings and illegal dumping.

5.2.2 Waste management costs

In 2020-21, West Torrens Council incurred \$7.5 million in waste management costs.

Figure 5.1 shows West Torrens Council's waste management costs over six years.

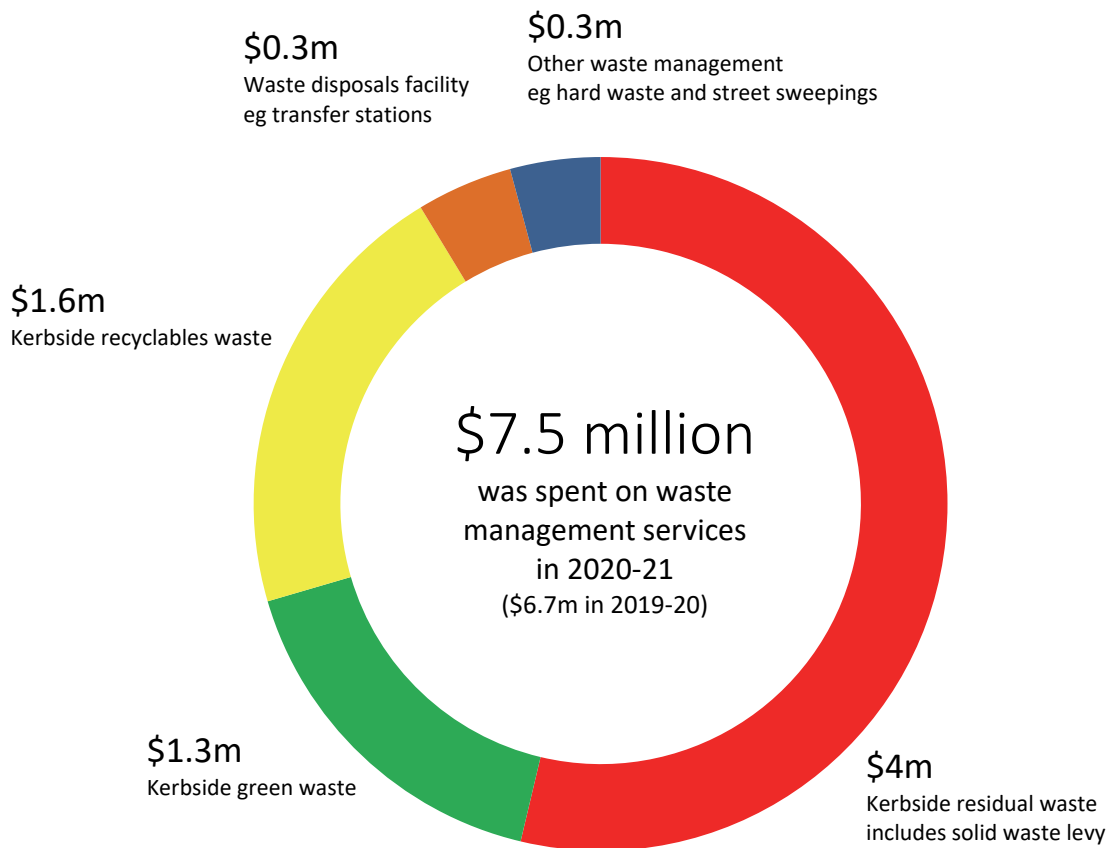
Figure 5.1: West Torrens Council's waste management costs over six years



Source: West Torrens Council's audited financial statements which are audited by a private sector accounting firm.

Figure 5.1 shows that waste management costs have increased since 2018-19. This is partly due to the increase in the solid waste levy during this period. On 30 June 2019, the solid waste levy for metropolitan councils was \$100 per tonne. By 30 June 2021, the levy for metropolitan councils was \$143 per tonne, an increase of 43%. The increase in costs is also the result of the increase in residual waste collected by West Torrens Council since 2018-19, as shown in figure 5.3. In 2020-21, West Torrens Council spent \$7.5 million on waste management services, an increase of \$800,000 (12%) from 2019-20. Figure 5.2 shows where this was spent.

Figure 5.2: West Torrens Council waste management costs for 2020-21



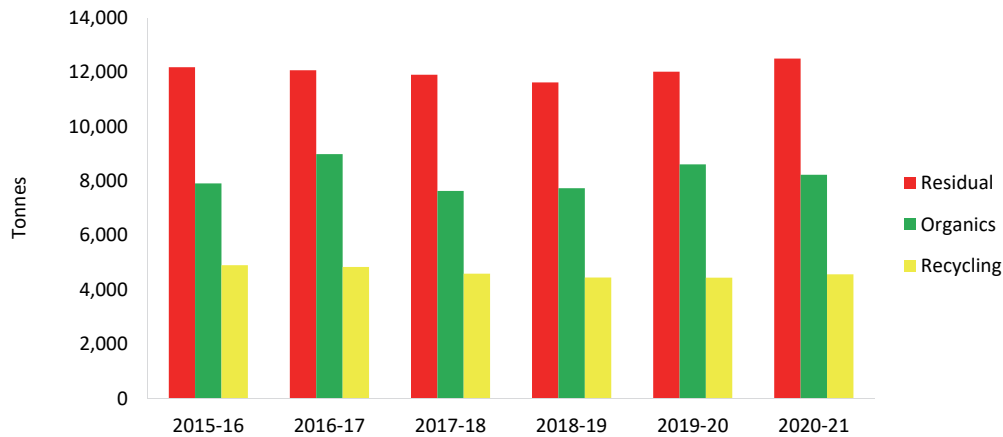
Of the \$7.5 million, 53% was spent on collecting and disposing kerbside residual waste, including the solid waste levy. The solid waste levy is 24%⁴⁵ of West Torrens Council's total waste management costs for 2020-21.

5.2.3 Kerbside waste management performance

Figure 5.3 shows the total tonnages by waste stream collected by West Torrens Council over six years.

⁴⁵ Calculated by us based on the residual tonnes provided by West Torrens Council multiplied by the solid waste levy.

Figure 5.3: Kerbside waste collected by West Torrens Council

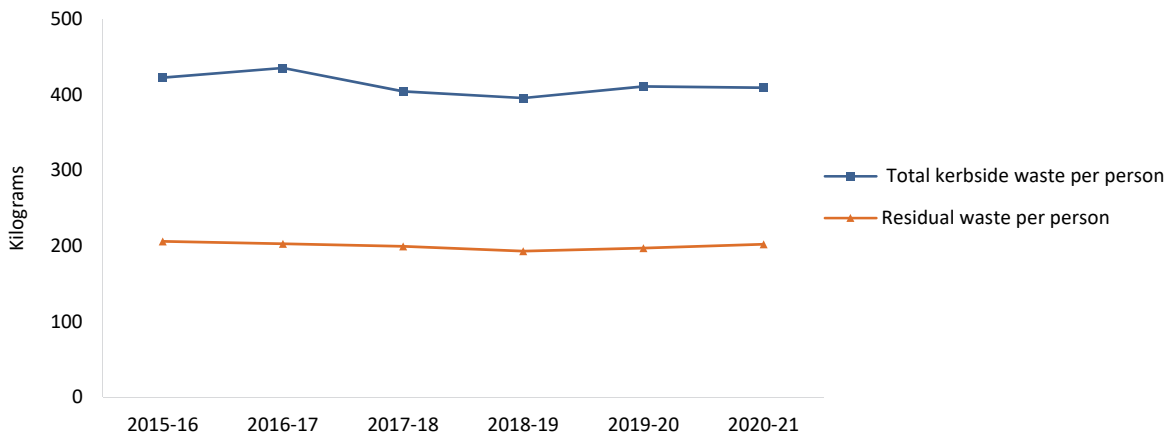


Source: Based on data provided by West Torrens Council (unaudited).

Figure 5.3 shows that residual waste is consistently West Torrens Council's largest waste stream, followed by organics and then recyclables. This is in line with other metropolitan councils as shown in figure 2.7.

Figure 5.4 shows total kerbside waste and residual waste generated per person in the West Torrens Council area over six years.

Figure 5.4: Waste per person in West Torrens Council



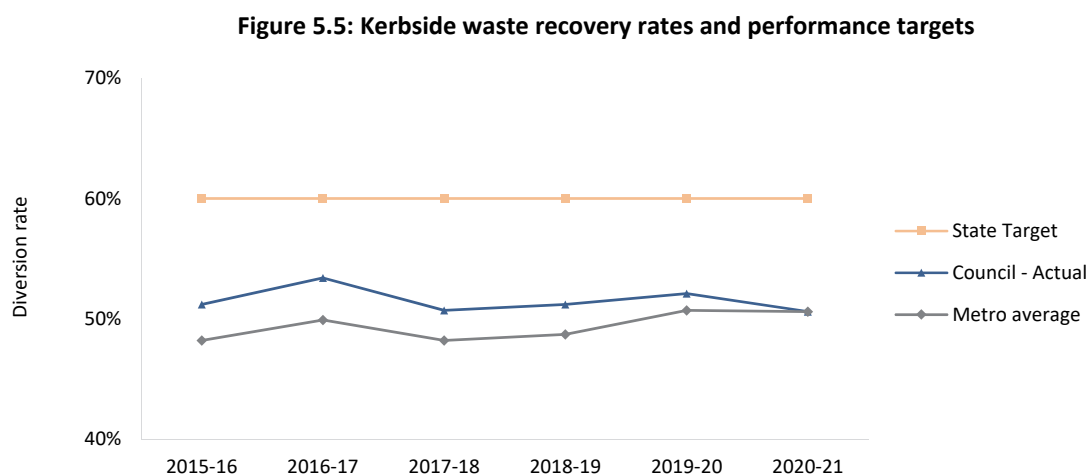
Source: Based on data about tonnes provided by West Torrens Council. Data about population is from the Australian Bureau of Statistics (estimated resident population by local government area) (<https://explore.data.abs.gov.au/>).

Figure 5.4 shows that total kerbside waste generated per person decreased from 2016-17 until 2019-20. The decrease in 2017-18 was driven by a 13% decrease in organics due to higher rainfall in the previous year.⁴⁶ An explanation for the increase in 2019-20 may be that during the pandemic more people shopped online, increasing the amount of packaging used in shipping/postage then discarded by residents. This may have been further impacted by

⁴⁶ Green Industries SA 2020, *South Australia's Kerbside Waste Performance Report 2017-18*, Government of South Australia, Adelaide, p. 14.

people establishing home offices during the initial lockdown as evidenced by the shortage of office furniture and IT equipment in South Australia in March, April and May 2020. Figure 5.4 also shows that residual waste generated per person has remained relatively consistent in the West Torrens Council area over the past five years.

Figure 5.5 shows West Torrens Council's actual recovery rates compared to the metropolitan council average since 2015-16 and the State target for metropolitan councils of 60% landfill diversion from the kerbside bin system.



Source: Based on data provided by West Torrens Council and GISA.

West Torrens Council's actual recovery rates compared to the State metropolitan council averages are shown in figure 5.6.

Figure 5.6: West Torrens Council and metropolitan council average recovery rates

Year	West Torrens Council kerbside collection recovery rate ⁴⁷	Metropolitan councils average recovery rate ⁴⁸
2015-16	51.2%	48.2%
2016-17	53.4%	49.9%
2017-18	50.7%	48.2%
2018-19	51.2%	48.7%
2019-20	52.1%	50.7%
2020-21	50.6%	50.6%

These results show that West Torrens Council has mostly achieved a higher recovery rate than the average attained by metropolitan councils. 2016-17 was West Torrens Council's best performing year with it ahead of the metropolitan councils' average recovery rate by 3.5%. However, during this period West Torrens Council still fell 6.6% short of the State's waste strategy landfill diversion target for metropolitan councils of 60%. The 1.5% decrease in West Torrens Council's recovery rate from 2019-20 to 2020-21 was in part due to people

⁴⁷ This rate was calculated by us using unaudited data about collection tonnages provided by West Torrens Council using the formula published in GISA's kerbside waste performance reports. The tonnages of recycling and organics collected from the kerbside have not been adjusted for contamination.

⁴⁸ GISA's annual kerbside waste performance reports. Data provided by GISA for 2019-20 and 2020-21.

working from home during the pandemic and some residents disposing of recyclable material in the residual bin rather than waiting for the recycling bin collection week. There was also a fruit fly outbreak in late 2020 and 2021 and some residents were instructed to dispose of fruit in their residual bin instead of their organics bin. In June and July 2020 and in March, April and May 2021, Adelaide experienced drier than average weather resulting in a reduced need for pruning and therefore garden waste generation.

GISA provided us with data it has not yet published which shows that only one metropolitan council achieved a recovery rate of 60% in 2020-21.⁴⁹

5.2.4 Other waste management initiatives

West Torrens Council has recognised the importance of continuous improvement in waste services and the solutions it provides to its community are key to encouraging responsible waste behaviour. During our review we noted some examples of its commitment to improvement and innovation including that it:

- had recently undertaken a weekly green waste bin collection trial in West Beach, intended to encourage responsible food waste recycling and diversion of food waste away from landfill
- planned a trial with RecycleSmart to provide a booked home collection service for recyclable items not accepted through kerbside recycling
- planned a pilot to determine the most effective interventions to improve source separation of waste in MUDs
- together with industry parties is investigating the technical, commercial and economic feasibility of using municipal solid waste to produce hydrogen from gasification to be used for hydrogen derived fertiliser products and hydrogen powered heavy haulage vehicles.

5.3 Governance and strategic planning for waste management services

5.3.1 Background

Legislation

The LG Act requires councils to develop and adopt plans for the strategic management of their areas.⁵⁰ These are published on councils' websites for community scrutiny and information.⁵¹ Strategic planning helps councils to set long-term directions and priorities, evaluate their operations (including community services) and address issues unique to their local areas. This process also gives councils the opportunity to consider strategies to achieve SA Government objectives.

⁴⁹ GISA's annual kerbside waste performance reports. Data provided by GISA for 2019-20 and 2020-21.

⁵⁰ LG Act, section 122.

⁵¹ LG Act, section 132.

While the LG Act does not require councils to have dedicated waste strategies, their strategic management plans must indicate how they have considered State objectives and strategies. Increasingly councils have recognised the importance of waste strategies to set goals for waste reduction, communicate how these will be achieved and demonstrate their support for State objectives.

Community plan

West Torrens Council's community plan has guided the strategic planning of waste management. It is the lead strategic document that determines key priorities for the coming years and is a statement about what West Torrens Council will do to achieve the community's vision.

The Towards 2025 Community Plan was first released in 2009 and updated several times during its lifetime. It was replaced in February 2021 by the current lead strategic plan, the Community Plan 2030.

City Facilities and Waste Recovery General Committee

West Torrens Council has established the City Facilities and Waste Recovery General Committee under the LG Act. The Committee's primary objective is to assist West Torrens Council in its oversight and monitoring responsibilities as well as enquire into and report about operational matters including waste management. It is comprised of the Mayor and up to seven elected members and meets in alternate months.

5.3.2 West Torrens Council does not have stand-alone waste strategy

Recommendation

Although not required by legislation, we acknowledge and support West Torrens Council's development of a stand-alone waste strategy.

We recommend the waste strategy:

- identifies West Torrens Council's key priorities and objectives for waste management
- establishes local targets and measures to monitor performance and describes the actions and activities that will be taken to achieve them
- clearly identifies how West Torrens Council will support the objectives of the State's waste strategy, including any targets.

We further recommend West Torrens Council publishes the waste strategy on its website and reports outcomes against targets each year in its annual report for community information and accountability purposes.

Finding

West Torrens Council does not have a stand-alone waste strategy or plan.

Its community plan has guided the strategic planning of waste management. The Towards 2025 Community Plan acknowledged the community aspiration of reducing the ecological footprint and outlined West Torrens Council's long-term and short-term waste management strategies. Although these strategies altered slightly between versions of the plan, their intent was consistent:

- Long-term strategy:
 - To facilitate the minimisation of waste production and disposal to landfill and maximise resource recovery.
- Short-term strategies:
 - To promote waste minimisation and resource recovery within West Torrens Council, community, local businesses and industry.
 - To establish alternative waste disposal and utilisation options to reduce waste to landfill.

These strategies broadly aligned with the State's objectives of minimising waste and reducing landfill.

While each version of the plan communicated West Torrens Council's waste management goals through these strategies, it did not include detailed information about specific actions or activities that would be taken to achieve them. Further, clear targets to measure West Torrens Council's performance against were set at a high level or were not set at all and no details were provided about how waste management performance would be monitored and reviewed.

Why a waste strategy is important and what it should say

As waste disposal costs have substantially grown in recent years following the SA Government's increases to the solid waste levy,⁵² there is significant financial incentive for West Torrens Council to make every effort to reduce the amount of kerbside waste going to landfill. Further, to protect the environment it should promote reducing waste generation and increasing reuse and recycling in line with the waste management hierarchy.⁵³ A waste strategy would support West Torrens Council in this regard.

A local based waste strategy would enable West Torrens Council to:

- identify its objectives, principles and strategies, including measurable performance targets, and state how these will support the State's waste strategy
- describe the activities and actions it will take to achieve these targets, including time frames, resources and responsibilities
- describe the activities and actions it will take to monitor and maintain its performance
- assess whether its activities and actions have been effective and have resulted in reduced waste disposal costs such as the solid waste levy

⁵² The SA Government announced the solid waste levy increase in its 2019-20 State Budget. The solid waste levy increased to \$110 per tonne on 1 July 2019, and to \$140 per tonne on 1 January 2020.

⁵³ *Environment Protection Act 1993*, section 4B.

- identify and assess risks that may prevent it from achieving its objectives and targets and communicate plans about how they will be addressed.

West Torrens Council has recognised the importance of establishing a local waste strategy and has engaged a consultant to develop a 10-year waste and resource recovery strategy and a five-year action plan.

West Torrens Council's response

The Council acknowledges that there is no legislative requirement to have a standalone waste strategy. Waste management has always formed a part of Council's Community Plan and as a result departmental service plans have been prepared and reported on regularly by the waste team. However, since the 2018-2019 restructure of the waste team, efficiencies have emerged including new management with fresh and focused considerations for waste innovation, planning, processes and practices. This has culminated in Council providing budgeted funding for, and engaging with, a consultant to design a foundational waste strategy which is expected to be completed in the 2nd half of 2022. This will be a 10 year waste strategy and will align with the State's Waste Strategy and Council's Community Plan (2030), and it will consider broader global and environmental factors, and is open to bold future opportunities and innovations.

Council supports transparency and accountability in the local government sector. Publishing the strategy on the Council website facilitates improving community understanding of the Council's commitment to waste management.

While Council provides an overview of activities undertaken in the Annual Report, we currently do not measure against targets. Consideration will be given to future annual reports and whether it is appropriate to include comparison of outcomes against targets following the formal release of Council's Waste and Resource Recovery Strategy and Action Plan. Council will also consider the development of data tracking and comparisons against targets on a regular basis in a format that will be easily accessible by the general public.

5.3.3 West Torrens Council does not have local targets to easily assess its waste management performance against

Recommendation

To improve the effectiveness of the City Facilities and Waste Recovery General Committee's monitoring and oversight function, we recommend:

- West Torrens Council sets local targets in line with the waste management results it wants to achieve. These should support the State's waste strategy targets for metropolitan councils

- the bi-monthly waste management activity reports received by the Committee include reporting of actual performance against West Torrens Council's targets. This will inform the Committee which waste strategies are effective and help it to make decisions about where to spend money to achieve the best results.

Finding

The Towards 2025 Community Plan, which outlined West Torrens Council's long-term and short-term waste management strategies, did not include targets to easily measure and assess its performance against. Also, one version of the plan included an indicator of success that reflected the State average of waste to landfill. As this indicator included regional councils' performance it was not the most appropriate measure, as many regional councils do not offer all bin types and the same frequency of collection services as those offered by West Torrens Council and other metropolitan councils.

Why West Torrens Council needs local targets to monitor its waste performance

West Torrens Council needs local targets to help the City Facilities and Waste Recovery General Committee effectively oversee and monitor its waste performance.

The Committee receives a waste management activity report at each meeting that includes year-to-date data about:

- monthly kerbside bin collection tonnages by waste stream
- the monthly percentage of kerbside bin collections diverted from landfill.

While the report compares West Torrens Council's current year waste performance to the prior year, it does not compare this data to either local or State targets. This results in a less effective review by the Committee, which cannot easily assess actual waste performance against the goals West Torrens Council hopes to achieve.

Comparing actual performance to targets will inform the Committee about whether West Torrens Council's actions have been successful, or whether changes to activities are needed to achieve success. The Committee must be able to readily identify where targets are not being met, so it can determine why this has occurred and what action is needed to improve results. For instance, the effectiveness of education programs and other waste trials aimed at changing community behaviour, such as diverting food waste from residual to organic collections, can be determined by observing improved landfill diversion rates against targets over time.

West Torrens Council's response

Council is not legally required to report waste management targets against the State targets, however the Council agrees that this would provide transparency and performance benchmarking in the sector.

Council will consider opportunities to progress a reporting system to improve the tracking of real-time service and kerbside performance.

Council currently reports on the performance of kerbside service through the City Facilities and Waste Recovery General Committee, and will consider enhancing this report to compare this data against Council, Local and State targets. However, Council have identified that tracking Council's performance against other metropolitan councils is difficult while the State's Waste Strategy is not legislated. Councils calculate waste performance data using different methodologies so comparing metropolitan councils would not give a correct or clear indication of results.

5.3.4 West Torrens Council does not have a formal program for kerbside bin audits

Recommendation

We recommend West Torrens Council:

- formalises in its waste strategy its approach to kerbside bin audits which considers:
 - how often audits will be performed and their purpose, such as to provide timely and relevant information about community behaviour and waste performance to inform an education strategy
 - the audit methodology and sampling base to be used
 - the reporting requirements
- clarifies with its independent contractor who is responsible for performing kerbside bin audits and how they will be funded.

Finding

West Torrens Council does not have a formal program for kerbside bin audits. However, it did perform two audits during the period we reviewed. A formal program for kerbside bin audits would help it to:

- determine how often audits should be performed
- schedule audits
- select suburbs/streets for review
- allocate sufficient resources in advance
- ensure audits are performed.

Why kerbside bin audits are important

Kerbside bin audits are a valuable tool in the management of waste. They help a council understand the waste and recycling disposal behaviour of its community, by measuring the contents of residual waste, recycling and organics bins. This data allows the council to:

- identify waste and recycling trends within its community
- identify problems in the kerbside bin system and opportunities for improvement
- provide feedback to its community about waste management performance

- design targeted education programs to change community waste behaviour
- measure residents' waste behaviour over time, to assess whether education programs or other waste initiatives, such as supplying and distributing food caddies and compostable bags, have been successful
- compare community performance to other councils performing similar audits.

What the waste and recycling collection contract says about kerbside bin audits

An independent contractor provides West Torrens Council with kerbside waste collection, transportation and processing services.

The waste and recycling collection contract requires the independent contractor to provide West Torrens Council with electronic reporting and data for certain services. The contract describes the timing and reporting requirements for these services and refers to biennial kerbside garbage, recyclables and organics audits.

The independent contractor did not perform kerbside bin audits during the period we reviewed.

West Torrens Council has not interpreted this reporting requirement as obliging the independent contractor to perform biennial kerbside bin audits. It believes the independent contractor is obliged to contribute to the cost of the audits arranged or performed by West Torrens Council. The independent contractor has previously contributed in-kind support for kerbside audits arranged or performed by West Torrens Council by providing staff and vehicles to collect and transport bins for auditing from households to its waste and recycling centre.

How often kerbside bin audits should be performed

We are not aware of any industry standard that indicates how often kerbside bin audits should be performed. Bin audits can be costly, so West Torrens Council must weigh up the benefits of the usefulness of the information and intelligence they provide about community behaviour against the financial and human resources they commit.

The waste and recycling collection contract refers to kerbside bin audits being performed every two years. A biennial audit would provide West Torrens Council with timely and useful data about community waste behaviour and give valuable and relevant insight about areas needing improvement for its waste and education strategies.

West Torrens Council's response

Council agrees that tangible and measurable data collected through regular auditing would provide valuable measurements to identify how Council is performing, however the cost associated with the routine audit would require ongoing budget considerations.

Routine auditing will be considered for integration in Council's Waste and Resource Recovery Strategy and Action Plan (currently under development) to support budget development and will be subject to endorsement from Council each financial year. As part of the Waste and Resource Recovery Strategy and Action Plan development, Council will confer with [its] ... (waste contractor) regarding the responsibility for performing kerbside bin audits.

5.4 Service arrangements

5.4.1 West Torrens Council's original waste disposal contract could not be located

Recommendation

In line with the requirements of the LG Act, we recommend West Torrens Council keeps all contracts or correspondence that describe the terms and conditions agreed with service providers in its records management system for safekeeping and ease of retrieval.

Finding

West Torrens Council first engaged its independent contractor to provide kerbside waste transportation and disposal services in September 2010. Since then it has extended these arrangements three times.

At the time of our review, West Torrens Council's original contract with the independent contractor could not be located. Some terms of the original contract, such as those concerning fees, have no doubt changed over time or been superseded by more recent agreements. Other terms, such as those concerning roles and responsibilities, may still form the basis of current arrangements.

West Torrens Council was able to provide us with an extract from the original contract. This referred to documents that were stated to comprise the contract. However, these documents were not described in a manner that would allow them to be clearly and easily identified. For instance, no details of dates or identity of authors and recipients of correspondence were included in the references to these documents.

Without these details there is no certainty about which documents comprise the contract, and therefore the nature, content and extent of the terms and conditions agreed between the West Torrens Council and the independent contractor.

The risks to West Torrens Council if a contract cannot be found

Contracts confirm and demonstrate a meeting of the minds between parties and contain essential information about their roles and responsibilities. If West Torrens Council cannot refer to a contract to confirm these, it could be exposed to the risk of uncertainty about terms and conditions agreed with the independent contractor should a dispute arise.

Further, contracts contain valuable information needed for planning, managing compliance, performance and decision making. West Torrens Council may overlook details or information relevant to these activities if it cannot confirm the agreed terms and conditions.

The LG Act requires councils to keep accounting records that explain their revenues, expenses, assets and liabilities.⁵⁴ The LG Act includes all records and documents relevant to any receipt or payment of money in its definition of accounting records.⁵⁵

We believe a contract for the provision of services would constitute an accounting record as defined by the LG Act.

West Torrens Council's response

Since 2019, records management processes within Council's waste team have greatly improved ensuring routine uploading of documents and emails into the Council's document management system using uniformity in naming conventions to enable efficient information retrieval. This has been facilitated by the review of the waste management team and expanding the number of employees in this area with a designated team leader. As a result, Council has addressed this finding.

5.4.2 West Torrens Council does not independently check the weight of kerbside bin collections

Recommendation

We recommend the West Torrens Council investigates ways it can obtain independent assurance about the weight of kerbside bin collections. This could include:

- performing regular spot audits to observe the independent contractor's staff performing the weighing and recording process
- requesting confirmation of the calibration of the independent contractor's weighbridge, such as a letter of confirmation or a certificate from the calibrator
- considering how independent assurance of the calibration process could be included in the processing and disposal service specifications in the next procurement of these services.

Finding

West Torrens Council does not independently check the weight of kerbside bin collections.

The independent contractor weighs the kerbside residual waste, recyclables and organics bin collections on behalf of the landfill operator, the recycling company and the organics processor. It provides West Torrens Council with a monthly report on the weight of kerbside bin collections.

⁵⁴ LG Act, section 124.

⁵⁵ *ibid*, section 4.

West Torrens Council reviews the monthly report and monitors tonnages for unexpected variances against its large history of collection data. It also relies on the routine calibration of the independent contractor's weighbridge by an expert, although it does not obtain evidence that the calibration process has occurred.

Why West Torrens Council should independently check the weight of kerbside bin collections

West Torrens Council receives a monthly invoice for collection, processing and disposal services. While collection fees are based on the number of bins serviced or a fortnightly collection rate, processing and disposal fees are based on the number of tonnes collected. Further, the solid waste levy is based on the number of residual waste tonnes disposed of.

Without an independent check of the weight of collections, West Torrens Council cannot be certain of the accuracy of tonnages advised by the independent contractor, the amounts invoiced for kerbside bin processing and disposal, and the solid waste levy.

West Torrens Council's response

[The waste contractor is] ... required to operate in accordance with Environment Protection Regulations 2009. The Environment Protection Regulations 2009 outline the approval, maintenance and certification of accuracy for weighbridges in accordance with the National Measurement Act 1960. However, as part of independent data checking, Council will consider requesting calibration reports from [the waste contractor] and conduct periodic audits of weighbridge dockets to verify accuracy.

5.5 Processes to assess the effectiveness of education activities

5.5.1 West Torrens Council does not have a formal waste education strategy

Recommendation

We recommend West Torrens Council develops and documents a waste education strategy that aligns to its waste strategy and local targets. The waste education strategy should:

- demonstrate how the education programs will support West Torrens Council's and the State's waste strategy objectives and targets
- outline activities/information needed to inform the education approach, for instance kerbside bin audits
- consider the nature of resources required to develop and deliver education programs and activities
- include community input options
- include mechanisms for measuring the effectiveness of education programs and activities.

We further recommend West Torrens Council establishes a system for annual planning of the education program, monitoring its implementation and reviewing performance.

Finding

West Torrens Council does not have a formal policy, strategy or plan outlining its approach to community education on waste and recycling issues. It also does not have a process to formally evaluate the effectiveness of its education tools and programs.

In December 2020, West Torrens Council engaged its community on what they found important and what actions it should prioritise to meet their expectations. Waste management was identified as an area of community interest. Key considerations for West Torrens Council included:

- seeking to reduce waste volumes through best practice management, education and recycling
- helping businesses and organisations to pursue waste minimisation philosophy as well as West Torrens Council leading by example
- considering how it can positively influence community values of recyclable materials to help rebuild the recycling industry in South Australia and Australia.⁵⁶

What community waste education West Torrens Council currently provides

West Torrens Council currently provides a comprehensive range of waste and recycling education resources on its website, including ‘what goes in which bin’, an A to Z guide on waste and recycling, and a chatbot that can be used to determine whether an item can be recycled. West Torrens Council also invites face-to-face engagement with schools, community groups and businesses, and has participated in events such as National Recycling Week to engage its community on waste education.

Why West Torrens Council needs a waste education strategy

Councils play a key role in educating the community about waste reduction and responsible recycling. Through education the community can improve its waste practices, which will reduce the amount of waste sent to landfill and increase the volume of materials to be recycled.

Community behaviour directly impacts costs paid by councils for waste disposal. As the solid waste levy increases the cost of sending kerbside waste to landfill, there is strong financial incentive along with environmental concern for West Torrens Council to promote the reduction of waste generation and increase in reuse and recycling in line with the waste management hierarchy. Changing community behaviour will be key to achieving this.

A documented waste education strategy will help West Torrens Council define its strategic education directions, set clear objectives and describe the activities it will take to educate

⁵⁶ Intermethod, 6 March 2020, *Community Needs Analysis prepared for The City of West Torrens, 6 March*, p. 59.

the community on areas such as:

- practicing the waste management hierarchy
- increasing the level of food scrap recycling
- disposing of food scraps in the organics recycling bin
- increasing the level of recycling
- decreasing the level of contamination in recycling.

Further, a documented strategy will help West Torrens Council to make decisions about the priority of education programs and activities, prepare plans and allocate resources for them. Education programs can be expensive and can absorb significant human resources. Without a clear vision of education program objectives, West Torrens Council may find it difficult to assess whether sufficient and suitable resources have been applied to deliver specific programs.

West Torrens Council's response

Council recognises that no formal waste education strategy or program existed during the Review period. However, a dedicated officer has been appointed and is responsible for waste education in the community.

Following the 2018-2019 restructure of the waste team, Council's general approach to waste management has developed and matured. A new Team Leader Waste Management role was created in 2019 and a comprehensive review of the Project Officer Waste and Recycling role was completed in 2022. Council's newly employed Project Officer Waste and Recycling is seeking new tools and systems for the purposes of waste education. So, whilst no formal waste education strategy was in place during the Review period, significant developments have occurred in this area and a strategy of this nature is currently being developed as appropriately skilled and experienced resources have been engaged.

Council's current waste education program is being reviewed and reconsidered to meet the needs and expectations of the Community (including the State intended targets). The Council will consider the development of a Waste Education Strategy which aligns Council's intended goals and efforts with the State strategies. KPI's will be considered for each activity whereby measurable outputs will be generated identifying with success, and effect of change.

5.6 What West Torrens Council did well

We identified some areas of effective waste management that were operating effectively during the period we reviewed. These included that the West Torrens Council had:

- established clear roles and responsibilities for waste management, including an oversight and monitoring committee
- sound frameworks and processes to identify, assess and manage waste risks
- clear processes to manage and resolve complaints from residents about collection services.

5.7 Other observation

5.7.1 Background

Legislation

The LG Act requires councils to have procurement policies, practices and procedures directed towards achieving:

- value in the expenditure of public money
- the ethical and fair treatment of participants
- probity, accountability and transparency in procurement.⁵⁷

The LG Act requires the procurement policies to identify the circumstances when councils will call for tenders.⁵⁸

West Torrens Council's procurement policy

West Torrens Council's procurement policy provides its framework for procuring goods, works and services. It requires the West Torrens Council to be guided by principles such as value for money, probity and accountability, support of local business and engagement with the market.

While the policy recognises the appropriate procurement approach will be determined by the nature and circumstances of each purchase, it requires the West Torrens Council to use a select or open request for tender for purchases above \$200,000.

5.7.2 West Torrens Council has not used competitive procurement processes since its initial agreements for kerbside waste services

Recommendation

We recommend the West Torrens Council, in line with its procurement policy, undertakes a competitive tender process for its:

- kerbside waste, recycling and organics collection services when the current arrangements with the independent contractor expire in 2025
- kerbside waste disposal services when the current arrangements with the independent contractor expire in 2022.

Finding

West Torrens Council has not used a competitive procurement process for its kerbside waste, recycling and organics collection services since its initial contract with the independent contractor in 2005.

⁵⁷ LG Act, Part 4 section 49.

⁵⁸ LG Act, Part 4 section 49.

West Torrens Council has not used a competitive procurement process for its kerbside waste transportation and disposal services since it first engaged the independent contractor to provide these services in 2010.

West Torrens Council's kerbside waste, recycling and organics collection services

In December 2005, West Torrens Council established a contract with the independent contractor to provide kerbside waste, recycling and organic bin collection services, following a tender process. The contract was for about seven years and offered an extension to these arrangements of up to three years. It has been extended at least three times since the first extension expired, but terms have changed and services expanded during this time.

In January 2019, the independent contractor approached West Torrens Council with an offer to extend the kerbside bin collection arrangements. At this time, West Torrens Council engaged an independent waste expert to review and provide feedback about the independent contractor's offer. Following the expert's advice, West Torrens Council renegotiated certain terms and these, together with the original contract, form the basis of current arrangements that will expire in April 2025.

West Torrens Council's kerbside waste disposal services

Following a competitive procurement process, West Torrens Council first engaged the independent contractor to provide kerbside waste transportation and disposal services in September 2010.

Since its initial engagement, West Torrens Council has extended arrangements with the independent contractor three times.

In October 2014, the independent contractor presented West Torrens Council with two offers to extend the disposal arrangements. At this time, West Torrens Council engaged an independent consultant to provide advice about the competitiveness of the independent contractor's offers. This resulted in a revised offer and the first extension to the contract in February 2015.

West Torrens Council has since extended the arrangements in February 2020 and March 2021 without undertaking a competitive procurement process.

Why a competitive procurement process is important

Waste management is a key local government service provided to communities and is a substantial annual expense for councils. In 2020-21, West Torrens Council spent \$7.6 million⁵⁹ (approximately 30% of its materials, contractors and other expenses) on waste management activities. Collection and disposal costs of kerbside waste comprise a significant

⁵⁹ City of West Torrens audited financial report for the year ended 30 June 2021:

- note 3(b) shows materials, contracts and other expenses of \$24.983 million
- note 12(a) shows waste management costs of \$7.557 million.

portion of these expenses. Therefore, it is important that West Torrens Council can demonstrate it has acted appropriately and in the community's best interest when engaging providers of these services.

A competitive procurement process inviting potential suppliers to bid for the opportunity to provide West Torrens Council with significant goods or services will help demonstrate this. By encouraging competition, the community will have increased confidence that public money is used efficiently and effectively, and that:

- value for money will be achieved
- suppliers will be treated fairly and ethically
- there will be probity and transparency of process
- officers will be held accountable for their decisions.

These principles are acknowledged in the LG Act and in West Torrens Council's procurement policy.

West Torrens Council's response

Council has entered into agreements for kerbside waste services using appropriate and risk assessed procurement practices.

Council have invested significant resources in its procurement program during the Review period. Similarly to the waste team review, the procurement team was subjected to a three (3) year facilitative audit as the procurement roadmap was enacted.

Procurement processes are robust with structured templates, conventions and an increase in dedicated resources.

Council is committed to undertaking a competitive tender process in 2025 for its kerbside waste collection.


Appendix 1 – Abbreviations and terms used in this report

The terms used in this report were sourced from legislation and information published by the Environment Protection Authority and Green Industries SA.

Abbreviation or term	Description
China's National Sword Policy	<p>In 2018 China introduced its National Sword Policy. This policy included restrictions on imports of 24 categories of waste and requiring contamination to be 0.5% or lower. Prior to the policy, accepted contamination rates varied from 1.5% to 5%. Other countries such as Malaysia, Thailand and Vietnam also declared restrictions on importing waste following China's policy implementation.</p> <p>It is estimated that China's policy has predominantly impacted the price of mixed paper and cardboard as well as mixed plastics. Due to the high proportion of mixed paper and cardboard that materials recovery facilities receive, the estimated increase in cost is approximately \$8.8 million across the State based on a one-year period.⁶⁰</p> <p>A \$12.4 million support package for local government and the recycling industry was released by the SA Government in response to the National Sword Policy. The package included a range of measures to enable industry investment in remanufacturing and local re-use, as well as improved sorting and processing to enhance the quality of recovered materials.⁶¹</p>
Circular economy	<p>This refers to an economic model that contemplates the production of goods and services:</p> <ul style="list-style-type: none"> • by a reduced reliance on virgin materials • on the basis of continuously functioning utility and an extended lifecycle • in a manner that eliminates, as far as is reasonably practicable, waste or pollution, or harm to the environment. <p>At the broadest level, a circular economy aims to change the patterns of natural resource use in the economy to achieve sustainable growth by slowing, narrowing or closing material loops.</p>

⁶⁰ Rawtec Pty Ltd 2018, *Market Analysis of South Australian Kerbside Comingled Recyclables Report for the Local Government Association of SA*, May, Adelaide.

⁶¹ Green Industries SA, *China's New Policy on Waste and Recycling*, Government of South Australia, Adelaide, <<https://www.greenindustries.sa.gov.au/chinas-new-policy-on-waste-and-recycling>>.

Abbreviation or term	Description
	 <p>The diagram illustrates the South Australia's Circular Economy process. It is a circular flow starting with 'RAW MATERIALS' entering from the top left. The cycle proceeds through several stages: 'REDESIGN', 'PRODUCTION & RE/MANUFACTURING', 'SALES & DISTRIBUTION', 'USE, REPAIR & RECALL', 'REUSE', 'COLLECTION & SORTING', 'RECYCLING', and 'RECOVERY'. The 'RECOVERY' stage leads to 'WASTE TO LANDFILL' and 'MINIMISE'. The central text reads 'South Australia's Circular Economy' with a copyright notice for '© Green Industries SA'.</p>
Commercial and industrial waste	Comprises solid waste generated by the business sector as well as solid waste created by state and federal government entities, schools, and tertiary institutions.
Construction and demolition waste	Includes waste from residential, civil and commercial construction and demolition activities, such as fill material (eg soil), asphalt, bricks and timber. This waste excludes construction waste from owner/occupier renovations, which is included in the municipal waste stream.
Food caddy	A kitchen benchtop food container for the collection of household food waste, usually with a compostable bag, to be placed in the organic waste bin.
Food organics	Organic waste derived from food preparation and/or surplus food.
Food Organics Garden Organics (FOGO)	FOGO is a common name used for the green organics bin
Garden organics	Organics derived from garden sources such as grass clippings and tree prunings.
Hard waste	Large materials that are not suitable for collection in the kerbside three-bin system. Common items include furniture, appliances and mattresses.
Kerbside collection	Collection of household waste, recyclable materials (separated or co-mingled) and organic waste that are left at the kerbside for collection by a local council collection service.
Landfill	A waste disposal site used for the controlled deposit of solid waste onto or into land.
Materials recovery facility	A facility where mixed recyclable materials are received, stored and sorted to specification, then baled, shredded, crushed, compacted or otherwise prepared for shipment to market.
Metropolitan council	Comprises Adelaide, Adelaide Hills, Campbelltown, Burnside, Norwood Payneham and St Peters, Prospect, Unley, Walkerville, Gawler, Playford, Salisbury, Tea Tree Gully, Marion, Mitcham, Onkaparinga, West Torrens, Charles Sturt, Holdfast Bay and Port Adelaide Enfield councils

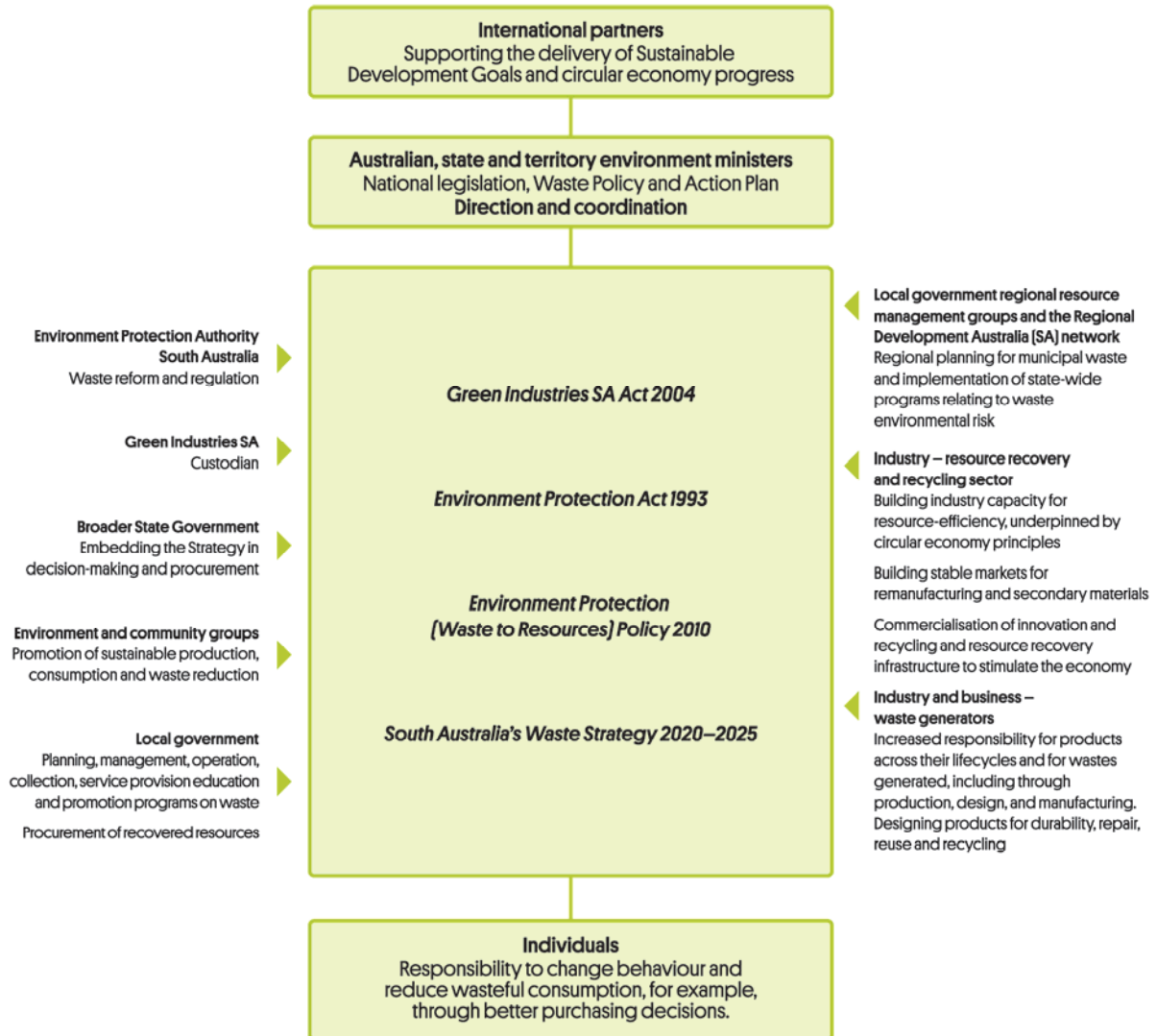
Abbreviation or term	Description
Multi-unit dwelling (MUD)	Medium and high density housing. Sometimes includes commercial tenancies such as cafés in addition to residential dwellings.
Municipal solid waste – kerbside bin collection	Solid waste generated from domestic (household) premises and council activities such as street sweeping, litter and street tree lopping. May also includes waste dropped off at recycling centres, transfer stations and construction waste from owner/occupier renovations.
Recovery	A process that extracts materials or energy from the waste stream.
Residual waste	Waste determined by its owner to be unsuitable for recovery.
Resource recovery	In relation to waste, means reusing or recycling or recovering energy or other resources from the waste.
Waste disposal	<p>3(3) Waste disposal <i>the conduct of—</i></p> <p>(a) <i>a landfill depot, being a depot, facility or works for the disposal of waste to land; or</i></p> <p>(b) <i>a liquid waste depot, being a depot, facility or works for the reception and disposal of liquid waste, or the reception, treatment and disposal of liquid waste; or</i></p> <p>(c) <i>an incineration depot, being a depot, facility or works for the disposal, by incineration, pyrolysis or gasification by high temperature chemical decomposition, or thermal oxidation using fuel burning equipment, of solid waste, a listed waste or quarantine waste, but excluding a prescribed approved activity or an activity in respect of which the Authority is satisfied, having regard to the prescribed factors, that an environmental authorisation is not justified</i></p>
Waste reprocessing	<p>3(2) Waste reprocessing <i>the conduct of—</i></p> <p>(a) <i>composting works, being a depot, facility or works with the capacity to treat, during a 12-month period—</i></p> <p>(i) <i>in the case of works located wholly or partly within a water protection area—more than 200 tonnes of organic waste or matter; or</i></p> <p>(ii) <i>in the case of works located wholly outside of a water protection area—more than 1 000 tonnes of organic waste or matter, for the production of compost; or</i></p> <p>(b) <i>scrap metal treatment works, being a depot, facility or works for the treatment of scrap metal (by processes involving electrically heated furnaces or other fuel burning equipment or by mechanical processes); or</i></p> <p>(c) <i>tyre waste treatment works, being a depot, facility or works with the capacity to treat more than 5 tonnes of tyre waste during a 12-month period; or</i></p>

Abbreviation or term	Description
	<p><i>(d) waste lead acid battery treatment works, being a depot, facility or works with the capacity to treat more than 500 waste lead acid batteries during a 12-month period;</i></p> <p><i>or</i></p> <p><i>(e) any other waste reprocessing facility, being a depot, works or facility other than a depot, facility or works specified in a preceding paragraph) that, during a 12-month period, receives or has the capacity to treat—</i></p> <p><i>(i) more than 100 tonnes of solid waste or matter; or</i></p> <p><i>(ii) more than 100 kilolitres of liquid waste or matter</i></p>
Waste treatment	The removal, reduction or immobilisation of hazardous characteristics to enable the waste to be sent to its final fate or further treatment.

Appendix 2 – Waste management frameworks

Figure A2.1 shows that the three levels of government, waste industry groups, businesses, community groups and Australian citizens all play a role in managing waste.

Figure A2.1 Roles and relationships in managing waste



Source: Green Industries SA 2020, *Supporting the Circular Economy: South Australia's Waste Strategy 2020–2025*, Government of South Australia, Adelaide.

Appendix 3 – Metropolitan councils' organics food waste systems

This table shows the organics food waste system for each metropolitan council, which was provided to us by GISA.

Metropolitan council	Organics bin	Kitchen caddy
Adelaide City	Area-wide	Opt-in
Adelaide Hills		Limited
Burnside	Area-wide	Area-wide
Campbelltown	Area-wide	Opt-in
Charles Sturt	Area-wide	Opt-in
Holdfast Bay	Area-wide	Area-wide
Marion	Area-wide	Opt-in
Mitcham	Area-wide	Limited trial
Norwood, Payneham	Area-wide	Area-wide
Onkaparinga	Area-wide	Opt-in
Playford	Opt in	Opt-in
Port Adelaide Enfield	Area-wide	Area-wide
Prospect	Area-wide	Area-wide
Salisbury	Opt in	Opt-in
Tea Tree Gully	Area-wide	Opt-in
Town of Gawler	Opt in	Opt-in
Town of Walkerville	Area-wide	Opt-in
Unley	Area-wide	Opt-in
West Torrens	Area-wide	Opt-in

Appendix 4 – NPSP Council flyer

Don't waste
your rates.

*\$395,000 per year
in landfill fees
could be saved.*

Get a **FREE**
kitchen Caddy
from Council
today!



www.npsp.sa.gov.au



City of
Norwood
Payneham
& St Peters

Appendix 5 – Overview of roles, legislation and policy

Commonwealth Government	State Government	Local Government
<p>Role</p> <p>Responsible for a national framework for waste and resource recovery which recognises obligations under international agreements</p>	<p>Role</p> <p>Responsible for regulation and management of waste and resource recovery</p>	<p>Role</p> <p>Responsible for providing household waste and recycling collection and disposal services and deliver waste education and awareness programs</p>
<p>Act</p> <p><i>Recycling and Waste Reduction Act 2020 (Cth)</i></p>	<p>Act</p> <p><i>Environment Protection Act 1993</i></p> <p><i>Green Industries SA Act 2004</i></p>	<p>Act</p> <p><i>Local Government Act 1999</i></p>
<p>Policy</p> <p>National Waste Policy 2018: Less Waste, More Resources</p>	<p>Policy</p> <p>Environment Protection (Waste to Resources) Policy 2010</p>	<p>Policy</p> <p>Waste management service policy</p>
<p>Plan/Strategies</p> <p>National Waste Action Plan 2019</p> <p>National Food Waste Strategy</p>	<p>Plan/Strategies</p> <p>State Waste Strategy</p> <p>State Food Strategy</p>	<p>Plan/Strategies</p> <p>A council determines its strategies for waste management and the actions it will take. This information is commonly presented in a council's strategic management plan(s)</p>

Appendix 6 – Response from the Chief Executive Officer, The Corporation of the City of Norwood, Payneham and St Peters

File Number: qA74130
Enquiries To: Lisa Mara
Direct Telephone: 8366 4549

4 August 2022

Mr Andrew Richardson
Auditor-General
Level 9
State Administration Centre
200 Victoria Square
ADELAIDE SA 5000

Dear Andrew

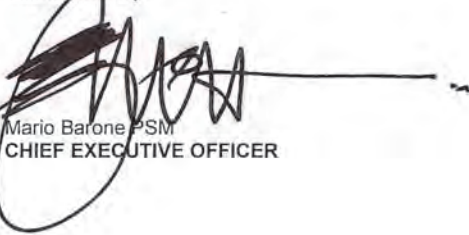
Review of the Management of Kerbside Waste Services

Thank you for providing a copy of the final report, *Review of the Management of Kerbside Waste Services* (the Report), to the Council.

I would also like to take this opportunity to thank you for incorporating the Council's comments which were provided to you on 23 June 2022, in response to the draft Report.

The Report presents as well measured. It discusses what the Council does well, incorporates our responses to the findings and the challenges that the Council faces in respect to waste management. An audit of this type is valuable as it provides the Council with an opportunity to review how its operations associated with waste management could be improved.

Yours sincerely



Mario Barone PSM
CHIEF EXECUTIVE OFFICER



City of
Norwood
Payneham
& St Peters

CHIEF
EXECUTIVE'S
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175 The Parade,
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[http://onenpsp/sites/teams/gca/Executive Management/Management/Correspondence/2022/040822 Auditor General - Audit of Kerbside Waste Services.docx](http://onenpsp/sites/teams/gca/Executive%20Management/Management/Correspondence/2022/040822%20Auditor%20General%20-%20Audit%20of%20Kerbside%20Waste%20Services.docx)

Appendix 7– Response from the Mayor, City of West Torrens



27 July 2022

Andrew Richardson
Auditor-General
Level 9 State Administration Centre
200 Victoria Square
ADELAIDE SA 5000

Dear Mr Richardson,

Review of the management of kerbside waste services

The City of West Torrens ('Council') supports transparency and accountability in all levels of government thus the Auditor-General's review into the Council's kerbside waste management services ('Review') was welcomed as a continuous improvement and assurance measure. Further, Council recognises the importance of effective waste management for communities in a range of different contexts including public health, environment and climate change as well as amenity.

I am pleased to advise that there are no additional comments regarding the draft report to Parliament regarding the management of kerbside waste services received by Council on 20 July 2022. The report represents a fair and accurate assessment of the City of West Torrens' performance and capability. The recommendations will be considered and integrated where required into future programs.

I take this opportunity to thank the Local Government Audit team from the Auditor-General's Department for the collaborative approach to the audit process.

Yours sincerely,

Michael S Coxon
Mayor



6.5 DRAFT AUDIT & RISK COMMITTEE TERMS OF REFERENCE

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

PURPOSE OF REPORT

The purpose of this report is to present to the Audit Committee for consideration, the Draft Terms of Reference based on the amendments to the S126 of the *Local Government Act 1999* (the Act) and Part 5 of the *Local Government (Financial Management) Regulations 2011*(the Regulations).

BACKGROUND

As Committee Members are aware, during the 2019-2020 Financial Year, the State Government undertook a Local Government Reform Program which focused on the following areas:

- strong Council Member capacity and better conduct;
- efficient Local Government representation;
- cost savings and financial accountability; and
- simpler regulation

On 17 June 2021, the *Statutes Amendment (Local Government Review) Act 2021* (the Review Act) was enacted. The Review Act has been implemented over a number of stages, with Stage One coming into effect in September 2021. Stage One reforms included:

- Functions and Principles of a Council;
- References to the SA Boundaries Commission;
- References to SACAT;
- Obtaining Legal Advice – Repealed Section;
- Removing References to Older Technology;
- Quorum;
- Meeting in Confidence – New Ground to consider Award Recipients;
- CEO Remuneration and Appointment, Performance Review and Termination;
- Conduct of Audit – Auditor General;
- Annual Reports;
- Sale of Land for Non-payment of Rates;
- Mobile Food Vendors; and
- other minor matters.

Stage Two commenced in January 2022 and relates to reforms associated with the following areas:

- Strategic Management Plans;
- Annual Business Plans and Budgets;
- Internal Control Policies;
- A Council's Auditor;
- Annual Reports;
- Declaration of the General Rate; and
- Payment of Rates.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

Not Applicable.

FINANCIAL AND BUDGET IMPLICATIONS

As a result of the increase in the number of independent members from two (2) to three (3), additional sitting fees will be incurred. The sitting fees are currently set at \$440.00 per meeting.

EXTERNAL ECONOMIC IMPLICATIONS

Nil

SOCIAL ISSUES

Nil

CULTURAL ISSUES

Nil

ENVIRONMENTAL ISSUES

Nil

RESOURCE ISSUES

Nil

RISK MANAGEMENT

Nil

COVID-19 IMPLICATIONS

Nil

CONSULTATION

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

DISCUSSION

The Review Act includes a number of changes to the operations of Audit Committees and as a consequence, the Committees Terms of Reference.

Clause 84 of the Review Act amends Section 126 of the *Local Government Act 1999*, by expanding the role of the Audit Committee to a new role as the 'Audit and Risk Committee'. The intention of the amendments is to provide better quality, independent advice to councils on a range of critical financial and risk management matters. The Review Act expands the functions of the Audit and Risk Committee, and as such, the functions set out in Draft Terms of Reference reflect the new requirements of the Act to include:

- monitoring the responsiveness of the council to recommendations for improvement based on previous audits and risk assessments, including those raised by the Council's auditor;
- where the Council has an Internal Audit Function provide oversight of planning and scoping of the internal audit work plan; and reviewing and commenting on reports provided by the person primarily responsible for the internal audit function at least on a quarterly basis;
- reviewing and evaluating the effectiveness of the policies, systems and procedures in place which identify, assess, monitor, manage and review strategic, financial and operational risks; and
- reviewing prudential management reports which are obtained by the Council.

Given the emphasis on enhanced quality and increased independent advice, the Membership and Conditions of Appointment to the Audit and Risk Committee have been reviewed and updated to reflect the requirement to have a majority of independent members and the skillsets, knowledge and experience for committee members (when considered as a whole).

The *Local Government (Financial Management) Regulations 2011*, set the minimum and maximum numbers of the Audit & Risk Committee, which are set at a minimum of three (3) and a maximum of five (5) members. It is recommended that the Committee Membership be retained at five (5) members, comprising of:

- two (2) Elected Members, one (1) which may be the Mayor, as determined by resolution of the Council; and
- three (3) Independent Members who are appointed by the Council

Given that the number of Elected Members is required to be reduced from three (3) to two (2), it is recommended that the standing appointment of the Mayor to the Audit and Risk Committee be removed from the Membership Conditions set out in the Terms of Reference.

With respect to the term of the appointment, it is recommended that the term for Elected Members be retained at two (2) years, to allow for rotation of Elected Members during the Term of Council however with respect to the term for Independent Members, it is recommended that the term be set between three (3) to five (5) years to ensure an orderly rotation and continuity of membership despite changes to Council's Elected Members Representatives.

The duties and responsibilities have been reviewed with reference to the amendments to the Act and categorised under the following headings:

- Financial Reporting
- External Audit
- Internal Audit
- Service Reviews
- Internal Controls and Risk Management
- Other.

While not a requirement of the Act, the current Terms of Reference set a Committee Term, with the Committee being wound up at the conclusion of the term of the Committee. Pursuant to Section 126 of the Act, the Council is required to establish an Audit and Risk Committee. There is no legislative requirement to dissolve the Audit Committee to coincide with the Local Government Election or the term of the members of the Committee. The Council is a going concern, as such the Audit Committee, as a vehicle to fulfil its objectives does not need to be dissolved and re-established, therefore it is recommended that Clause 12 – Term of the Committee be excluded from the Terms of Reference.

The Membership and Condition of Appointment clause contained within the Committee's Terms or Reference establish the term of appointment for Elected and Independent Members, to coincide with the Election cycle or for an alternative timeframe as determined by the Council, to provide the opportunity for rotation of Elected Members on the Audit & Risk Committee during the Council term.

In addition, by not dissolving and re-establishing the Audit Committee each two-year cycle, as set by the current Terms of Reference, the Council may introduce different terms for the Independent Members to ensure continuity of organisational knowledge on the Audit & Risk Committee, as opposed to the current situation, where the Council may lose all organisational knowledge at the same point of time.

The Draft Terms of Reference including a marked-up copy of the Terms of Reference highlighting the proposed changes from the current Terms of Reference is contained in **Attachment A**.

OPTIONS

The new provisions, which relate to the operations of the Audit Committees are due to come into effect by November 2023, however the Council may elect to implement the changes prior to this date. The Draft Terms of Reference contained in **Attachment A**, reflect Clause 84 of the Act which amends Section 126 of the *Local Government Act 1999* and Part 5 of the *Local Government (Financial Management) Regulations 2011*.

The Audit Committee may, however, continue with the existing Terms of Reference, which meet the current legislated requirements set out in the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011*.

Given that following the 2022 Local Government Election, the Council is required to re-establish the Audit Committee, notwithstanding the proposed implementation date being November 2023, it makes logical sense for the Terms of Reference of the new Committee to reflect the amended provisions as set out in Clause 84 of the Act.

CONCLUSION

Nil

COMMENTS

If Committee Members have any questions or require clarification in relation issues raised in this report, do not hesitate to contact the General Manager, Corporate & Community Services, Sharon Perkins on 8366 4585 or email sperkins@npsp.sa.gov.au prior to the meeting.

RECOMMENDATION

That the Audit Committee recommends to the Council that the Draft Terms of Reference, as contained in Attachment A, be taken into consideration as the Audit and Risk Committee's Terms of References upon its re-establishment following the 2022 Local Government Election.

Attachment A

Draft Audit & Risk Committee Terms of Reference

City of Norwood Payneham & St Peters
175 The Parade, Norwood SA 5067

Telephone 8366 4555
Facsimile 8332 6338
Email townhall@npsp.sa.gov.au
Website www.npsp.sa.gov.au



City of
**Norwood
Payneham
& St Peters**



City of
Norwood
Payneham
& St Peters

AUDIT & RISK COMMITTEE

Draft TERMS OF REFERENCE

Statutes Amendment (Local Government Review) Act 2021

1. 1. ESTABLISHMENT^[SP1]

4.1.1. The City of Norwood Payneham & St Peters Audit & Risk ^[SP2] Committee is established under Section 41 of the *Local Government Act 1999* and the Regulations thereunder, for the purposes of Section 126 of the Act.

4.2.1.2. The Committee will be known as the Audit & Risk Committee.

~~1.3. The Committee may be wound up at any time by resolution of the Council.~~^[SP3]

1.3. 4.4 These Terms of Reference were adopted by the Council on 3 December 20182022.

2. OBJECTIVESPURPOSE

2.

The Audit & Risk Committee is an independent advisory Committee of the Council.

The purpose of the Audit and Risk Committee is to provide independent assurance and advice to the Council on accounting, financial management, internal controls, risk management and governance matters to assist the Council in discharging its responsibilities that facilitates the organisation's environmental, social, governance (ESG) and economic development. The principal objective of the Audit Committee Audit & Risk Committee is to add value to and improve, the City of Norwood Payneham & St Peters' operations, by assisting the Council to meet its legislative and probity requirements as required by the *Local Government Act 1999* and other relevant Legislation, Standards and Codes.^[SP4]

3. ROLE AND FUNCTIONS^[SP5]

3.

3.1. 3.1 The functions of the Audit & Risk Committee includes:

- a) reviewing annual financial statements to ensure that they present fairly the state of affairs of the Council; and
- b) proposing, and providing information relevant to, a review of the Council's strategic management plans or annual business plan; and

- ~~c) monitoring the responsiveness of the Council to recommendations for improvement based on previous audits and risk assessments, including those raised by the Council's External Auditor; and~~
- ~~d) proposing, and reviewing, the exercise of powers under section 130A; and~~
- ~~e) liaising with the Council's External Auditor in accordance with any requirements prescribed by the regulations; and~~
- ~~f) reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the Council on a regular basis; and~~
- ~~g) providing oversight of planning and scoping of the Internal Audit work plan; and~~
- ~~h) reviewing and commenting on reports provided by the person primarily responsible for the Internal audit function at least on a quarterly basis; and~~
- ~~i) reviewing and evaluating the effectiveness of policies, systems and procedures established and maintained for the identification, assessment, monitoring, management and review of strategic, financial and operational risks on a regular basis; and~~
- ~~j) reviewing any report obtained by the Council pursuant Section 48(1) of the *Local Government Act 1999*; and~~
- ~~k) performing any other function determined by the Council or prescribed by the regulations.~~

~~The Audit Committee Audit & Risk Committee is an independent advisory Committee of the Council. The primary role of the Audit Committee Audit & Risk Committee is to provide independent assurance and advice to the Council on accounting, financial management, internal controls, risk management and governance matters to assist the Council in discharging its responsibilities is to assist the Council in the effective conduct of its responsibilities in respect to financial reporting, management of risk, maintaining a reliable system of internal controls that facilitates the organisation's ethical environmental, social, governance (ESG) and economic development.~~

~~The Audit Committee Audit & Risk Committee is established to assist the co-ordination of relevant activities of management and the external auditor in order to facilitate the achievement of organisational objectives in an efficient and effective manner.~~

~~As part of the Council's governance obligations to its citizens, the Council has constituted an Audit Committee Audit & Risk Committee to facilitate:~~

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

4. DELEGATED AUTHORITY

- 4.1 Pursuant to Section 44 of the *Local Government Act 1999*, the ~~Audit Committee~~ Audit & Risk Committee does not enjoy the delegation of any powers, functions and duties of the Council. All decisions of the Committee will, therefore, constitute only recommendations to the Council.

5. ~~5.~~ DUTIES AND RESPONSIBILITIES

- ~~5.1~~ 5.1 ~~—To ensure the purpose and function of the Audit & Risk Committee are delivered upon,~~
~~the following are the~~ duties and responsibilities of the Audit & Risk Committee are as follows:

Financial Reporting

- a) Review the Council's draft Annual Financial Statements, focusing on:
- accounting policies and practices and changes therewith;
 - the process used in making significant accounting estimates;
 - significant adjustments to the financial report (if any) arising from the audit process;
 - compliance with accounting standards and other reporting requirements; and
 - significant variances from prior years.
- b) Recommend adoption of the Annual Financial Report to the Council. Review any significant changes that may arise subsequent to any such recommendation but prior to the financial report being signed.
- ~~(h) —Discuss with the external auditor, the scope of the annual financial report audit and the planning of the audit.~~
- c) ~~(i) Discuss with the e~~ Discuss with the External Auditor, issues arising from the audit of the a ~~Annual f~~ Annual Financial report Statement audit, including any management letter issued by the auditor and the resolution of such matters.
- d) Review the Councils strategic management plans, which includes the Annual Business Plan and Budget, Long Term Financial Plan, Corporate Plan and Asset Management Plans and provide recommendations to the Council regarding actions which may be taken to enhance financial governance and sustainability; and
- e) Review Prudential Management reports prepared pursuant to Section 48 of the *Local Government Act 1999* and recommendations contained in business cases developed by, or for, the Council in respect of significant activities, commercial services or major projects. The Audit and Risk Committee will consider prudential management principles when undertaking a review.

External Audit

- a) Review and recommend for endorsement by Council the engagement of the external auditor.
- b) ~~Review the scope of the E~~ Review the scope of the External a ~~Audit P~~ plan and programme and the effectiveness of the proposed external audit work. This review should consider whether, over a period of years, the external audit plan systemically addresses:
- i. internal controls over significant areas of risk, including non-financial management control systems;
 - ii. internal controls over revenue, expenditure, assets and liability processes;
 - iii. the efficiency, effectiveness and economy of significant Council programmes; and
 - iv. compliance with regulation, policies, best practice guidelines, instructions and contractual arrangements.
- f) Critically analyse and follow up any external audit report which raises significant issues relating to risk management, internal control, financial reporting, governance issues and any other matters relevant under the Committee's Terms of Reference. Review management's response to and actions taken as a result of the issues raised.

- g) Review the appropriateness of special external audit assignments undertaken by external audit at the request of the Council or the Chief Executive Officer.

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Internal Audit

- a) Review and recommend for endorsement the engagement of the Internal Auditor to the Council.
- b) To review the scope of the internal audit plan and programme and the effectiveness of the proposed internal audit work. This review should consider whether, over a period of years, the internal audit plan systemically addresses:
- internal controls over significant areas of risk, including non-financial management control systems;
 - the efficiency, effectiveness and economy of significant Council programmes
 - compliance with regulation, policies, best practice guidelines, instructions and contractual arrangements; and
 - business improvement and performance efficiency reviews
- c) Monitor that the internal annual plan is linked with and covers the material business risks.
- d) Review all audit reports and provide advice to the Council on significant issues identified in audit reports and action to be taken on issues raised, including identification and dissemination of good practice.
- e) Monitor management's implementation of audit recommendations.

Service Reviews

- a) Review the appropriateness of special assignments undertaken by the internal audit and service reviews provider.
- b) Review and provide advice on service reviews, and in particular:
- the scope of the review before it is commenced.
 - Input into the questions to be asked and the data to be collected and analysed.
 - Comment on all draft service review reports before the final report is presented to the Council.
- c) Review the level of resources allocated to service review and the scope of its services and authority.
- d) Facilitate liaison between the internal audit/service review provider, and external auditor to promote compatibility, to the extent appropriate, between their programs.

Internal Controls and Risk Management

- a) Review whether management has in place relevant policies and procedures and that they are periodically reviewed and updated.
- b) Review whether appropriate policies and supporting procedures are in place for the management and exercise of delegations.
- c) Review the adequacy of the Council's Internal Financial Controls against the *Better Practice Model—Internal Financial Controls*.
- d) Monitor the risk exposure of the Council by determining if appropriate risk management processes and adequate management information systems are in place. The Audit & Risk Committee will review, at least annually, the Council risk register, risk strategy and mitigation measures.
- e) provide comment to the Council on the appropriateness of the Council's risk framework, risk appetite and management of risks
- f) receive and provide advice to the Council on any risk or governance audits undertaken on the Council and its activities
- g) Monitor the progress of any major litigation against the Council.

Other

- a) Keep informed of the findings of any examinations by regulatory agencies and any auditor (external) observations and monitor management's response to these findings.

- b) Obtain regular updates from management about compliance matters.
- c) Monitor ethical standards and related party transactions by determining whether the systems of control are adequate.
- d) Review issues relating to national competition policy, financial reporting by the Council's business units and comparative performance indicators.
- e) Identify and refer specific projects or investigations deemed necessary through the Chief Executive Officer and the Council if appropriate. Oversee any subsequent investigations, including overseeing of the investigation of any suspected cases of fraud within the organisation.
- f) Address issues brought to the attention of the Audit Committee, including responding to requests from the Council for advice that are within the parameters of the Committee's Terms of Reference.
- g) Review the annual performance statement and recommend its adoption to the Council.
- h) The Audit & Risk Committee in conjunction with the Council and the Chief Executive Officer should develop the Committee's performance indicators.

~~(a) To review the scope of the external audit plan and programme and the effectiveness of the proposed external audit work. This review should consider whether, over a period of years, the external audit plan systematically addresses:~~

- ~~• internal controls over significant areas of risk, including non financial management control systems;~~
- ~~• internal controls over revenue, expenditure, assets and liability processes;~~
- ~~• the efficiency, effectiveness and economy of significant Council programmes; and~~
- ~~• compliance with regulation, policies, best practice guidelines, instructions and contractual arrangements.~~

~~(b) Review the appropriateness of special external audit assignments undertaken by external audit at the request of the Council or the Chief Executive Officer.~~

~~(c) Critically analyse and follow up any external audit report which raises significant issues relating to risk management, internal control, financial reporting and other accountability or governance issues and any other matters relevant under the Committee's Terms of Reference. Review management's response to and actions taken as a result of the issues raised.~~

~~(d) Monitor the risk exposure of the Council by determining if appropriate risk management processes and adequate management information systems are in place.~~

~~(e) Monitor ethical standards and related party transactions by determining whether the systems of control are adequate.~~

~~(f) Review the Council's draft Annual Financial Report, focusing on:~~

- ~~• accounting policies and practices;~~
- ~~• changes to accounting policies and practices;~~
- ~~• the process used in making significant accounting estimates;~~
- ~~• significant adjustments to the financial report (if any) arising from the audit process;~~
- ~~• compliance with accounting standards and other reporting requirements; and~~
- ~~• significant variances from prior years.~~

~~(g) Recommend adoption of the Annual Financial Report to the Council. Review any significant changes that may arise subsequent to any such recommendation but prior to the financial report being signed.~~

~~(h) Discuss with the external auditor, the scope of the annual financial report audit and the planning of the audit.~~

~~(i) Discuss with the external auditor, issues arising from the annual financial report audit, including any management letter issued by the auditor and the resolution of such matters.~~

~~(j) Review tendering policies and processes and advise the Council on appropriateness of those policies and any suggested amendments.~~

~~(k) Review the annual performance statement and recommend its adoption to the Council.~~

~~(l) Review issues relating to national competition policy, financial reporting by the Council's business units and comparative performance indicators.~~

~~(m) To review the scope of the internal audit plan and programme and the effectiveness of the proposed internal audit work. This review should consider whether, over a period of years, the internal audit plan systematically addresses:~~

- ~~• internal controls over significant areas of risk, including non-financial management control systems;~~
- ~~• the efficiency, effectiveness and economy of significant Council programmes~~
- ~~• compliance with regulation, policies, best practice guidelines, instructions and contractual arrangements; and~~
- ~~• business improvement and performance efficiency reviews.~~

~~(n) Identify and refer specific projects or investigations deemed necessary through the Chief Executive Officer and the Council if appropriate. Oversee any subsequent investigations, including overseeing of the investigation of any suspected cases of fraud within the organisation.~~

~~(o) Monitor the progress of any major litigation against the Council.~~

~~(p) Address issues brought to the attention of the Audit Committee, including responding to requests from the Council for advice that are within the parameters of the Committee's Terms of Reference.~~

~~(q) Report to the Council after each meeting, in the form of minutes or otherwise, and as necessary and provide an annual report to Council summarising the activities undertaken during the year.~~

~~(r) The Audit Committee Audit & Risk Committee in conjunction with the Council and the Chief Executive Officer should develop the Committee's performance indicators.~~

- 5.2 The Audit Committee, through the Chief Executive Officer and following authorisation from the Council and within the scope of its responsibilities, may seek information or obtain expert advice on matters of concern.

6. MEMBERSHIP AND CONDITIONS OF APPOINTMENT

- 6.1 Membership^[SP6] of the Committee will comprise:

- ~~• the Mayor;~~
- two (2) Elected Members, one (1) which may be the Mayor, as determined by resolution of the Council; and
- two ~~three~~^[SP7] (23) Independent Members who are appointed by the Council and who are determined by the Council to have experience relevant to the functions of the Audit Committee.

Elected Member Representatives

- Ideally, Elected Members will have experience in business, legal, audit & risk or financial management knowledge and experience.
- Elected Members will be appointed for a term of two (2) years or some other period as determined by the Council.
- The Council may resolve to re-appoint the Elected Members to this Committee for consecutive terms.
- No additional allowance will be paid to the Elected Member representative over and above the allowance already received by the Elected Member, unless appointed as Presiding Member.

Independent Members

- Independent Members will have senior business or financial management/reporting knowledge and experience, in particular, experience relevant to the functions of an Audit & Risk Committee and be conversant with the financial and other reporting requirements.
- The Selection Panel will comprise of Mayor, the Chief Executive Officer and the Elected Members appointed to the Audit & Risk Committee or as otherwise determined by the Council,
- The assessment of the appointment shall take into account the experience and qualifications of candidates and their likely ability to apply appropriate analytical and strategic management skills.
- The appointment of Independent Members will be subject to the endorsement of the Selection Panels' recommendation by the Council.

- The term of the appointment [SP8] will be determined by the Council. To ensure succession planning for the Committee, the term of the appointment should be arranged to ensure an orderly rotation and continuity of membership despite changes to Council's Elected Members Representatives.
- The Council may resolve to re-appoint the Independent Members to this Committee for consecutive terms.
- Where a vacancy exists, Expressions of Interest from Independent Members shall be made by the Council by way of a public advertisement.
- Remuneration will be paid to each Independent Member of the Committee (based on a set fee per meeting attended).

6.2 6.2 The Council will appoint one (1) of the Committee Members as the Presiding Member at the first Council Meeting following the Local Government Election and in-line with the Elected Member Representative term.

6.3 The role of the Presiding Member is to:

- oversee and facilitate the conduct of meetings in accordance with the *Local Government Act 1999* and *Local Government (Procedures at Meetings) Regulations 2013*;
- ensure that the Guiding Principles at Regulation 5 of the *Local Government (Procedures at Meetings) Regulations 2013* are observed and that all Committee members have an opportunity to participate in discussions in an open and responsible manner; and
- call the meeting to order and move the debate towards finalisation when a matter has been debated significantly and no new information is being discussed.

6.3 The Membership of the Committee comprises of the following: [SP9]

- Mayor Robert Bria Elected Member 1;
- Cr John Minney (Elected Member, Presiding Member) Elected Member 2
- Cr Mike Stock (Elected Member) Independent Member 1
- Ms Sandra DiBlasio (Independent Member); and
- Ms Brigid O'Neill (Independent Member).

6.4 Conditions of Appointment shall include:

- (a) Independent Members will have senior business or financial management/reporting knowledge and experience, in particular, experience relevant to the functions of an audit committee Audit & Risk Committee and be conversant with the financial and other reporting requirements.

The evaluation of potential members will be undertaken by the Mayor, the and Chief Executive Officer and the two (2) Elected Members appointed to the Audit Committee Audit & Risk Committee, taking account of the experience and qualifications of candidates and their likely ability to apply appropriate analytical and strategic management skills, and a recommendation for appointment put to Council.

- (b) At the end of each Committee term, sitting Independent Members, following an Expression of Interest, will be recommended for re-appointment for a further two (2) years.
- (c) Where a vacancy exists, Expressions of Interest from Independent Members shall be made by the Council by way of a public advertisement and be for a term of two (2) years or some other period as determined by the Council. The term of the appointment should be arranged to ensure an orderly rotation and continuity of membership despite changes to Council's Elected Members.
- (c) Remuneration will be paid to each Independent Member of the Committee (based on a set fee per meeting attended).

~~(d) Ideally, Elected Members will have experience in business, legal, audit & risk or financial management knowledge and experience.~~

~~(e) Elected Members will be appointed for a term of two (2) years or some other period as determined by the Council.~~

7. REMOVAL OF A MEMBER

7.1 Membership of the ~~Audit Committee Audit & Risk Committee~~ continues for ~~the term of the Committee~~ respective Members' term of appointment, unless a Member resigns from the Committee or is removed earlier by resolution of Council.[SP10]

7.2 If the Council proposes to remove a Member of the Committee, it must give written notice to the Member of its intention to do so and provide that Member with the opportunity to be heard at a Council meeting which is open to the public, if that Member so requests.

8. OPERATIONAL MATTERS

8.1. The Committee shall act at all times in strict accordance with the *Local Government Act 1999* and any other relevant legislation.

8.2 In particular, the Committee shall act at all times in strict accordance with the *Local Government Act 1999* and Part 2 of the *Local Government (Procedures at Meetings) Regulations 2000*,~~13~~, provided that the Committee may alter in whole or in part the application of Part 2 of the Regulations, where it forms the opinion that such alterations are necessary for the better operation of its meetings.

8.3 The Committee shall meet at the Norwood Town Hall, 175 The Parade, Norwood, in accordance with the responsibilities imposed upon it at Clause 5 of these Terms of Reference and otherwise on such dates and at such times as the Presiding Member of the Committee or the Committee, by resolution, may determine.

8.4 A quorum for a meeting of the Committee shall be three (3) members of the Committee, ~~one~~ two[SP11] ~~(4)~~ of whom shall be an Independent Member.

8.5 If the Presiding Member of the Committee is absent from a meeting, then the Members present will determine between themselves who will preside at the meeting.

8.6 All decisions of the Committee shall be made on the basis of a majority decision of the members present.

8.7 Insofar as the *Local Government Act 1999* and Regulations and these Terms of Reference do not prescribe the procedure to be observed in relation to the conduct of a meeting of the Committee, the Committee may determine its own procedure.

9. MEETINGS

9.1 The Committee shall meet at least quarterly (i.e., at least four (4) times each year) at appropriate times in the reporting and audit cycle and otherwise as required.

9.2 A schedule of meetings will be developed and agreed to by the Committee. As an indicative guide, meetings will be arranged to coincide with relevant Council reporting deadlines, the development of Strategic Plans, the Annual Business Plan and Budgets and to coincide with the finalisation of the Financial Statements and the draft Annual Report to the Minister.

9.3 Notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Audit Committee, no later than three (3) clear business days before the date of the meeting. Supporting papers, reports and documents shall be sent to the ~~Audit Committee Audit & Risk Committee~~ Members at the same time.

9.4 Additional meetings shall be convened at the discretion of the Presiding Member or at the written request of any member of the Committee or external auditor.

- 9.5 The Chief Executive Officer should attend all meetings and other Members of the Council or the Council staff may be invited to attend at the discretion of the Committee, to advise and provide information when required.
- 9.6 Representatives of the external auditor may be invited to attend at the discretion of the Committee but **must** attend meetings at which the draft Annual Financial Report and results of the external audit are considered.
- 9.7 The Council shall provide secretarial and administrative support to the Committee, through the Chief Executive Officer or ~~his~~their delegate.

10. ~~10.~~ REPORTING TO THE COUNCIL

~~10.1.10.1~~ Pursuant to Section 41(8) of the *Local Government Act 1999*, all decisions of the ~~Audit Committee~~ Audit & Risk Committee will be referred to the Council as recommendations of the Committee. The reporting of the decisions of the Committee in this manner, in accordance with Clause 1.2 of these Terms of Reference, will satisfy the requirements of Section 41(8).

~~10.2.~~ The Elected Members representatives will provide a verbal report to Council on the key matters and recommendations of the Committee meeting, when the minutes and / or Committee recommendation reports, are presented to Council for adoption.

~~10.3.10.2~~ In addition, the Committee shall report annually to the Council summarising the activities of the Committee during the previous financial year, with a copy of the Annual Report of the Audit & Risk committee included in the Council's Annual Report.

11. MINUTES OF MEETINGS

- 11.1 The Chief Executive Officer shall ensure that the proceedings and resolutions of all meetings of the Audit Committee, including recording the names of those present and in attendance, are minuted and that the minutes otherwise comply with the requirements of the *Local Government (Procedures at Meetings) Regulations 2000*.
- 11.2 Minutes of ~~Audit Committee~~ Audit & Risk Committee meetings shall be circulated within five (5) days after a meeting to all Members of the ~~Audit Committee~~ Audit & Risk Committee and to all Members of the Council and will (as appropriate) be available to the public.

~~12. TERM OF THE COMMITTEE~~ [SP12]

~~12.1 The Committee will be wound up without further action by the Council at the conclusion of the term of the Committee.~~

~~12.2 The term of the Committee expires on 31 October 2022.~~



AUDIT & RISK COMMITTEE

Draft TERMS OF REFERENCE

Statutes Amendment (Local Government Review) Act 2021

1. ESTABLISHMENT

- 1.1. The City of Norwood Payneham & St Peters Audit & Risk Committee is established under Section 41 of the *Local Government Act 1999* and the Regulations thereunder, for the purposes of Section 126 of the Act.
- 1.2. The Committee will be known as the Audit & Risk Committee.
- 1.3. These Terms of Reference were adopted by the Council on 3 December 2022.

2. PURPOSE

The Audit & Risk Committee is an independent advisory Committee of the Council.

The purpose of the Audit and Risk Committee is to provide independent assurance and advice to the Council on accounting, financial management, internal controls, risk management and governance matters to assist the Council in discharging its responsibilities that facilitates the organisation's environmental, social, governance (ESG) and economic development.

3. FUNCTION

- 3.1. The functions of the Audit & Risk Committee includes;
 - a) reviewing annual financial statements to ensure that they present fairly the state of affairs of the Council; and
 - b) proposing, and providing information relevant to, a review of the Council's strategic management plans or annual business plan; and
 - c) monitoring the responsiveness of the Council to recommendations for improvement based on previous audits and risk assessments, including those raised by the Council's External Auditor; and
 - d) proposing, and reviewing, the exercise of powers under section 130A; and
 - e) liaising with the Council's External Auditor in accordance with any requirements prescribed by the regulations; and
 - f) reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the Council on a regular basis; and
 - g) providing oversight of planning and scoping of the Internal Audit work plan; and

- h) reviewing and commenting on reports provided by the person primarily responsible for the Internal audit function at least on a quarterly basis; and
- i) reviewing and evaluating the effectiveness of policies, systems and procedures established and maintained for the identification, assessment, monitoring, management and review of strategic, financial and operational risks on a regular basis; and
- j) reviewing any report obtained by the Council pursuant Section 48(1) of the *Local Government Act 1999*; and
- k) performing any other function determined by the Council or prescribed by the regulations.

4. DELEGATED AUTHORITY

- 4.1 Pursuant to Section 44 of the *Local Government Act 1999*, the Audit & Risk Committee does not enjoy the delegation of any powers, functions and duties of the Council. All decisions of the Committee will, therefore, constitute only recommendations to the Council.

5. DUTIES AND RESPONSIBILITIES

- 5.1 To ensure the purpose and function of the Audit & Risk Committee are delivered upon, the duties and responsibilities of the Audit & Risk Committee are as follows:

Financial Reporting

- a) Review the Council's draft Annual Financial Statements, focusing on:
 - accounting policies and practices and changes therewith;
 - the process used in making significant accounting estimates;
 - significant adjustments to the financial report (if any) arising from the audit process;
 - compliance with accounting standards and other reporting requirements; and
 - significant variances from prior years.
- b) Recommend adoption of the Annual Financial Report to the Council. Review any significant changes that may arise subsequent to any such recommendation but prior to the financial report being signed.
- c) Discuss with the External Auditor, issues arising from the audit of the Annual Financial Statement, including any management letter issued by the auditor and the resolution of such matters.
- d) Review the Councils strategic management plans, which includes the Annual Business Plan and Budget, Long Term Financial Plan, Corporate Plan and Asset Management Plans and provide recommendations to the Council regarding actions which may be taken to enhance financial governance and sustainability; and
- e) Review Prudential Management reports prepared pursuant to Section 48 of the *Local Government Act 1999* and recommendations contained in business cases developed by, or for, the Council in respect of significant activities, commercial services or major projects. The Audit and Risk Committee will consider prudential management principles when undertaking a review.

External Audit

- a) Review and recommend for endorsement by Council the engagement of the external auditor.
- b) Review the scope of the External Audit Plan and programme and the effectiveness of the proposed external audit work. This review should consider whether, over a period of years, the external audit plan systemically addresses:
 - i. internal controls over significant areas of risk, including non-financial management control systems;
 - ii. internal controls over revenue, expenditure, assets and liability processes;
 - iii. the efficiency, effectiveness and economy of significant Council programmes; and

- iv. compliance with regulation, policies, best practice guidelines, instructions and contractual arrangements.
- f) Critically analyse and follow up any external audit report which raises significant issues relating to risk management, internal control, financial reporting, governance issues and any other matters relevant under the Committee's Terms of Reference. Review management's response to and actions taken as a result of the issues raised.
- g) Review the appropriateness of special external audit assignments undertaken by external audit at the request of the Council or the Chief Executive Officer.

Internal Audit

- a) Review and recommend for endorsement the engagement of the Internal Auditor to the Council.
- b) To review the scope of the internal audit plan and programme and the effectiveness of the proposed internal audit work. This review should consider whether, over a period of years, the internal audit plan systemically addresses:
 - internal controls over significant areas of risk, including non-financial management control systems;
 - the efficiency, effectiveness and economy of significant Council programmes
 - compliance with regulation, policies, best practice guidelines, instructions and contractual arrangements; and
 - business improvement and performance efficiency reviews
- c) Monitor that the internal annual plan is linked with and covers the material business risks.
- d) Review all audit reports and provide advice to the Council on significant issues identified in audit reports and action to be taken on issues raised, including identification and dissemination of good practice.
- e) Monitor management's implementation of audit recommendations.

Service Reviews

- a) Review the appropriateness of special assignments undertaken by the internal audit and service reviews provider.
- b) Review and provide advice on service reviews, and in particular:
 - the scope of the review before it is commenced.
 - Input into the questions to be asked and the data to be collected and analysed.
 - Comment on all draft service review reports before the final report is presented to the Council.
- c) Review the level of resources allocated to service review and the scope of its services and authority.
- d) Facilitate liaison between the internal audit/service review provider, and external auditor to promote compatibility, to the extent appropriate, between their programs.

Internal Controls and Risk Management

- a) Review whether management has in place relevant policies and procedures and that they are periodically reviewed and updated.
- b) Review whether appropriate policies and supporting procedures are in place for the management and exercise of delegations.
- c) Review the adequacy of the Council's Internal Financial Controls against the *Better Practice Model—Internal Financial Controls*.
- d) Monitor the risk exposure of the Council by determining if appropriate risk management processes and adequate management information systems are in place. The Audit & Risk Committee will review, at least annually, the Council risk register, risk strategy and mitigation measures.
- e) provide comment to the Council on the appropriateness of the Council's risk framework, risk appetite and management of risks
- f) receive and provide advice to the Council on any risk or governance audits undertaken on the Council and its activities

- g) Monitor the progress of any major litigation against the Council.

Other

- a) Keep informed of the findings of any examinations by regulatory agencies and any auditor (external) observations and monitor management's response to these findings.
- b) Obtain regular updates from management about compliance matters.
- c) Monitor ethical standards and related party transactions by determining whether the systems of control are adequate.
- d) Review issues relating to national competition policy, financial reporting by the Council's business units and comparative performance indicators.
- e) Identify and refer specific projects or investigations deemed necessary through the Chief Executive Officer and the Council if appropriate. Oversee any subsequent investigations, including overseeing of the investigation of any suspected cases of fraud within the organisation.
- f) Address issues brought to the attention of the Audit Committee, including responding to requests from the Council for advice that are within the parameters of the Committee's Terms of Reference.
- g) Review the annual performance statement and recommend its adoption to the Council.
- h) The Audit & Risk Committee in conjunction with the Council and the Chief Executive Officer should develop the Committee's performance indicators.

- 5.2 The Audit Committee, through the Chief Executive Officer and following authorisation from the Council and within the scope of its responsibilities, may seek information or obtain expert advice on matters of concern.

6. MEMBERSHIP AND CONDITIONS OF APPOINTMENT

- 6.1 Membership of the Committee will comprise:

- two (2) Elected Members, one (1) which may be the Mayor, as determined by resolution of the Council; and
- three (3) Independent Members who are appointed by the Council and who are determined by the Council to have experience relevant to the functions of the Audit Committee.

Elected Member Representatives

- Ideally, Elected Members will have experience in business, legal, audit & risk or financial management knowledge and experience.
- Elected Members will be appointed for a term of two (2) years or some other period as determined by the Council.
- The Council may resolve to re-appoint the Elected Members to this Committee for consecutive terms.
- No additional allowance will be paid to the Elected Member representative over and above the allowance already received by the Elected Member, unless appointed as Presiding Member.

Independent Members

- Independent Members will have senior business or financial management/reporting knowledge and experience, in particular, experience relevant to the functions of an Audit & Risk Committee and be conversant with the financial and other reporting requirements.
- The Selection Panel will comprise of Mayor, the Chief Executive Officer and the Elected Members appointed to the Audit & Risk Committee or as otherwise determined by the Council,
- The assessment of the appointment shall take into account the experience and qualifications of candidates and their likely ability to apply appropriate analytical and strategic management skills,
- The appointment of Independent Members will be subject to the endorsement of the Selection Panels' recommendation by the Council.

- The term of the appointment will be determined by the Council. To ensure succession planning for the Committee, the term of the appointment should be arranged to ensure an orderly rotation and continuity of membership despite changes to Council's Elected Members Representatives.
 - The Council may resolve to re-appoint the Independent Members to this Committee for consecutive terms.
 - Where a vacancy exists, Expressions of Interest from Independent Members shall be made by the Council by way of a public advertisement.
 - Remuneration will be paid to each Independent Member of the Committee (based on a set fee per meeting attended).
- 6.2 The Council will appoint one (1) of the Committee Members as the Presiding Member at the first Council Meeting following the Local Government Election and in-line with the Elected Member Representative term.
- 6.3 The role of the Presiding Member is to:
- oversee and facilitate the conduct of meetings in accordance with the *Local Government Act 1999* and *Local Government (Procedures at Meetings) Regulations 2013*;
 - ensure that the Guiding Principles at Regulation 5 of the *Local Government (Procedures at Meetings) Regulations 2013* are observed and that all Committee members have an opportunity to participate in discussions in an open and responsible manner; and
 - call the meeting to order and move the debate towards finalisation when a matter has been debated significantly and no new information is being discussed.

7. REMOVAL OF A MEMBER

- 7.1 Membership of the Audit & Risk Committee continues for the respective Members' term of appointment, unless a Member resigns from the Committee or is removed earlier by resolution of Council.
- 7.2 If the Council proposes to remove a Member of the Committee, it must give written notice to the Member of its intention to do so and provide that Member with the opportunity to be heard at a Council meeting which is open to the public, if that Member so requests.

8. OPERATIONAL MATTERS

- 8.1. The Committee shall act at all times in strict accordance with the *Local Government Act 1999* and any other relevant legislation.
- 8.2 In particular, the Committee shall act at all times in strict accordance with the *Local Government Act 1999* and Part 2 of the *Local Government (Procedures at Meetings) Regulations 2013*, provided that the Committee may alter in whole or in part the application of Part 2 of the Regulations, where it forms the opinion that such alterations are necessary for the better operation of its meetings.
- 8.3 The Committee shall meet at the Norwood Town Hall, 175 The Parade, Norwood, in accordance with the responsibilities imposed upon it at Clause 5 of these Terms of Reference and otherwise on such dates and at such times as the Presiding Member of the Committee or the Committee, by resolution, may determine.
- 8.4 A quorum for a meeting of the Committee shall be three (3) members of the Committee, two (2) of whom shall be an Independent Member.
- 8.5 If the Presiding Member of the Committee is absent from a meeting, then the Members present will determine between themselves who will preside at the meeting.
- 8.6 All decisions of the Committee shall be made on the basis of a majority decision of the members present.

- 8.7 Insofar as the *Local Government Act 1999* and Regulations and these Terms of Reference do not prescribe the procedure to be observed in relation to the conduct of a meeting of the Committee, the Committee may determine its own procedure.

9. MEETINGS

- 9.1 The Committee shall meet at least quarterly (i.e., at least four (4) times each year) at appropriate times in the reporting and audit cycle and otherwise as required.
- 9.2 A schedule of meetings will be developed and agreed to by the Committee. As an indicative guide, meetings will be arranged to coincide with relevant Council reporting deadlines, the development of Strategic Plans, the Annual Business Plan and Budgets and to coincide with the finalisation of the Financial Statements and the draft Annual Report to the Minister.
- 9.3 Notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Audit Committee, no later than three (3) clear business days before the date of the meeting. Supporting papers, reports and documents shall be sent to the Audit & Risk Committee Members at the same time.
- 9.4 Additional meetings shall be convened at the discretion of the Presiding Member or at the written request of any member of the Committee or external auditor.
- 9.5 The Chief Executive Officer should attend all meetings and other Members of the Council or the Council staff may be invited to attend at the discretion of the Committee, to advise and provide information when required.
- 9.6 Representatives of the external auditor may be invited to attend at the discretion of the Committee but **must** attend meetings at which the draft Annual Financial Report and results of the external audit are considered.
- 9.7 The Council shall provide secretarial and administrative support to the Committee, through the Chief Executive Officer or their delegate.

10. REPORTING TO THE COUNCIL

- 10.1. Pursuant to Section 41(8) of the *Local Government Act 1999*, all decisions of the Audit & Risk Committee will be referred to the Council as recommendations of the Committee. The reporting of the decisions of the Committee in this manner, in accordance with Clause 1.2 of these Terms of Reference, will satisfy the requirements of Section 41(8).
- 10.2. The Elected Members representatives will provide a verbal report to Council on the key matters and recommendations of the Committee meeting, when the minutes and / or Committee recommendation reports, are presented to Council for adoption.
- 10.3. In addition, the Committee shall report annually to the Council summarising the activities of the Committee during the previous financial year, with a copy of the Annual Report of the Audit & Risk committee included in the Council's Annual Report

11. MINUTES OF MEETINGS

- 11.1 The Chief Executive Officer shall ensure that the proceedings and resolutions of all meetings of the Audit Committee, including recording the names of those present and in attendance, are minuted and that the minutes otherwise comply with the requirements of the *Local Government (Procedures at Meetings) Regulations 2000*.
- 11.2 Minutes of Audit & Risk Committee meetings shall be circulated within five (5) days after a meeting to all Members of the Audit & Risk Committee and to all Members of the Council and will (as appropriate) be available to the public.

**6.6 REGIONAL SUBSIDIARIES – ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2022**

REPORT AUTHOR: General Manager, Corporate & Community Services
GENERAL MANAGER: Chief Executive Officer
CONTACT NUMBER: 8366 4585
FILE REFERENCE: qA98586 /A485958
ATTACHMENTS: A - D

PURPOSE OF REPORT

The purpose of this report is to provide the Committee with the 2021-2022 Audited Financial Statements for the Regional Subsidiaries of which this Council is a member.

BACKGROUND

Section 16 (4) of the Local Government (Financial Management) Regulations 1999 requires that:

“The Chief Executive Officer of a council must ensure that any audited financial statements of a subsidiary received for the purposes of clause 12 (3) (a) or 28 (2) (a) of Schedule 2 of the Act are laid before the council at the first meeting of the council following their receipt by the Chief Executive Officer on behalf of the council.”

RELEVANT STRATEGIC DIRECTIONS & POLICIES

Not Applicable.

FINANCIAL AND BUDGET IMPLICATIONS

There are no financial and budget implications resulting from the preparation of this report.

The financial performance of the Regional Subsidiaries of which this Council is a member, is accounted for in the Council's Annual Financial Statements which are submitted concurrently.

The Council has included in its reported Operating Surplus, based on the respective ownership share detailed in Table 1, a net loss associated with its Regional Subsidiaries of \$91,792 (2020-2021: \$110,127 net loss).

EXTERNAL ECONOMIC IMPLICATIONS

Nil

SOCIAL ISSUES

Nil

CULTURAL ISSUES

Nil

ENVIRONMENTAL ISSUES

Nil

RESOURCE ISSUES

Nil

RISK MANAGEMENT

There are no risk management issues arising from the preparation this report.

CONSULTATION

- **Committee Members**
 Cr Stock is a Board Member and Member of the Eastern Waste Management Authority Inc. Audit Committee
 Ms Sandra DiBlasio is a Member of Eastern Waste Management Authority Inc. Audit Committee
 Cr John Minney is a Board Member of ERA Water and the Highbury Landfill Authority Inc.
 Ms Brigid O'Neill is a Member of ERA Water Audit Committee.
- **Community**
 Not Applicable.
- **Staff**
 Not Applicable.
- **Other Agencies**
 Not Applicable.

DISCUSSION

The audited Financial Statements have been received from the following Regional Subsidiaries:

- Eastern Health Authority Inc. (**Attachment A**).
- Eastern Waste Management Authority Inc (**Attachment B**).
- ERA Water. (**Attachment C**).
- Highbury Landfill Authority Inc. (**Attachment D**).

The Net Surplus (Deficit) of the respective Regional Subsidiaries for the year ended 30 June 2022, together with the Council's share of the Operating Result which has been accounted for in the Council's Financial Statements, is set out in Table 1 below.

TABLE 1: REGIONAL SUBSIDIARY NET SURPLUS/ (DEFICIT)

Regional Subsidiary	Net Surplus / (Deficit)	Councils Share of Net Operating Surplus / (Deficit)	
		Percentage	\$
Eastern Health Authority	(13,674)	31.3%	(4,280)
Eastern Waste Management Authority	(369,348)	14.30%	(52,816)
ERA Water	(642,529)	33.33%	(214,155)
Highbury Landfill Authority	444,645	40.36%	179,459

Important points to highlight resulting from the 2021-2022 Financial year are:

- Eastern Health Authority The Eastern Health Authority Inc. reported an Operating Deficit of \$13,674. The Operating Deficit is due to the combined impact of reduced income arising from a reduction of expiation income and the conclusion of a grant funding agreement with the Public Health Network and increased employee costs due to a reduction in the recruitment timeframes to fill vacant positions throughout the organisation.

- Eastern Waste Management Authority For 2021-2022, East Waste reported an Operating Deficit of \$376,000, plus a gain of \$7,000 on the disposal of Plant & Equipment. The key driver behind the Operating Deficit is the escalation in fuel costs driven by the increase in the oil price and supply issue with Adblue Diesel Additive, which is used to reduce diesel emissions.

- ERA Water ERA Water reported an Operating Deficit of \$642,529, which is a \$340,000 improvement on the 2020-2021 Operating deficit. While the scheme is still facing challenges with water supply and reliability of the system, the following positive outcomes for the Scheme during the 2021-2022 financial year were;
 - a 35% increase in water injected into the aquifer, which allowed for a 17% increase in water extracted for distribution.
 - a 14% increase in income from water sales combined with a 15% decrease in operating expenses, which has resulted in a 34% improvement in the Operating Deficit.

- Highbury Landfill Authority Inc. The Highbury Landfill Authority Inc. reported an Operating Surplus of \$444,645. To meet the legislative requirements associated with the post closure of the landfill, the Highbury Landfill Authority Inc., is required to estimate the future costs to manage the post closure phase of the landfill. A review of the adequacy of the provision to cover the estimated cost of monitoring the landfill has been undertaken to ensure the value of the provision reflects the latest information on future expenditure and interest rates. The Highbury Landfill Authority is now 12 years into the post closure management period and the post closure provision represents the net present value calculation of the future cash outflows to manage the site of the remaining 13 years. As a result of the review, the post closure provision was decreased by \$457,377. This adjustment has contributed to the reported Net Surplus.

OPTIONS

Not Applicable.

CONCLUSION

The Council's 2021-2022 Annual Financial Statements is reporting a Net Loss on Equity Accounted Council Businesses of \$ 91,792 (2020-2021: \$110,127 Net Loss).

COMMENTS

Nil

RECOMMENDATION

That the report be received and noted.

Attachment A

Regional Subsidiaries Annual Financial Statements for the Year Ended 30 June 2022

Eastern Health Authority Inc

City of Norwood Payneham & St Peters
175 The Parade, Norwood SA 5067

Telephone 8366 4555
Facsimile 8332 6338
Email townhall@npsp.sa.gov.au
Website www.npsp.sa.gov.au



City of
Norwood
Payneham
& St Peters

Our Ref: D22/8046

1 September 2022

Mr Mario Barone
Chief Executive Officer
City of Norwood Payneham & St Peters
175 The Parade
Norwood SA 5067

Dear Mario

RE: Eastern Health Authority Audited Financial Statements for year ending 30 June 2022

Please find enclosed a copy of Eastern Health Authority (EHA) General Purpose Financial Reports for the year ended 30 June 2022. The reports have been audited by EHA's Auditor, Bentleys.

The statements were considered by EHA's Audit Committee at its meeting on 22 August 2022 and referred to the Board of Management for adoption.

The statements were subsequently adopted by the Board of Management at its meeting on 31 August 2022.

If you need any more information or would like to discuss this further, please contact me on telephone 8132 3611.

Yours sincerely



Michael Livori
Chief Executive Officer

**Eastern Health Authority
General Purpose Financial Reports
for the year ended 30 June 2022**

Table of Contents

	Page #
Authority Certificate	1
Principal Financial Statements	
Statement of Comprehensive Income	2
Statement of Financial Position	3
Statement of Changes in Equity	4
Statement of Cash Flows	5
Notes to, and forming part of, the Principal Financial Statements	
Note 1 - Significant Accounting Policies	6
Note 2 - Income	10
Note 3 - Expenses	11
Note 4 - Current Assets	13
Note 5 - Property, Plant & Equipment	14
Note 6 - Liabilities	16
Note 7 - Reconciliation to Cash Flow Statement	17
Note 8 - Financial Instruments	18
Note 9 - Uniform Presentation of Finances	21
Note 10 - Operating Leases	22
Note 11 - Superannuation	23
Note 12 - Contingent Assets & Contingent Liabilities	24
Note 13 - Events Occurring after Balance Date	24
Note 14 - Related Party Transactions	25
Audit Report - Financial Statements	
Authority Certificate of Audit Independence	
Auditor Certificate of Audit Independence	

**EASTERN HEALTH AUTHORITY****ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022****CERTIFICATION OF FINANCIAL STATEMENTS**

We have been authorised by Eastern Health Authority (EHA) to certify the financial statements in their final form. In our opinion:

- the accompanying financial statements comply with the *Local Government Act 1999, Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards.
- the financial statements present a true and fair view of EHA's financial position at 30 June 2022 and the results of its operations and cash flows for the financial year.
- internal controls implemented by the Council provide a reasonable assurance that the Council's financial records are complete, accurate and reliable and were effective throughout the financial year.
- the financial statements accurately reflect the Council's accounting and other records.

.....
Michael Livori
CHIEF EXECUTIVE OFFICER

.....
Cr Peter Cornish
CHAIRPERSON
EHA BOARD OF MANAGEMENT

Date:

Eastern Health Authority
Statement of Comprehensive Income
for the year ended 30 June 2022

	Notes	2022 \$	2021 \$
INCOME			
Council Contributions	2	1,828,263	1,821,865
Statutory charges	2	111,391	150,625
User charges	2	295,541	236,151
Grants, subsidies and contributions	2	226,108	256,514
Investment income	2	4,320	4,901
Other income	2	3,585	4,549
Total Income		<u>2,469,208</u>	<u>2,474,605</u>
EXPENSES			
Employee costs	3	1,750,609	1,635,933
Materials, contracts & other expenses	3	516,677	509,065
Depreciation, amortisation & impairment	3	168,844	190,797
Finance costs	3	46,752	48,445
Total Expenses		<u>2,482,882</u>	<u>2,384,240</u>
OPERATING SURPLUS / (DEFICIT)		<u>(13,674)</u>	<u>90,365</u>
Other Comprehensive Income		<u>-</u>	<u>-</u>
Total Other Comprehensive Income		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME		<u>(13,674)</u>	<u>90,365</u>

This Statement is to be read in conjunction with the attached Notes.

Eastern Health Authority
Statement of Financial Position
as at 30 June 2022

ASSETS	Notes	2022	2021
		\$	\$
Current Assets			
Cash and cash equivalents	4	640,883	782,896
Trade & other receivables	4	231,080	188,901
Total Current Assets		<u>871,963</u>	<u>971,797</u>
Non-current Assets			
Infrastructure, property, plant & equipment	5	1,214,249	1,300,714
Total Non-current Assets		<u>1,214,249</u>	<u>1,300,714</u>
Total Assets		<u>2,086,212</u>	<u>2,272,511</u>
LIABILITIES			
Current Liabilities			
Trade & other payables	6	133,225	163,940
Borrowings	6	140,794	177,021
Provisions	6	289,466	307,903
Total Current Liabilities		<u>563,485</u>	<u>648,864</u>
Non-current Liabilities			
Borrowings	6	961,297	1,036,687
Provisions	6	9,860	21,716
Total Non-current Liabilities		<u>971,157</u>	<u>1,058,403</u>
Total Liabilities		<u>1,534,642</u>	<u>1,707,267</u>
NET ASSETS		<u>551,570</u>	<u>565,244</u>
EQUITY	Notes	2022	2021
		\$	\$
Accumulated Surplus		551,570	565,244
TOTAL EQUITY		<u>551,570</u>	<u>565,244</u>

This Statement is to be read in conjunction with the attached Notes.

Eastern Health Authority
Statement of Changes in Equity
for the year ended 30 June 2022

2022	Notes	Acc'd Surplus \$	TOTAL EQUITY \$
Balance at end of previous reporting period		565,244	565,244
Net Surplus / (Deficit) for Year		(13,674)	(13,674)
Balance at end of period	9	551,570	551,570

2021	Notes	Acc'd Surplus \$	TOTAL EQUITY \$
Balance at end of previous reporting period		474,879	474,879
Net Surplus / (Deficit) for Year		90,365	90,365
Balance at end of period	9	565,244	565,244

This Statement is to be read in conjunction with the attached Notes

Eastern Health Authority
Statement of Cash Flows
for the year ended 30 June 2022

	Notes	2022 \$	2021 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Receipts:</i>			
Council Contributions		1,828,263	1,821,865
Statutory Charges		111,391	150,625
User charges		227,946	227,736
Investment receipts		4,044	5,757
Grants utilised for operating purposes		226,108	256,514
Other revenues		3,585	4,549
<i>Payments:</i>			
Employee costs		(1,764,556)	(1,637,628)
Materials, contracts & other expenses		(536,431)	(525,832)
Finance payments		(48,367)	(49,988)
Net Cash provided by (or used in) Operating Activities		51,983	253,598
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Payments:</i>			
Expenditure on renewal/replacement of assets		(82,379)	-
Net Cash provided by (or used in) Investing Activities		(82,379)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
<i>Payments:</i>			
Repayments of borrowings		(74,132)	(70,732)
Repayment of principal portion of lease liabilities		(37,485)	(121,280)
Net Cash provided by (or used in) Financing Activities		(111,617)	(192,012)
Net Increase (Decrease) in cash held		(142,013)	61,586
Cash & cash equivalents at beginning of period	7	782,896	721,310
Cash & cash equivalents at end of period	7	640,883	782,896

This Statement is to be read in conjunction with the attached Notes

Eastern Health Authority
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 1 - Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1 Basis of Preparation

1.1 Compliance with Australian Accounting Standards

This general purpose financial report has been prepared in accordance with Australian Accounting Standards as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and relevant South Australian legislation.

The financial report was authorised for issue by certificate under regulation 14 of the Local Government (Financial Management) Regulations 2011.

1.2 Historical Cost Convention

Except as stated below, these financial statements have been prepared in accordance with the historical cost convention.

1.3 Critical Accounting Estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates and requires management to exercise its judgement in applying Eastern Health Authority's (EHA) accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are specifically referred to in the relevant sections of this Note.

1.4 Rounding

All amounts in the financial statements have been rounded to the nearest dollar.

1.5 Covid-19

The COVID-19 pandemic has impacted the 2021/22 financial statements. The financial impacts are a direct result of either EHA response to the pandemic or due to mandatory shutdowns as directed by the Australian Government and the advice from the Australian Government Department of Health and SA Health.

2 The Local Government Reporting Entity

Eastern Health Authority is incorporated under the SA Local Government Act 1999 and has its principal place of business at 101 Payneham Rd, St Peters SA. These consolidated financial statements include the EHA's direct operations and all entities through which EHA controls resources to carry on its functions. In the process of reporting on the EHA as a single unit, all transactions and balances between activity areas and controlled entities have been eliminated.

3 Income recognition

3.1 Revenue

The Authority recognises revenue under AASB 1058 Income of Not-for-Profit Entities (AASB 1058) or AASB 15 Revenue from Contracts with Customers (AASB 15) when appropriate.

In cases where there is an 'enforceable' contract with a customer with 'sufficiently specific' performance obligations, the transaction is accounted for under AASB 15 where income is recognised when (or as) the performance obligations are satisfied (i.e. when it transfers control of a product or service to a customer). Revenue is measured based on the consideration to which the EHA expects to be entitled in a contract with a customer.

In other cases, AASB 1058 applies when a not-for-profit (NFP) entity enters into transactions where the consideration to acquire an asset is significantly less than the fair value of the asset principally to enable the entity to further its objectives. The excess of the asset recognised (at fair value) over any 'related amounts' is recognised as income immediately, except in the case where a financial asset has been received to enable the EHA to acquire or construct a recognisable non-financial asset that is to be controlled by EHA. In this case, EHA recognises the excess as a liability that is recognised over time in profit and loss when (or as) the entity satisfies its obligations under the transfer.

Eastern Health Authority
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 1 - Significant Accounting Policies

4 Cash, Cash Equivalents and Other Financial Instruments

4.1 Cash, Cash Equivalent Assets

Cash assets include all amounts readily convertible to cash on hand at Authority's option with an insignificant risk of changes in value with a maturity of three months or less from the date of acquisition.

4.2 Other Financial Instruments

All receivables are reviewed as at the reporting date and adequate allowance made for amounts the receipt of which is considered doubtful.

All financial instruments are recognised at fair value at the date of recognition. A detailed statement of the accounting policies applied to financial instruments also form part of Note 8.

5 Property, Plant & Equipment

5.1 Initial Recognition

All assets are initially recognised at cost. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition.

5.2 Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by EHA for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life. Examples of capitalisation thresholds applied during the year are given in Note 5.

5.3 Depreciation of Non-Current Assets

Property, plant and equipment assets recognised are systematically depreciated over their useful lives on a straight-line basis which, in the opinion of EHA, best reflects the consumption of the service potential embodied in those assets.

Depreciation methods, useful lives and residual values of classes of assets are reviewed annually.

Major depreciation periods for each class of asset are shown in Note 5. Depreciation periods for infrastructure assets have been estimated based on the best information available to EHA, but appropriate records covering the entire life cycle of these assets are not available, and extreme care should be used in interpreting financial information based on these estimates.

5.4 Impairment

Assets whose future economic benefits are not dependent on the ability to generate cash flows, and where the future economic benefits would be replaced if EHA were deprived thereof, are not subject to impairment testing

Other assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount (which is the higher of the present value of future cash inflows or value in use).

Where an asset that has been revalued is subsequently impaired, the impairment is first offset against such amount as stands to the credit of that class of assets in Asset Revaluation Reserve, any excess being recognised as an expense.

Eastern Health Authority
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022
Note 1 - Significant Accounting Policies

6 Payables

6.1 Goods & Services

Creditors are amounts due to external parties for the supply of goods and services and are recognised as liabilities when the goods and services are received. Creditors are normally paid 30 days after the month of invoice. No interest is payable on these amounts.

6.2 Payments Received in Advance & Deposits

Amounts received from external parties in advance of service delivery, and security deposits held against possible damage to EHA assets, are recognised as liabilities until the service is delivered or damage reinstated, or the amount is refunded as the case may be.

7 Borrowings

Borrowings are initially recognised at fair value net of transaction costs incurred and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period to which it relates and is recorded as part of "Payables". Interest free loans are carried at their nominal amounts; interest revenues foregone by the lender effectively being a reduction of interest expense in the period to which it relates.

8 Provisions

8.1 Employee Benefits

Liabilities for employees' entitlements to salaries, wages and compensated absences expected to be paid or settled within 12 months of reporting date are accrued at nominal amounts (including payroll based on costs) measured in accordance with AASB 119.

Liabilities for employee benefits not expected to be paid or settled within 12 months are measured as the present value of the estimated future cash outflows (including payroll based on costs) to be made in respect of services provided by employees up to the reporting date. Present values are calculated using government guaranteed securities rates with similar maturity terms.

No accrual is made for sick leave as EHA experience indicates that, on average, sick leave taken in each reporting period is less than the entitlement accruing in that period, and this experience is expected to recur in future reporting periods. EHA does not make payment for untaken sick leave.

Superannuation:

The Authority makes employer superannuation contributions in respect of its employees to the Hostplus Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently. Details of the accounting policies applied and Authority's involvement with the schemes are reported in Note 11.

9 Leases

EHA assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Authority as a lessee:

EHA recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Authority recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and the estimate of costs to be incurred to restore the leased asset.

Eastern Health Authority
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 1 - Significant Accounting Policies

Right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section 6.5 - Impairment of non-financial assets above.

ii) Lease liabilities

At the commencement date of the lease, the EHA recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Authority uses its incremental borrowing rate or the interest rate implicit in the lease.

iii) Short-term leases and leases of low-value assets

EHA applies the short-term lease recognition exemption to its short-term leases of motor vehicles (i.e., those leases that have a lease term of 12 months or less from the commencement date). It also applies the low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

10 GST Implications

In accordance with UIG Abstract 1031 "Accounting for the Goods & Services Tax"

- Receivables and Creditors include GST receivable and payable.
- Except in relation to input taxed activities, revenues and operating expenditures exclude GST receivable and payable.
- Non-current assets and capital expenditures include GST net of any recoupment.
- Amounts included in the Statement of Cash Flows are disclosed on a gross basis.

11 New and amended standards and interpretations

EHA applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. New standards and amendments relevant to EHA are listed below. EHA has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to AASB 16 Covid-19 Related Rent Concessions:

In 2020, the AASB issued AASB 2020-4, Amendments to AASBs - Covid-19-Related Rent Concessions. The amendments provide relief to lessees from applying AASB 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, in 2021 the AASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. This amendment had no impact on the consolidated financial statements of the Group.

Eastern Health Authority
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 2 - INCOME

	Notes	2022 \$	2021 \$
COUNCIL CONTRIBUTIONS			
City of Burnside		448,572	438,131
Campbelltown City Council		478,298	452,548
City of Norwood, Payneham & St Peters		571,786	586,308
City of Prospect		225,897	210,656
Town of Walkerville		103,710	103,032
Public Health Plan/Service Review (equal constituent share)		-	31,190
		<u>1,828,263</u>	<u>1,821,865</u>
STATUTORY CHARGES			
Inspection Fees: Food		91,848	91,852
Inspection Fees: Legionella		8,524	10,665
SRF Licences		2,145	3,255
Fines & expiation fees		8,874	44,853
		<u>111,391</u>	<u>150,625</u>
USER CHARGES			
Immunisation: Clinic Vaccines		68,441	62,086
Immunisation: Service Provision		69,000	-
Immunisation: Worksite Vaccines		73,044	96,879
Immunisation: Clinic Service Fee		1,050	-
Food Auditing		84,006	77,186
		<u>295,541</u>	<u>236,151</u>
INVESTMENT INCOME			
Interest on investments:			
Local Government Finance Authority		4,320	4,901
		<u>4,320</u>	<u>4,901</u>
OTHER INCOME			
Motor Vehicle Reimbursements		2,992	3,705
Sundry		593	844
		<u>3,585</u>	<u>4,549</u>
GRANTS, SUBSIDIES, CONTRIBUTIONS			
Immunisation: School Programme		182,701	180,024
Immunisation: AIR		18,240	21,860
Immunisation: PHN Project		25,167	54,630
		<u>226,108</u>	<u>256,514</u>

Eastern Health Authority
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 3 - EXPENSE

	Notes	2022 \$	2021 \$
EMPLOYEE COSTS			
Salaries and Wages		1,510,095	1,434,514
Employee leave expense		18,047	35,942
Superannuation - defined contribution plan contributions	11	144,032	128,218
Superannuation - defined benefit plan contributions	11	16,909	16,100
Workers' Compensation Insurance		16,451	17,050
Other - Agency staff and Consultant Medical Officer		45,075	4,109
Total Operating Employee Costs		1,750,609	1,635,933
Total Number of Employees		18	18
<i>(Full time equivalent at end of reporting period)</i>			
MATERIALS, CONTRACTS & OTHER EXPENSES			
<u>Prescribed Expenses</u>			
Auditor's Remuneration			
- Auditing the financial reports		8,300	8,000
Bad and Doubtful Debts		4,251	-
Governance expenses		10,437	4,158
Lease Expenses	10	15,783	3,769
Subtotal - Prescribed Expenses		38,771	15,927
<u>Other Materials, Contracts & Expenses</u>			
Accounting		5,127	8,848
Contractors		23,154	26,065
Energy		8,868	9,066
Fringe benefits tax		14,272	14,272
Human resources		15,657	7,573
Income protection		25,692	18,355
Insurance		30,085	29,245
IT licencing & support		147,883	119,736
Legal Expenses		13,560	28,646
Motor vehicle expenses		19,895	15,399
Parts, accessories & consumables		94,211	143,529
Printing & stationery		17,660	21,155
Staff training		13,410	6,924
Sundry		22,327	24,150
Telephone		17,758	14,414
Work health & safety consultancy		8,347	5,761
Subtotal - Other Materials, Contracts & Expenses		477,906	493,138
		516,677	509,065

Eastern Health Authority
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 3 - EXPENSE con't

	2022	2021
Notes	\$	\$
DEPRECIATION, AMORTISATION & IMPAIRMENT		
Depreciation		
Buildings & Other Structures	23,642	23,642
Office Equipment, Furniture & Fittings	14,247	15,877
Right of Use Assets	130,955	151,278
	<u>168,844</u>	<u>190,797</u>
FINANCE COSTS		
Interest on Loans	5,532	6,332
Interest on Leases	41,220	42,113
	<u>46,752</u>	<u>48,445</u>

Eastern Health Authority
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 4 - CURRENT ASSETS

	Notes	2022	2021
CASH & EQUIVALENT ASSETS		\$	\$
Cash on Hand and at Bank		159,713	405,770
Deposits at Call		481,170	377,126
		<u>640,883</u>	<u>782,896</u>
TRADE & OTHER RECEIVABLES			
Accrued Revenues		369	93
Debtors - general		230,711	163,116
Prepayments		-	25,692
		<u>231,080</u>	<u>188,901</u>

Eastern Health Authority
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 5 - PROPERTY, PLANT & EQUIPMENT (IPP&E)

		2021			2022			
		\$			\$			
Fair Value Level	Fair Value	Cost	Acc' Dep'n	Carrying Amount	Fair Value	Cost	Acc' Dep'n	Carrying Amount
Buildings & Other Structures	-	472,846	(235,612)	237,234	-	472,846	(259,254)	213,592
Office Equipment, Furniture & Fittings	-	264,186	(235,983)	28,203	-	264,185	(250,229)	18,501
Right of Use Assets	-	1,333,000	(297,723)	1,035,277	-	1,325,000	(342,844)	982,156
Total IPP&E	-	2,070,032	(769,318)	1,300,714	-	2,062,031	(852,327)	1,214,249
Comparatives	-	2,070,032	(578,521)	1,491,511	-	2,070,032	(769,318)	1,300,714

This Note continues on the following pages.

Eastern Health Authority
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 5 -PROPERTY, PLANT & EQUIPMENT

	2021	Carrying Amounts Movement During the Year				2022
	\$	\$				\$
Carrying Amount		Additions		Disposals	Dep'n	Carrying Amount
		New / Upgrade	Renewals			
Buildings & Other Structures	237,234	-	-	-	(23,642)	213,592
Office Equipment, Furniture & Fittings	28,203	-	4,545	-	(14,247)	18,501
Right of Use Assets	1,035,277	-	77,834	-	(130,955)	982,156
Total IPP&E	1,300,714	-	82,379	-	(168,844)	1,214,249
Comparatives	1,491,511	-	-	-	(190,797)	1,300,714

This note continues on the following pages.

Eastern Health Authority
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 6 - LIABILITIES

	Notes	2022		2021	
		Current	Non-current	Current	Non-current
TRADE & OTHER PAYABLES					
Goods & Services		75,708	-	122,323	-
Accrued expenses - employee entitlements		54,921	-	38,575	-
Accrued expenses - other		836	-	2,451	-
GST Payable		1,760	-	591	-
		133,225	-	163,940	-
BORROWINGS					
Loans		38,391	-	74,132	38,391
Leases Liabilities	10	102,403	961,297	102,889	998,296
		140,794	961,297	177,021	1,036,687
PROVISIONS					
LSL Employee entitlements (including oncosts)		165,971	9,860	167,217	21,716
AL Employee entitlements (including oncosts)		123,495	-	140,686	-
		289,466	9,860	307,903	21,716

Eastern Health Authority
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 7 - RECONCILIATION TO CASH FLOW STATEMENT

(a) Reconciliation of Cash

Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

	Notes	2022	2021
		\$	\$
Total cash & equivalent assets	4	640,883	782,896
Balances per Cash Flow Statement		<u>640,883</u>	<u>782,896</u>

(b) Reconciliation of Change in Net Assets to Cash from Operating Activities

Net Surplus (Deficit)		(13,674)	90,365
Non-cash items in Income Statement			
Depreciation, amortisation & impairment		168,844	190,797
Net increase (decrease) in unpaid employee benefits		(13,947)	(1,695)
		<u>141,223</u>	<u>279,467</u>
Add (Less): Changes in Net Current Assets			
Net (increase) decrease in receivables		(42,179)	(33,251)
Net increase (decrease) in trade & other payables		(47,061)	7,382
Net Cash provided by (or used in) operations		<u>51,983</u>	<u>253,598</u>

(c) Financing Arrangements

Unrestricted access was available at balance date to the following lines of credit:

Corporate Credit Cards	5,000	5,000
------------------------	--------------	-------

Eastern Health Authority
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 8 - FINANCIAL INSTRUMENTS

All financial instruments are categorised as *loans and receivables*.

Accounting Policies - Recognised Financial Instruments

Bank, Deposits at Call, Short Term Deposits

Accounting Policy: initially recognised at fair value and subsequently measured at amortised cost, interest is recognised when earned

Terms & conditions: Deposits are returning fixed interest rates 0.30% (2021: 0.30%).

Carrying amount: approximates fair value due to the short term to maturity.

Receivables - Fees & other charges

Accounting Policy: initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method

Terms & conditions: **Unsecured, and do not bear interest. Although Authority is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Authority's boundaries.**

Carrying amount: approximates fair value (after deduction of any allowance).

Receivables - other levels of government

Accounting Policy: initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.

Terms & conditions: Amounts due have been calculated in accordance with the terms and conditions of the respective programs following advice of approvals, and do not bear interest. All amounts are due by Departments and Agencies of State and Federal Governments.

Carrying amount: approximates fair value.

Liabilities - Interest Bearing Borrowings

Accounting Policy: initially recognised at fair value and subsequently at amortised cost, interest is charged as an expense using the effective interest rate

Carrying amount: approximates fair value.

Liabilities - Finance Leases

Accounting Policy: accounted for in accordance with AASB 16 as stated in Note 10

Eastern Health Authority
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 8 - FINANCIAL INSTRUMENTS (con't)

Liquidity Analysis

2022	Due < 1 year	Due > 1 year ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
Financial Assets	\$	\$	\$	\$	\$
Cash & Equivalents	640,883	-	-	640,883	640,883
Receivables	233,141	-	-	233,141	231,080
Total	874,024	-	-	874,024	871,963
Financial Liabilities					
Payables	77,861	-	-	77,861	77,468
Current Borrowings	38,391	-	-	38,391	38,391
Lease Liabilities	102,403	347,325	613,972	1,063,700	1,063,700
Total	218,655	347,325	613,972	1,179,952	1,179,559
2021	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
Financial Assets	\$	\$	\$	\$	\$
Cash & Equivalents	782,896	-	-	782,896	782,896
Receivables	163,209	-	-	163,209	163,209
Total	946,105	-	-	946,105	946,105
Financial Liabilities					
Payables	122,914	-	-	122,914	122,914
Current Borrowings	74,132	-	-	74,132	74,132
Lease Liabilities	102,889	330,236	668,060	1,101,185	1,101,185
Non-Current Borrowings	-	38,391	-	38,391	38,391
Total	299,935	368,627	668,060	1,336,622	1,336,622

The following interest rates were applicable to Authority's borrowings at balance date:

	30 June 2022		30 June 2021	
	Weighted Average Interest Rate	Carrying Value	Weighted Average Interest Rate	Carrying Value
	%	\$	%	\$
Fixed Interest Rates	4.75	38,391	4.75	122,523
		38,391		122,523

Eastern Health Authority
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 8 - FINANCIAL INSTRUMENTS (con't)

Net Fair Value

All carrying values approximate fair value for all recognised financial instruments. There is no recognised market for the financial assets of the EHA.

Risk Exposures:

Credit Risk represents the loss that would be recognised if counterparties fail to perform as contracted. The maximum credit risk on financial assets of the EHA is the carrying amount, net of any impairment. All EHA investments are made with the SA Local Government Finance Authority and are guaranteed by the SA Government. Except as detailed in Notes 5 & 6 in relation to individual classes of receivables, exposure is concentrated within the EHA's boundaries, and there is no material exposure to any individual debtor.

Market Risk is the risk that fair values of financial assets will fluctuate as a result of changes in market prices. All of EHA's financial assets are denominated in Australian dollars and are not traded on any market, and hence neither market risk nor currency risk apply.

Liquidity Risk is the risk that EHA will encounter difficulty in meeting obligations with financial liabilities. In accordance with the model Treasury Management Policy (LGA Information Paper 15), liabilities have a range of maturity dates. EHA also has available a range of bank overdraft and standby borrowing facilities that it can access.

Interest Rate Risk is the risk that future cash flows will fluctuate because of changes in market interest rates. Authority has a balance of both fixed and variable interest rate borrowings and investments. Cash flow fluctuations are managed holistically in seeking to minimise interest costs over the longer term in a risk averse manner.

Eastern Health Authority
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 9 - UNIFORM PRESENTATION OF FINANCES

The following is a high level summary of both operating and capital investment activities of the EHA prepared on a simplified Uniform Presentation Framework basis.

All Local Government Authority in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis.

The arrangements ensure that all Authorities provide a common 'core' of financial information, which enables meaningful comparisons of the EHA's finances

	2022	2021
	\$	\$
Income	2,469,208	2,474,605
Expenses	(2,482,882)	(2,384,240)
Operating Surplus / (Deficit)	(13,674)	90,365
 Net Outlays on Existing Assets		
Capital Expenditure on renewal and replacement of Existing Assets	(82,379)	-
Add back Depreciation, Amortisation and Impairment	168,844	190,797
	86,465	190,797
Net Lending / (Borrowing) for Financial Year	72,791	281,162

Eastern Health Authority
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 10 - OPERATING LEASES

Authority as a Lessee

Right of Use Aset

(include decription of assets which are leased)

Set out below are the carrying amounts (written down value) of right of use assets recognised within Infrastructure Property, Plant & Equipment

Carrying Value	Building & Structures	Motor Vehicles	Office Equipment	Total
At 1 July 2021	1,008,000	27,277	-	1,035,277
Additions	-	77,834	-	77,834
Depreciation Charge	(96,000)	(34,955)	-	(130,955)
At 30 June 2022	912,000	70,156	-	982,156

Set out below are the carrying amounts of lease liabilities (including under interest bearing loans and borrowings) and the movements during the period:

	2022	2021
Opening Balance 1 July 2021	1,101,185	1,222,465
Additions	77,834	-
Payments	(115,349)	(121,280)
Closing Balance 30 June 2022	1,063,670	1,101,185
Current	102,403	102,889
Non Current	961,267	998,296

The maturity analysis of lease liabilities is included in note 8

The following are amounts recognised on profit or loss:

Depreciation expense right of use asset	-	151,278
Interest expense on lease liabilities	41,220	42,113
Expenses relating to short term leases	15,783	3,769
Total amount recognised in profit and loss	57,003	197,160

Eastern Health Authority
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 11 – SUPERANNUATION

EHA makes employer superannuation contributions in respect of its employees to Hostplus Super (formerly Statewide Superannuation Scheme). There are two types of membership, each of which is funded differently. Permanent and contract employees of the South Australian Local Government sector with Salarylink benefits prior to 24 November 2009 have the option to contribute to the Accumulation section and/or Salarylink. All other employees (including casuals) have all contributions allocated to the Accumulation section.

Accumulation only Members

Accumulation only members receive both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of ordinary time earnings in accordance with superannuation guarantee legislation (9.50% in 2020-21; 10.0% in 2021-22). No further liability accrues to the EHA as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Salarylink (Defined Benefit Fund) Members

Salarylink is a defined benefit scheme where the benefit payable is based on a formula determined by the member's contribution rate, number of years and level of contribution and final average salary. EHA makes employer contributions to Salarylink as determined by the Fund's Trustee based on advice from the appointed Actuary. The rate is currently 6.3% (6.3% in 2020-21) of "superannuation" salary.

In addition, EHA makes a separate contribution of 3% of ordinary time earnings for Salarylink members to their Accumulation account. Employees also make member contributions to the Salarylink section of the Fund. As such, assets accumulate in the Salarylink section of the Fund to meet the member's benefits, as defined in the Trust Deed, as they accrue.

The Salarylink section is a multi-employer sponsored plan. As the Salarylink section's assets and liabilities are pooled and are not allocated by each employer, and employees may transfer to another employer within the local government sector and retain membership of the Fund, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided by AASB 119.34(a), EHA does not use defined benefit accounting for these contributions.

The most recent actuarial investigation was conducted by the Fund's actuary, Louise Campbell, FIAA, of Willis Towers Watson as at 30 June 2022. The Trustee has determined that the current funding arrangements are adequate for the expected Salarylink liabilities. However, future financial and economic circumstances may require changes to EHA's contribution rates at some future time.

Contributions to Other Superannuation Schemes

EHA also makes contributions to other superannuation schemes selected by employees under the "choice of fund" legislation. All such schemes are of the accumulation type, where the superannuation benefits accruing to the employee are represented by their share of the net assets of the scheme, and no further liability attaches to the EHA.

Eastern Health Authority
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 12 - CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There are no contingencies, assets or liabilities not recognised in the financial statements for the year ended 30 June 2022.

Note 13 - EVENTS OCCURRING AFTER REPORTING DATE

There are no events subsequent to 30 June 2022 that need to be disclosed in the financial statements.

Eastern Health Authority
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 14 - RELATED PARTY DISCLOSURES

KEY MANAGEMENT PERSONNEL

The Key Management Personnel of the EHA include the Chairperson, Board Members, CEO and certain prescribed officers under section 112 of the Local Government Act 1999. In all, the Key Management personnel were paid the following total compensation:

	2022	2021
	\$	\$
Salaries, allowances & other short term benefits	190,215	180,314
TOTAL	190,215	180,314

Amounts received from Related Parties during the financial year:

	2022	2021
	\$	\$
City of Burnside	448,572	438,131
Campbelltown City Authority	478,298	452,548
City of Norwood, Payneham & St Peters	571,786	586,308
City of Prospect	225,897	210,656
Town of Walkerville	103,710	103,032
Public Health Plan/Service Review (equal constituent share)	-	31,190
TOTAL	1,828,263	1,821,865

Amounts paid to Related Parties during the financial year:

	2022	2021
	\$	\$
City of Norwood, Payneham & St Peters	110,754	108,739
TOTAL	110,754	108,739

Description of Services provided to all related parties above:

Assist the Constituent Councils to meet their legislative responsibilities in accordance with the SA Public Health Act 2011, the Food Act 2001 (SA), the Supported Residential Facilities Act 1992 (SA), the Expiation of Offences Act 1996 (SA), (or any successor legislation to these Acts) and any other legislation regulating similar matters that the Constituent Councils determine is appropriate within the purposes of EHA; Take action to preserve, protect and promote public and environmental health within the area of the Constituent Councils.



EASTERN HEALTH AUTHORITY


**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

CERTIFICATION OF AUDITOR INDEPENDENCE

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of Eastern Health Authority for the year ended 30 June 2022, the Auditor, Bentleys SA Audit Partnership, has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22(3) *Local Government (Financial Management) Regulations 2011*.


.....
Michael Livori
CHIEF EXECUTIVE OFFICER


.....
Madeleine Vezis
**PRESIDING MEMBER
AUDIT COMMITTEE**

Date:



EASTERN HEALTH AUTHORITY

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

CERTIFICATION OF AUDITOR INDEPENDENCE

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of Eastern Health Authority for the year ended 30 June 2022, the Auditor, Bentleys SA Audit Partnership, has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22(3) *Local Government (Financial Management) Regulations 2011*.

A handwritten signature in blue ink, consisting of a series of loops and a horizontal line, positioned above a dotted line.

.....
Paul Di Iulio
**CHIEF EXECUTIVE OFFICER
CAMPBELLTOWN CITY COUNCIL**

Date: 12 July 2022



EASTERN HEALTH AUTHORITY

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

CERTIFICATION OF AUDITOR INDEPENDENCE

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of Eastern Health Authority for the year ended 30 June 2022, the Auditor, Bentleys SA Audit Partnership, has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22(3) *Local Government (Financial Management) Regulations 2011*.



.....
Chris Cowley
CHIEF EXECUTIVE OFFICER
CITY OF BURNSIDE

Date: 18 July 2022



EASTERN HEALTH AUTHORITY

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

CERTIFICATION OF AUDITOR INDEPENDENCE

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of Eastern Health Authority for the year ended 30 June 2022, the Auditor, Bentleys SA Audit Partnership, has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22(3) *Local Government (Financial Management) Regulations 2011*.



.....
Mario Farone *PSM.*
CHIEF EXECUTIVE OFFICER
CITY OF NORWOOD, PAYNEHAM & ST PETERS

Date: *14. 07. 2022.*



EASTERN HEALTH AUTHORITY

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

CERTIFICATION OF AUDITOR INDEPENDENCE

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of Eastern Health Authority for the year ended 30 June 2022, the Auditor, Bentleys SA Audit Partnership, has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22(3) *Local Government (Financial Management) Regulations 2011*.

A handwritten signature in black ink, appearing to read 'Chris White', is positioned above a horizontal dotted line.

Chris White
**CHIEF EXECUTIVE OFFICER
CITY OF PROSPECT**

Date: 14 July 2022



EASTERN HEALTH AUTHORITY

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

CERTIFICATION OF AUDITOR INDEPENDENCE

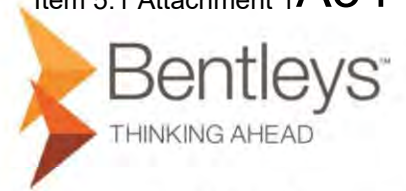
To the best of our knowledge and belief, we confirm that, for the purpose of the audit of Eastern Health Authority for the year ended 30 June 2022, the Auditor, Bentleys SA Audit Partnership, has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22(3) *Local Government (Financial Management) Regulations 2011*.

A handwritten signature in blue ink, appearing to read 'Scott Reardon', is written over a horizontal dotted line.

Scott Reardon
**ACTING CHIEF EXECUTIVE OFFICER
CORPORATION OF THE TOWN OF WALKERVILLE**

Date: 12/07/2022

**Bentleys SA Audit Partnership**

Level 5
63 Pirie Street
Adelaide SA 5000

GPO Box 939
Adelaide SA 5001

ABN 43 877 091 903

T +61 8 8372 7900

F +61 8 8372 7999

admin@adel.bentleys.com.au
bentleys.com.au

Certification of Auditor Independence

I confirm that, for the audit of the financial statements of Eastern Health Authority Inc for the year ended 30 June 2022, I have maintained my independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011 made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22 (5) Local Government (Financial Management) Regulations 2011.

Bentleys SA Audit Partnership

A handwritten signature in blue ink, appearing to read "David Francis", is written over a faint blue grid background.

David Francis
Partner

Dated at Adelaide this 31st day of August 2022

Attachment B

Regional Subsidiaries Annual Financial Statements for the Year Ended 30 June 2022

Eastern Waste Management Authority Inc

City of Norwood Payneham & St Peters
175 The Parade, Norwood SA 5067

Telephone 8366 4555
Facsimile 8332 6338
Email townhall@npsp.sa.gov.au
Website www.npsp.sa.gov.au



City of
Norwood
Payneham
& St Peters

EASTERN WASTE MANAGEMENT AUTHORITY INC

General Purpose Financial Report for the year ended 30 June 2022

Contents

	Page
Certification of Financial Statements	1
Primary Financial Statements	
Statement of Comprehensive Income	2
Statement of Financial Position	3
Statement of Changes in Equity	4
Statement of Cash Flows	5
Notes to the Financial Statements	6
EO Statement	
Audit Report	
Certificates of Audit Independence	
Audit Certificate of Audit Independence	

EASTERN WASTE MANAGEMENT AUTHORITY INC

**Annual Financial Statements
for the financial year ended 30 June 2022**

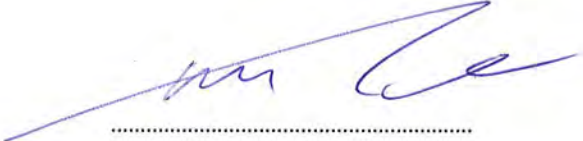
Certification of Financial Statements

We have been authorised by Eastern Waste Management Authority Inc. to certify the financial statements in their final form. In our opinion:

- the accompanying financial statements comply with the *Local Government Act 1999, Local Government (Financial Management) Regulations 2011 and Australian Accounting Standards.*
- the financial statements present a true and fair view of the Authority's financial position at 30 June 2022 and the results of its operations and cash flows for the financial year.
- internal controls implemented by the Authority provide a reasonable assurance that the Authority's financial records are complete, accurate and reliable and were effective throughout the financial year.
- the financial statements accurately reflect the Authority's accounting and other records.


.....

Rob Gregory
Executive Officer


.....

Fraser Bell
Chairperson

Date: 28/09/2022

EASTERN WASTE MANAGEMENT AUTHORITY INC

Statement of Comprehensive Income for the year ended 30 June 2022

		2022	2021
	Notes	\$'000	\$'000
Income			
User charges	2	16,579	16,707
Investment income	2	10	12
Grants, subsidies and contributions		81	-
Other	2	932	917
Total Income		<u>17,602</u>	<u>17,636</u>
Expenses			
Employee costs	3	6,386	6,089
Materials, contracts & other expenses	3	9,303	9,149
Finance costs	3	246	262
Depreciation & amortisation	3	2,043	1,986
Total Expenses		<u>17,978</u>	<u>17,486</u>
Operating Surplus		<u>(376)</u>	<u>150</u>
Asset disposal & fair value adjustments	4	7	105
Net Surplus		<u>(369)</u>	<u>255</u>
Other Comprehensive Income		-	-
Total Other Comprehensive Income		<u>-</u>	<u>-</u>
Total Comprehensive Income		<u>(369)</u>	<u>255</u>

This Statement is to be read in conjunction with the attached Notes.

EASTERN WASTE MANAGEMENT AUTHORITY INC

Statement of Financial Position as at 30 June 2022

		2022	2021
Assets	Notes	\$'000	\$'000
Current Assets			
Cash and cash equivalents	5	2,001	3,168
Trade & other receivables	5	935	661
Inventory		50	-
Total Current Assets		<u>2,986</u>	<u>3,829</u>
Non-current Assets			
Property, Plant & Equipment	6	8,542	8,098
Total Non-current Assets		<u>8,542</u>	<u>8,098</u>
Total Assets		<u>11,528</u>	<u>11,927</u>
Liabilities			
Current Liabilities			
Trade & Other Payables	7	1,436	1,609
Provisions	7	778	654
Borrowings	7	1,940	1,925
Total Current Liabilities		<u>4,154</u>	<u>4,188</u>
Non-current Liabilities			
Borrowings	7	6,410	6,423
Provisions	7	114	97
Total Non-current Liabilities		<u>6,524</u>	<u>6,520</u>
Total Liabilities		<u>10,678</u>	<u>10,708</u>
Net Assets		<u>850</u>	<u>1,219</u>
EQUITY			
Accumulated Surplus		850	1,219
Total Equity		<u>850</u>	<u>1,219</u>

This Statement is to be read in conjunction with the attached Notes.

EASTERN WASTE MANAGEMENT AUTHORITY INC

Statement of Changes in Equity for the year ended 30 June 2022

	Accumulated Surplus	Total Equity
	\$'000	\$'000
Balance at start of period - 1 July 2021	1,219	1,219
Net Surplus for Year	(369)	(369)
Other Comprehensive Income		
Contributed Equity	-	-
Distributions to Member Councils	-	-
Balance at end of period - 30 June 2022	<u>850</u>	<u>850</u>
Balance at start of period - 1 July 2020	964	964
Net Surplus for Year	255	255
Other Comprehensive Income		
Contributed Equity	-	-
Distributions to Member Councils	-	-
Balance at end of period - 30 June 2021	<u>1,219</u>	<u>1,219</u>

This Statement is to be read in conjunction with the attached Notes

EASTERN WASTE MANAGEMENT AUTHORITY INC

Statement of Cash Flows for the year ended 30 June 2022

	Notes	2022 \$'000	2021 \$'000
Cash Flows from Operating Activities			
Operating receipts		17,400	18,457
Investment receipts		9	7
Employee costs		(6,245)	(6,012)
Materials, contracts & other expenses		(9,613)	(9,243)
Finance payments		(258)	(233)
Net cash provided by operating activities	8	<u>1,293</u>	<u>2,976</u>
Cash Flows from Investing Activities			
Sale of replaced assets	4	86	124
Expenditure on renewal/replacement of assets	6	(2,305)	(2,452)
Expenditure on new/upgraded assets	6	(244)	-
Net cash used in investing activities		<u>(2,463)</u>	<u>(2,328)</u>
Cash Flows from Financing Activities			
Proceeds from Borrowings		2,031	2,284
Repayments of Borrowings		(1,791)	(1,826)
Repayment of lease liabilities		(237)	(260)
Net cash provided by (used in) financing activities		<u>3</u>	<u>198</u>
Net Increase (Decrease) in cash held		(1,167)	846
Cash & cash equivalents at beginning of period	5	3,168	2,322
Cash & cash equivalents at end of period	5	<u><u>2,001</u></u>	<u><u>3,168</u></u>

This Statement is to be read in conjunction with the attached Notes

EASTERN WASTE MANAGEMENT AUTHORITY INC

Notes to the Financial Statements for the year ended 30 June 2022

Note 1 – Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1 Basis of Preparation

1.1 Compliance with Australian equivalents to International Financial Reporting Standards

This general purpose financial report has been prepared in accordance with Australian Accounting Standards as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and relevant South Australian legislation.

The financial report was authorised for issue by certificate under regulation 14 of the Local Government (Financial Management) Regulations 2011.

The Authority is a Local Government Authority Section 43 Regional Subsidiary under the control of the Adelaide Hills Council, City of Burnside, Campbelltown City Council, City of Mitcham, City of Norwood, Payneham & St Peters, City of Prospect and the Corporation of the Town of Walkerville.

The seven Member Councils have an equity share and the Board comprises a Director from each Council and an Independent Chair appointed by the absolute majority of the Member Councils.

1.2 Historical Cost Convention

Except where stated below, these financial statements have been prepared in accordance with the historical cost convention.

1.3 Critical Accounting Estimates

The preparation of financial statements in conformity with Australian Accounting Standards which requires the use of certain critical accounting estimates, and requires management to exercise its judgement in applying the Authority's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are specifically referred to in the relevant sections of this Note.

1.4 Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000).

2 The Local Government Reporting Entity

Eastern Waste Management Authority Inc. operates as a regional subsidiary and is incorporated under the SA Local Government Act 1999. Its principal place of business is at 1 Temple Court Ottoway.

3 Income Recognition

The Authority recognises revenue under AASB 1058 *Income of Not-for-Profit Entities* (AASB 1058) or AASB 15 *Revenue from Contracts with Customers* (AASB 15) when appropriate. In cases where there is an 'enforceable' contract with a customer with 'sufficient specific' performance obligations, the transaction is accounted for under AASB 15 where income is recognised when (or as) the performance obligations are satisfied.

EASTERN WASTE MANAGEMENT AUTHORITY INC

Notes to the Financial Statements for the year ended 30 June 2022

Revenue is measured based on the consideration to which the Authority expects to be entitled in a contract with a customer. In other cases, AASB 1058 applies when a not-for-profit (NFP) entity enters into a transaction where the consideration to acquire the asset is significantly less than the fair value of the asset principally to enable the entity to further its objectives.

The excess of the asset recognised (at fair value) over any 'related amounts' is recognised as income immediately, except in the case where a financial asset that has been received to enable the Authority to acquire or construct a recognisable non-financial asset that is to be controlled by the Authority. In this case, the Authority recognises the excess as a liability that is recognised over time in profit and loss when (or as) the Authority satisfies its obligations under the transfer.

4 Cash, Cash Equivalents and other Financial Instruments

Cash Assets include all amounts readily convertible to cash on hand at the Authority's option with an insignificant risk of changes in value with a maturity of three months or less from the date of acquisition.

Receivables are generally unsecured and do not bear interest. All receivables are reviewed as at the reporting date and adequate allowance made for amounts the receipt of which is considered doubtful.

All financial instruments are recognised at fair value at the date of recognition. A detailed statement of the accounting policies applied to financial instruments forms part of Note 9.

5 Property, Plant & Equipment

5.1 Initial Recognition

All assets are initially recognised at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition.

All non-current assets purchased or constructed are capitalised as the expenditure is incurred and depreciated as soon as the asset is held "ready for use".

5.2 Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by the Authority for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life.

5.3 Depreciation of Non-Current Assets

Property, plant and equipment assets are systematically depreciated over their useful lives in a manner which reflects the consumption of the service potential embodied in those assets.

Depreciation is recognised on a straight-line basis. Major depreciation periods for each class of asset are shown below. Depreciation periods for infrastructure assets have been estimated based on the best information available to the Authority, but appropriate records covering the entire life cycle of these assets are not available, and extreme care should be used in interpreting financial information based on these estimates.

EASTERN WASTE MANAGEMENT AUTHORITY INC

Notes to the Financial Statements for the year ended 30 June 2022

Asset Class	Estimated Useful Lives	Capitalisation Threshold
Plant, Machinery & Equipment	3-10 Years	>\$1,000
Buildings & Other Structures	5-20 Years	>\$1,000
Right-of-use-assets	Over period of expected lease	n/a

Depreciation methods, useful lives and residual values of classes of assets are reviewed annually.

5.4 Impairment

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount (which is the higher of the present value of future cash outflows or value in use).

For assets whose future economic benefits are not dependent on the ability to generate cash flows, and where the future economic benefits would be replaced if the Authority were deprived thereof, the value in use is the depreciated replacement cost. In assessing impairment for these assets, a rebuttable assumption is made that the current replacement cost exceeds the original cost of acquisition.

6 Payables

6.1 Goods & Services

Creditors are amounts due to external parties for the supply of goods and services and are recognised as liabilities when the goods and services are received. Creditors are normally paid 30 days after the month of invoice. No interest is payable on these amounts.

7 Employee Benefits

7.1 Salaries, Wages & Compensated Absences

Liabilities for employees' entitlements to salaries, wages and compensated absences expected to be paid or settled within 12 months of reporting date are accrued at nominal amounts (including payroll based oncosts) measured in accordance with AASB 119.

Liabilities for employee benefits not expected to be paid or settled within 12 months are measured as the present value of the estimated future cash outflows (including payroll based oncosts) to be made in respect of services provided by employees up to the reporting date. Present values are calculated using government guaranteed securities rates with similar maturity terms.

The Authority recognises a liability for employee benefits relating to rostered day off (RDO) entitlements in Note 7 given entitlements are paid-out on termination of employment. Experience indicates that RDO entitlements are generally taken given there is a cap applied to the level of RDO entitlements allowed to be accrued.

No accrual is made for sick leave as the Authority's experience indicates that, on average, sick leave taken in each reporting period is less than the entitlement accruing in that period, and this experience is expected to recur in future reporting periods. The Authority does not make payment for untaken sick leave.

EASTERN WASTE MANAGEMENT AUTHORITY INC

Notes to the Financial Statements for the year ended 30 June 2022

7.2 Superannuation

The Authority makes employer superannuation contributions in respect of its employees to Hostplus (formerly Statewide Super and prior to that the Local Government Superannuation Scheme). The Scheme has two types of membership, each of which is funded differently.

Permanent and contract employees of the South Australian Local Government sector with Salarylink benefits prior to 24 November 2009 have the option to contribute to the Accumulation section and/or Salarylink. All other employees (including casuals) have all contributions allocated to the Accumulation section.

Accumulation only Members

Accumulation only members receive both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of ordinary time earnings in accordance with Superannuation Guarantee Legislation (10% in 2021/22; 9.5% in 2020/21). No further liability accrues to the Authority as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Salarylink (Defined Benefit Fund) Members

Salarylink is a defined benefit scheme where the benefit payable is based on a formula determined by the member's contribution rate, number of years and level of contribution and final average salary. The Authority makes employer contributions as determined by the Fund's Trustee based on advice for the appointed Actuary. The rate is currently 6.3% (6.3% in 2020/21) of 'superannuation' salary.

In addition, the Authority makes a separate contribution of 3% of ordinary time earnings for Salarylink members to their Accumulation account. Employees also make member contributions to the Salarylink section of the Fund. As such, assets accumulate in the Salarylink section of the Fund to meet the member's benefits, as defined in the Trust Deed, as they accrue.

The Salarylink section is a multi-employer sponsored plan. As the Salarylink section's assets and liabilities are pooled and are not allocated by each employer, and employees may transfer to another employer within the local government sector and retain membership of the Fund, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided by AASB 119.32(b), the Authority does not use defined benefit accounting for these contributions.

The most recent actuarial investigation was conducted by the Fund's actuary, Louise Campbell, FIAA, of Willis Towers Watson as at 30 June 2021. The Trustee has determined that the current funding arrangements are adequate for the expected Salarylink liabilities. However, future financial and economic circumstances may require changes to the Authority's contribution rates at some future time.

Contributions to Other Superannuation Schemes

The Authority also makes contributions to other superannuation schemes selected by employees under the 'choice of fund' legislation. All such schemes are of the accumulation type, where the superannuation benefits accruing to the employee are represented by their share of the new assets of the scheme, and no further liability attaches to the Authority.

EASTERN WASTE MANAGEMENT AUTHORITY INC

Notes to the Financial Statements for the year ended 30 June 2022

8 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period to which it relates and is recorded as part of 'Payables'.

9 GST Implications

In accordance with UIG Abstract 1031 "Accounting for the Goods & Services Tax"

- Receivables and Creditors include GST receivable and payable.
- Except in relation to input taxed activities, revenues and operating expenditures exclude GST receivable and payable.
- Non-current assets and capital expenditures include GST net of any recoupment.
- Amounts included in the Statement of Cash Flows are disclosed on a gross basis.

10 Comparative Information

Comparative information has been reclassified to be consistent with the current year disclosure of equivalent information in accordance with Australian Accounting Standards.

11 Critical Accounting Estimates and Judgements

The Board evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information.

Estimates assume a reasonable expectation of future events and based on current trends and economic data, obtained both externally and within the Authority.

12 New Accounting Standards

The Authority did not apply any new accounting standards during the financial year. There are no new accounting standards, interpretations or amendments which are expected to have a material impact on the accounting policies of the Authority for future periods.

13 Authority Membership

The City of Unley became a Member Council of the Authority in July 2022 and waste collection services commenced for the Council as from 1 August 2022. As a result of The City of Unley becoming a Member Council, additional staff have been employed and trucks ordered to meet the additional services being provided by the Authority.

An amendment to the Authority's adopted Budget for FY2023 was undertaken with the Board and Member Council's in August 2022 in line with the requirements under the Act and the Authority's Charter.

EASTERN WASTE MANAGEMENT AUTHORITY INC

Notes to the Financial Statements for the year ended 30 June 2022

	2022	2021
Notes	\$'000	\$'000
Note 2 - Income		
User Charges		
Waste Collection Income	12,662	12,372
Waste Processing Income	3,677	4,640
Administration	240	235
Member Council Waste Collection Rebate	-	(540)
	<u>16,579</u>	<u>16,707</u>
Investment Income		
Interest on investments		
Local Government Finance Authority	10	12
	<u>10</u>	<u>12</u>
Other Income		
Bin Supply	409	254
Replacement Bins	474	642
Sundry	49	21
	<u>932</u>	<u>917</u>
Note 3 - Expenses		
Employee Costs		
Salaries and Wages	5,115	4,924
Employee leave expense	93	76
Superannuation	443	403
Wages Casual Agency	500	490
Workers' Compensation Insurance	148	113
Other	87	83
Total Employee Costs	<u>6,386</u>	<u>6,089</u>
Number of FTE Employees as at reporting date	61	59

EASTERN WASTE MANAGEMENT AUTHORITY INC

Notes to the Financial Statements for the year ended 30 June 2022

Note 3 - Expenses (cont.)

	Notes	2022 \$'000	2021 \$'000
Materials, Contracts & Other Expenses			
Auditor's Remuneration		9	9
Board Expenses		23	29
Waste Processing Costs		3,676	4,614
Electricity		4	4
Fuel, Gas & Oil		1,529	993
Legal Expenses		91	27
Maintenance		2,323	2,214
Parts, Accessories & Consumables		17	2
Printing, Stationery & Postage		41	36
Professional Services		487	440
Registration & Insurance - Trucks		299	215
Sundry		804	566
		9,303	9,149
Finance Costs			
Interest on Loans		224	234
Interest on Leases		22	28
		246	262
Depreciation & Amortisation			
Buildings & Other Structures	6	54	10
Plant, Machinery & Equipment	6	1,733	1,725
Right-of-use assets	6	256	251
		2,043	1,986
Note 4 - Asset Disposals			
Proceeds from disposal		86	124
Less: Carrying amount of assets sold		(79)	(19)
Gain (Loss) on disposal		7	105
Note 5 - Current Assets			
Cash & Cash Equivalents			
Cash on Hand and at Bank		1,818	2,995
Deposits at Call		183	173
		2,001	3,168
Trade & Other Receivables			
Debtors - general		901	654
Accrued Income		34	-
Prepaid Expenses		-	7
		935	661

EASTERN WASTE MANAGEMENT AUTHORITY INC

Notes to the Financial Statements for the year ended 30 June 2022

	2022 \$'000	2021 \$'000
Note 6 - Property, Plant & Equipment		
Buildings & Other Structures - At Cost	569	325
Accumulated Depreciation	(146)	(92)
	<u>423</u>	<u>233</u>
Plant, Machinery & Equipment - At Cost	18,929	17,227
Accumulated Depreciation	(11,386)	(10,176)
	<u>7,543</u>	<u>7,051</u>
Right-of-use-assets	1,339	1,321
Accumulated Depreciation	(763)	(507)
	<u>576</u>	<u>814</u>
Total Property, Plant & Equipment	<u><u>8,542</u></u>	<u><u>8,098</u></u>

	2021 \$'000						2022 \$'000
	Carrying Value	Additions		Disposals	Depreciation	Adjustment	Carrying Value
		New/Upgrade	Renewal				
Buildings & Other Structures	233	244	-	-	(54)	-	423
Plant, Machinery & Equipment	7,051		2,304	(79)	(1,733)	-	7,543
Right-of-use-asset	814	-	-	-	(256)	18	576
	<u>8,098</u>	<u>244</u>	<u>2,304</u>	<u>(79)</u>	<u>(2,043)</u>	<u>18</u>	<u>8,542</u>
2021 (\$'000)	7,652	2,475	-	(19)	(1,986)	(24)	8,098

EASTERN WASTE MANAGEMENT AUTHORITY INC

Notes to the Financial Statements for the year ended 30 June 2022

	2022		2021	
	(\$'000)		(\$'000)	
Note 7 - Liabilities				
	Current	Non-current	Current	Non-current
Trade & Other Payables				
Goods & Services	1,047	-	902	-
Payments received in advance	80	-	-	-
Accrued expenses - other	309	-	707	-
	1,436	-	1,609	-
Borrowings				
Loans	1,673	6,050	1,679	5,805
Lease Liabilities	267	360	246	618
	1,940	6,410	1,925	6,423
Provisions				
Annual Leave	388	-	302	-
Rostered-Day-Off (RDO)	25	-	51	-
Long Service Leave	365	114	301	97
	778	114	654	97

Note 8 - Cash Flow Reconciliation

	2022	2021
	(\$'000)	(\$'000)
Total cash & equivalent assets	2,001	3,168
Balances per Cash Flow Statement	2,001	3,168

(a) Reconciliation of Change in Net Assets to Cash Flows from Operating Activities

Net Surplus (Deficit)	(369)	255
Non-cash items in Statement of Comprehensive Income		
Depreciation	2,043	1,986
Net increase (decrease) in employee benefits	119	(77)
Net increase (decrease) accrued expenses	(12)	24
(Gain) / Loss on Disposal	(7)	(105)
Lease liability adjustment	(18)	-
Waste Rebates	-	470
	1,756	2,553
Add (Less): Changes in Net Current Assets		
Net (increase) decrease in receivables	(235)	363
Net increase (decrease) in trade & other payables	(242)	(94)
Net increase (decrease) in other provisions	14	154
Net Cash provided by (or used in) operations	1,293	2,976

(b) Financing Arrangements

Corporate Credit Cards	15	15
Cash Advance Debenture Facility - LGFA	1,000	1,000

EASTERN WASTE MANAGEMENT AUTHORITY INC

Notes to the Financial Statements for the year ended 30 June 2022

Note 9 - Financial Instruments

Recognised Financial Instruments

Bank, Deposits at Call, Short Term Deposits	<p>Accounting Policy: Initially recognised at fair value and subsequently measured at amortised cost.</p> <p>Terms & conditions: Deposits on Call do not have a maturity period and have an average interest rates of 1.05% (2021: 0.3%).</p> <p>Carrying amount: approximates fair value due to the short term to maturity.</p>
Receivables - Waste Collection Fees & Associated Charges	<p>Accounting Policy: Initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.</p> <p>Carrying amount: approximates fair value (after deduction of any allowance).</p>
Liabilities - Creditors and Accruals	<p>Accounting Policy: Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Authority.</p> <p>Terms & conditions: Liabilities are normally settled on 30 day terms.</p> <p>Carrying amount: approximates fair value.</p>
Liabilities - Interest bearing borrowings	<p>Accounting Policy: initially recognised at fair value and subsequently at amortised cost. Interest is charged as an expense using the effective interest rate.</p> <p>Terms & conditions: secured over future revenues and Member Councils, borrowings are repayable on fixed interest terms. Rates between 1.7% - 5.35%</p>
Liabilities - Leases	<p>Accounting Policy: accounted for in accordance with AASB 16 as stated in Note</p>

Net Fair Value

All carrying values approximate fair value for all recognised financial instruments. There is no recognised market for the financial assets of the Authority.

Risk Exposures

Credit Risk represents the loss that would be recognised if counterparties fail to perform as contracted. The maximum credit risk on financial assets of the Authority is the carrying amount, net of any provision for doubtful debts. All investments are made with the SA Local Government Finance Authority and Bank SA. There is no material exposure to any individual debtor.

Market Risk is the risk that fair values of financial assets will fluctuate as a result of changes in market prices. All of the Authority's financial assets are denominated in Australian dollars and are not traded on any market, and hence neither market risk nor currency risk apply.

Liquidity Risk is the risk that the Authority will encounter difficulty in meeting obligations with financial liabilities. In accordance with the model Treasury Policy (LGA Information Paper 15), liabilities have a range of maturity dates based on cash inflows. The Authority also has available a range of bank overdraft and short-term draw down facilities that it can access.

Interest Rate Risk is the risk that future cash flows will fluctuate because of changes in market interest rates. Most of the Authority's financial instruments are at fixed rates. Any such variations in future cash flows will not be material in effect on either the Authority's incomes or expenditures.

EASTERN WASTE MANAGEMENT AUTHORITY INC

Notes to the Financial Statements for the year ended 30 June 2022

Note 9 (cont) - Financial Instruments

Liquidity Analysis

2022	Maturity			Non- interest bearing	Total
	≤ 1 year	> 1 year ≤ 5 years	> 5 years		
Financial Assets	\$000	\$000	\$000	\$000	\$000
Cash & Equivalents	2,001	-	-	-	2,001
Receivables	-	-	-	901	901
Total	2,001	-	-	901	2,902

Financial Liabilities

Payables	-	-	-	1,047	1,047
Borrowings	1,940	4,972	1,438	-	8,350
Total	1,940	4,972	1,438	1,047	9,397

2021	Maturity			Non- interest bearing	Total
	≤ 1 year	> 1 year ≤ 5 years	> 5 years		
Financial Assets	\$000	\$000	\$000	\$000	\$000
Cash & Equivalents	3,168	-	-	-	3,168
Receivables	-	-	-	654	654
Total	3,168	-	-	654	3,822

Financial Liabilities

Payables	-	-	-	902	902
Borrowings	1,925	5,091	1,332	-	8,348
Total	1,925	5,091	1,332	902	9,250

EASTERN WASTE MANAGEMENT AUTHORITY INC

Notes to the Financial Statements for the year ended 30 June 2022

Note 10 - Capital Expenditure Commitments

The Authority has capital expenditure commitments totalling an estimated \$2.02 million as at reporting date.

Note 11 - Leases

Authority as a lessee

Right-of-use-assets

The Authority leases its administrative and depot facilities at Ottoway.

	Buildings & Other Structures \$'000	Total \$'000
At 1 July 2021	814	814
Additions of right-of-use-assets	-	-
Depreciation Charge	(256)	(256)
Adjustment to right-of-use-assets	18	18
At 30 June 2022	<u>576</u>	<u>576</u>

Set out below are the carrying amounts of lease liabilities and the movements during the period:

At 1 July 2021	864
Additions	13
Accretion of interest	22
Payments	(272)
Adjustment to lease liability	-
At 30 June 2022	<u>627</u>
Current	267
Non-Current	360

Note 12 - Post Balance Date Events

The City of Unley became a Member Council in July 2022 and waste collection services commenced as from 1 August 2022. As a result of The City of Unley becoming a Member Council, the Authority was required to purchase additional trucks to service the increased number of collection routes. The estimated cost of the new Trucks to be purchased is \$2.5 million.

EASTERN WASTE MANAGEMENT AUTHORITY INC

Notes to the Financial Statements for the year ended 30 June 2022

Note 13 - Related Party Transactions

The Key Management Personnel include the Chair of the Board, Chief Executive and other prescribed officers as defined under Section 112 of the *Local Government Act 1999*. In all, 4 persons were paid the following total compensation:

	2022 \$'000	2021 \$'000
Salaries, allowances & other short term benefits	483	462
Total	483	462

Transactions with Related Parties:

The following transactions occurred with Related Parties:

Related Party Entity	Sale of Goods and Services (\$'000)	Amounts Outstanding from Related Parties (\$'000)	Description of Services Provided to Related Parties
Adelaide Hills Council	3,113	160	Provision of kerbside waste collection and hardwaste collection services
City of Burnside	2,911	87	Provision of kerbside waste collection and hardwaste collection services
City of Mitcham	2,984	312	Provision of kerbside waste collection and hardwaste collection services
City of Norwood, Payneham & St Peters	2,841	191	Provision of kerbside waste collection and hardwaste collection services
City of Prospect	1,389	67	Provision of kerbside waste collection and hardwaste collection services
Corporation of the City of Campbelltown	2,906	66	Provision of kerbside waste collection and hardwaste collection services
Corporation of the Town of Walkerville	537	15	Provision of kerbside waste collection and hardwaste collection services

Amounts recorded as outstanding from Related Parties are recorded in Trade and other receivables in Note 5. In 2022 a rebate to Member Councils reported as a liability in 2021 to the value of \$0.47m was settled.

The Related Parties disclosed above are equity owners of the Authority and are referred to as Member Councils. Member Councils have equal representation on the Board of the Authority and accordingly have significant influence on the financial and operating decisions of the Authority. No one Member Council individually has control of those policies.

Attachment C

Regional Subsidiaries Annual Financial Statements for the Year Ended 30 June 2022

ERA Water

City of Norwood Payneham & St Peters
175 The Parade, Norwood SA 5067

Telephone 8366 4555
Facsimile 8332 6338
Email townhall@npsp.sa.gov.au
Website www.npsp.sa.gov.au



City of
**Norwood
Payneham
& St Peters**

ANNUAL REPORT 2021-22



ERA WATER ANNUAL REPORT 2021-22

ACKNOWLEDGEMENT OF TRADITIONAL OWNERS

We acknowledge that the land upon which ERA Water conducts its operations and meets is the traditional land of the Kurna People and that we respect their spiritual relationship with their country. We also acknowledge the Kurna people as the custodians of the Adelaide region and that their cultural and heritage beliefs are still as important to the Kurna people today. We pay respect to the cultural authority of Aboriginal people visiting or attending from other areas of South Australia and Australia.

CONTENTS

PRESIDING MEMBER'S REPORT	3
GENERAL MANAGER'S REPORT	3
ABOUT ERA WATER	5
THE CONSTITUENT COUNCILS	5
PURPOSE	5
CHARTER.....	6
GOVERNANCE.....	7
BOARD OF MANAGEMENT	7
CONFIDENTIALITY	8
FREEDOM OF INFORMATION	8
STAFFING STRUCTURE.....	8
SUPPORT FROM CONSTITUENT COUNCILS.....	8
FINANCIAL MATTERS	9
FY2022 BUDGET and LONG TERM FINANCIAL PLAN	9
FINANCE AUDIT COMMITTEE	9
FINANCIAL STATEMENTS.....	9
OPERATIONS AND MAINTENANCE	10
INJECTION AND EXTRACTION DATA	11
REGULATORY FRAMEWORK	11
DISTRIBUTION NETWORK FOR ERA WATER SCHEME.....	12
SUMMARY OF FINANCIAL MATTERS.....	13
ATTACHMENT - GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022	14

PRESIDING MEMBER'S REPORT

I was pleased to be appointed by the three Constituent Councils to chair the Board of ERA Water from mid July 2021 and thank them for showing confidence in me for this important role.

The concept of a scheme to harvest stormwater for irrigation purposes comes from the period of the millennium drought in the early 2000's when severe water restrictions were in place for several years. The period and intensity of that drought impacted heavily on public open spaces such as parks, gardens, and sportsgrounds in the three Council areas. Capturing, cleaning, and storing stormwater in above ground tanks and the aquifer was pursued as a form of insurance against similar impacts with future droughts. Other Councils in Adelaide have implemented similar schemes, some at the time of the millennium drought and some before that time.

Any entity involved in stormwater harvesting will have its challenges and that has been the case with ERA Water. It has taken a lot of work by the three Councils and previous Boards and their staff to design, construct, and implement the scheme. We are in the early years of operating the scheme which has effectively been operational for two full financial years. Experience with similar schemes indicates that they take 5-10 years to reach 'maturity' in their operations, as both customer demand and network capacity grows (source: [Managed aquifer recharge schemes in the Adelaide Metropolitan Area](#), DEWNR SA 2017).

It is easy to lose sight of why the scheme was put in place with the drought now just a memory. The Board's Charter makes it clear that the scheme is intended to "maximise economic, environmental and social benefits to the community by developing and implementing innovative water management principles and techniques". While those benefits are discussed in general terms, the Board's new strategic plan calls for them to be identified and quantified where possible. In any event, we know that there will be more droughts in the future with predictions of climate change leading to drier conditions overall for Adelaide. I and the other Board members see the ERA Water scheme as an important part of responding to those conditions with the benefit of a distribution system of irrigation pipes across the three Council areas to take water to public open spaces, as well as the harvesting, cleaning, and storage facilities.

I thank the other Board members, our previous General Manager Wally Iasiello, current Acting General Manager Terry Sutcliffe, and business services advisor Michael Richardson of BRM Advisory for their enthusiastic dedication to getting the best outcomes from ERA Water for the Constituent Councils and their communities.

JEFF TATE
ERA WATER PRESIDING MEMBER

GENERAL MANAGER'S REPORT

The 2021-2022 Financial Year has been focused on reviewing and re-building with an objective of ensuring that ERA Water is on an improved, sustainable, footing for the years ahead.

Mr Jeff Tate was appointed as Independent Chairperson of the ERA Water Board in July 2021. Mr Wally Iasiello was appointed as interim General Manager in April 2021 pending appointment of a General Manager. Mr Terry Sutcliffe was subsequently appointed as Acting General Manager commencing in January 2022.

To provide a foundation for the direction of ERA Water and future decision making, a revised Strategic Plan 2022-2025 was adopted by the Board and approved by the Constituent Councils.

Consistent with the Strategic Plan, during the year a review of the financial sustainability of ERA Water was undertaken by the Board and Management, in recognition that the operations of ERA Water are not yet at a point of long term financial sustainability without the continuing support of Constituent Councils.

In order to improve financial sustainability, during the course of the year the ERA Water Board proposed and the Constituent Councils approved an initial capital injection for the 2022-2023 financial year to enable identification of options to enhance the operations of the scheme and to identify options for water supply, and the development of business cases for the options. The business cases will then be used as a basis for decision making for project prioritisation and funding for subsequent budgets.

Whilst the financial stability of the operations of ERA Water is critical, it is also important to recognise the environmental and social dividends that the ERA Water scheme brings. The ERA Water MAR scheme provides a sustainable source of irrigation water reducing demand on potable water supplies, including the River Murray, and for use during drought conditions to ensure that public spaces remain green, usable and of high amenity. This in turn has benefits in reducing heat island effects in comparison to dry reserve areas in times of drought. There is also significant community benefit in having access to high quality and fit-for-purpose open spaces, including reserves and sports grounds.

The capacity of the MAR scheme continued to grow, along with growth in customer demand primarily driven by Constituent Councils. The volume of water harvested, injected into the aquifer, and extracted increased relative to 2020-21. The volume of water injected to the aquifer increased by 35% (from 203ML to 274.5ML) and water extracted from the aquifer increased by 17% (from 186.3ML to 218.1ML). There has also been a significant increase in the water balance – the accumulated reserve of water held in the aquifer - from 250.8ML to 525.3ML, a large part of which is as a result of a one-off licence allowance by the Department of Environment and Water to not account for extraction during the 2021-22 year whilst the new Adelaide Plains Water Allocation Plan was being introduced. This significant water balance provides a buffer for times of drought where seasonal capacity to harvest stormwater for injection is exceeded by water demand for irrigation.

The volume of water harvested and injected for later extraction is below the ERA Water target of 370ML of consumption per annum. This target has been set by the Board as a cash break-even point on the basis of current costs and pricing, and is also reflective of the ERA Water scheme not yet being at 'maturity'.

The continued focus for ERA Water in future years will be the identification of opportunities for growth in water demand and thereby sales, and growth in supply to meet demand, underpinned by robust business cases. The regulatory environment is also changing with the introduction of the Adelaide Plains Water Allocation Plan on 1 July 2022, which presents both risks and opportunities for ERA Water. ERA Water's business environment continues to be challenging, and there is a strong focus on delivering the outcomes in the Strategic Plan 2022-2025.

TERRY SUTCLIFFE

ERA WATER ACTING GENERAL MANAGER

ABOUT ERA WATER

ERA Water Regional Subsidiary (ERA Water) is a regional subsidiary of the Constituent Councils established on 21 July 2015 under Section 43 of the *Local Government Act 1999*. Its Charter provides for the supply of recycled urban storm water on behalf of its Constituent Councils in the eastern suburbs of Adelaide, South Australia.

THE CONSTITUENT COUNCILS

The Constituent Councils of ERA Water are:

- The Corporation of the Town of Walkerville
- The City of Norwood, Payneham & St Peters
- The City of Burnside.

PURPOSE

ERA Water was established as an outcome of the Waterproofing Eastern Adelaide Project (Project), funded by the Constituent Councils which were supported through funding from the Australian Government's National Urban Water and Desalination Plan, and the Adelaide and Mount Lofty Ranges Natural Resources Management Board (now Green Adelaide Landscape Board).

ERA Water's current prime function is to manage a water recycling scheme which captures, treats and delivers stormwater for irrigation purposes to the Constituent Councils and other customers, which makes a significant contribution to the protection of Adelaide's environment, and which reduces the reliance of Adelaide upon water from the Murray River. The scheme included the establishment of wetlands and biofilters, aquifer recharge and recovery infrastructure, pipeline installations and water storage facilities and utilises a process known as Managed Aquifer Recharge and Recovery (MAR) - a system of harvesting, treating and injecting the cleaned water into aquifers for later extraction and use for irrigation.

The scheme comprises two treatment sites (which were modelled to be capable of harvesting 600 ML of stormwater per annum and yielding for use 458 ML of water per annum) as well as 46km of distribution pipe network covering each of the three Constituent Council areas, plus a site in each of the City of Port Adelaide Enfield and the City of Campbelltown areas. The distribution network is designed to deliver water to Constituent Council reserves as well as to other potential customers in these areas and beyond (see page 12 showing a plan of the ERA Water network).

The ERA Water scheme was designed to ultimately produce 458 ML per annum of water for sale to customers of which a minimum of 204.7 ML per annum is committed to the three Constituent Councils. An additional 253.3 ML per annum is forecast to be sold to other customers when identified and to Constituent Councils as growth in their water demand occurs.

Noting the original ERA Water scheme modelled design objectives, operational experience indicates that the current scheme extent and capacity will not be able to achieve modelled outcomes. This is not unusual with MAR schemes, and is compounded in ERA Water's case by previous decisions to not proceed with some elements of the original scheme in the pursuit of cost savings (such as a second UV injection filter, balancing storage, and injection/extraction wells) limiting the capacity of the scheme.

Notwithstanding the scheme's current limitations, it has delivered significant community benefit through the capacity for it to provide a cost-effective water supply to maintain the high standard of public open space and playing fields. This has both on-going social and environmental benefits, which will be heightened during times of drought and constrained water supply from other sources by enabling these green spaces to be maintained to a consistently high standard.

CHARTER

The Charter for ERA Water was approved by the Minister for Local Government on 21 July 2015. The Charter sets out the responsibilities of ERA Water including its governance, financials and its responsibilities to the Constituent Councils. The Charter is due for review in 2023-24, but it has also been recommended to the Board by the Audit Committee that the Charter be reviewed earlier, in 2022-23.

The Charter sets the Objects and Purposes of ERA Water as:

- to implement, oversee and manage the Project;
- to develop, implement, oversee and manage practical solutions to provide water supply diversity within and outside the Region;
- to supply water to the Constituent Councils and other persons for irrigation purposes within and outside the Region except that priority shall be given to the supply of water for irrigation within the Region;
- to manage and oversee the distribution of water captured as part of the Project;
- to provide strategic direction for the Project;
- to fund, lease or own physical infrastructure required to undertake the Project;
- to meet all legislative requirements for the Subsidiary;
- to be responsible for the ongoing maintenance, replacement and other capital requirements of all physical infrastructure owned by the Subsidiary;
- to utilise proven water management planning principles and technologies;
- to manage, operate and control the necessary infrastructure for the Project;
- to maximise economic, environmental and social benefits to the community by developing and implementing innovative water management principles and techniques;
- to identify, develop and implement water recycling and supply opportunities for the Constituent Councils;
- to provide technical and other expert services and advice to the Constituent Councils in the area of water management and recycling including identifying emerging issues and opportunities;
- to represent the Constituent Councils and liaise with State government regarding the implementation or alteration of legislation in relation to water and licensing;
- to be financially self-sufficient as far as possible.

GOVERNANCE

BOARD OF MANAGEMENT

ERA Water is governed by a Board of Management composed of an Independent Chairperson and a representative from each Constituent Council as shown in the Table below. The Board held seven regular meetings and four special meetings during the 2021-22 financial year. The table below details Board Member attendance for all meetings.

	Member	
Independent Chairperson	Jeff Tate	10
<i>(Noting that the first meeting of the financial year was held prior to Mr. Tate's commencement)</i>		
City of Burnside	Chris Cowley, CEO	11
City of Norwood Payneham and St Peters	Cr John Minney	10
Corporation of the Town of Walkerville	Cr MaryLou Bishop	11

Regular Meetings of the Board were held on the following dates:

- 1 July 2021
- 23 September 2021
- 4 November 2021
- 16 December 2021
- 20 January 2022
- 17 March 2022
- 19 May 2022

Special Meetings of the Board were held on the following dates:

- 20 August 2021
- 5 January 2022
- 10 May 2022
- 23 June 2022

CONFIDENTIALITY

During the 2021-22 financial year, the Board considered reports of a confidential nature at two meetings where it was necessary to exclude the public from discussion. The table below identifies the grounds on which the Board made this determination.

Local Government Act 1999

Description	Number times used
90(3)(a) Information the disclosure of which would involve the unreasonable disclosure of information concerning the personal affairs of any person (living or dead);	1
90(3)(d) Information relating to commercial information of a confidential nature (not being a trade secret); 90(3)(k) Tenders for the supply of goods, the provision of services or the carrying out of works;	1

FREEDOM OF INFORMATION

No requests were received under the *Freedom of Information Act 1991* during the 2021-22 financial year.

STAFFING STRUCTURE

The Board employs an Acting General Manager. Wally Iasiello was appointed as General Manager from 27 April 2021, and upon his resignation Terry Sutcliffe was appointed as Acting General Manager on 31 January 2021.

No additional staff were employed during the year.

SUPPORT FROM CONSTITUENT COUNCILS

The Town of Walkerville continued to provide ERA Water with Board secretarial and executive support functions and services throughout the 2021-22 financial year.

The City of Burnside contributed to accounting and IT support during the year.

The City of Norwood Payneham & St Peters provided office accommodation and IT support for the Acting General Manager.

FINANCIAL MATTERS

FY2022 BUDGET and LONG TERM FINANCIAL PLAN

The FY2021-22 Budget and Long Term Financial Plan (LTFP) for ERA Water were adopted by the Constituent Councils, and subsequently approved by the Board, in accordance with the procedures and requirements under the ERA Water Charter.

The audited General Purpose Financial Statements form an attachment to the Annual Report.

AUDIT COMMITTEE

The ERA Water Audit Committee held four meetings in the 2021-22 financial year. The work of the Committee over the past financial year has included:

- reviewing ERA Water’s audited Financial Statements and considering external audit matters
- reviewing 2021-22 quarterly budget reviews
- reviewing the draft 2022-23 Budget
- reviewing a recapitalisation proposal from the Board
- review of the draft Strategic Plan 2022-2025
- providing recommendations on governance policy matters
- regularly reviewing the risk register
- reviewing and recommending to the Board Terms of Reference for the Audit Committee

The Audit Committee Members in 2019-20 were:	Meetings Attended
• Michael Parkinson (Chairperson)	4
• Brigid O’Neill	4
• Cr Grant Piggott	2

Meetings were held on the following dates:

- 26 August 2021
- 16 December 2021
- 17 March 2022
- 15 June 2022

FINANCIAL STATEMENTS

The Audited Financial Statements for the year ending the 30 June 2022 are provided as an attachment to the Annual Report and show an Operating Deficit of \$642,529 (2020-21 \$981,605) and Total Council Equity of \$4,909,850 (2020-21 \$5,552,379).

Total income was \$747,963 (2020-21 \$656,791) and total expenses \$1,390,492 (2020-21 \$1,638,395).

FINANCIAL MANAGEMENT AND STRATEGIC SUPPORT

BRM Advisory continued to provide Financial and Strategic Management support to the Board and General Manager.

OPERATIONS AND MAINTENANCE

Operational management of the ERA Water network has been undertaken by Mark Millington as external operations contractor since November 2020. Engineering consultants WGA continue to provide advice and operational support, including support with licence compliance reporting.

At the end of the financial year 274.5ML from the scheme's two harvesting sites in Third Creek and Fourth Creek had been treated to the required standard and injected into the aquifer, and 218.1ML had been extracted from the aquifer for distribution to the Constituent Councils and third parties for irrigation. The total volume of metered water supplied to Constituent Councils and third parties, comprised of water extracted from the aquifer and water harvested, treated and directly distributed (without injection into the aquifer), was 253ML.

In addition, as the amount of water injected into the aquifer has been greater than the amount extracted since the start of the scheme, and the Department of Environment and Water determined not to account for extraction during the 2021-22 year whilst the new Adelaide Plains Water Allocation Plan was being introduced, a total of 525.3ML of water has now been 'banked' as the scheme's water balance. The water balance can be drawn down in drought years when extraction exceeds injection.

Above average rainfall conditions (11.9 mm above average - BOM site 203000) assisted harvesting and injection capacity. However in addition to total rainfall in any year, the ability to harvest and treat stormwater is impacted by the type of rain event. The ideal conditions for harvesting is for the catchment to get saturated by mid-June followed by regular low intensity rainfall in winter and spring. This ensures a steady flow of relatively clean water which is suitable for harvesting and injecting into the aquifer.

Maintenance requirements have included a series of pump repairs and replacements due to damage from contaminants in the network, with a resultant budget impact, which is not uncommon in the early phases of operation of such schemes. The ERA Water MAR scheme continues to require active monitoring and management by the Operations Contractor to optimise the performance of the scheme.

INJECTION AND EXTRACTION DATA

YEAR	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Ext	0.0	3.9	19.1	83.6	186.3	218.1
Inj	0.0	5.6	97.3	237.9	203.0	274.5
Water Balance	0.0	1.6	79.8	234.0	250.8	525.3

REGULATORY FRAMEWORK

ERA Water operates within a regulated framework that require licences from the Environment Protection Agency (EPA) and from the Essential Services Commission South Australia (ESCOSA), an Authorisation from the Department for Environment and Water (DEW) and Permits from the Green Adelaide Landscape Board.

The EPA Licence is to discharge stormwater to underground aquifers. There are a number of conditions attached to the licence including specifying criteria for water quality that have to be monitored on a continuous basis and have to be met to enable water to be injected into the aquifer. It also requires ERA Water to have a Managed Aquifer Recharge Risk Management Monitoring Plan (MARRMMP) which details amongst other things the sampling and testing regime for water quality monitoring as well as reporting requirements regarding injection and extraction data as well as annual reporting requirements. The MARRMMP submitted for 2021-22 did not identify any breaches of water quality requirements through regular water quality monitoring undertaken, with water quality within the specified criteria for turbidity, electrical conductivity, and pH.

The ESCOSA Licence is a Water Industry Licence and is issued subject to a number of conditions including compliance with laws and industry codes and reporting to ESCOSA on compliance.

The Authorisation from DEW is to be able to take water from the Central Adelaide Prescribed Wells Area. The amount of water able to be taken is dependent on volume of water recharged over the life of the scheme minus any volume that was extracted during those years, or the authorised annual volumetric limit of 500ML (whichever is the lesser).

The permits from the Green Adelaide Landscape Board are for Water Affecting Activity and enabled ERA Water to construct infrastructure on Third and Fourth Creeks to enable water to be harvested to inject into the aquifer. The permits were issued with a number of conditions primarily to ensure there are no adverse environmental impacts.





Photo: Felixstow Wetlands

ERA Water Regional Subsidiary

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2022

*The Corporation of the Town of Walkerville
The City of Norwood Payneham and St Peters
The City of Burnside*

ERA Water Regional Subsidiary

General Purpose Financial Statements for the year ended 30 June 2022

Contents	Page
1. Certification of Financial Statements	2
2. Primary Financial Statements:	
- Statement of Comprehensive Income	3
- Statement of Financial Position	4
- Statement of Changes in Equity	5
- Statement of Cash Flows	6
3. Notes to the Financial Statements	8
4. Certificates of Audit Independence	
- Certification of Audit Independence	19
- Statement by Auditor	20
5. Audit Report	24

ERA Water Regional Subsidiary

General Purpose Financial Statements
for the year ended 30 June 2022

Certification of Financial Statements


We have been authorised by ERA Water Regional Subsidiary to certify the financial statements in their final form.

In our opinion:

- the accompanying financial statements comply with the *Local Government Act 1999*, *Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards,
- the financial statements present a true and fair view of ERA Water Regional Subsidiary's financial position at 30 June 2022 and the results of its operations and cash flows for the financial year,
- internal controls implemented by ERA Water Regional Subsidiary provide a reasonable assurance that ERA Water Regional Subsidiary's financial records are complete, accurate and reliable and were effective throughout the financial year,
- the financial statements accurately reflect ERA Water Regional Subsidiary's accounting and other records.



Terry Sutcliffe
Acting General Manager



Jeff Tate
Chairperson

Date: 15 SEPTEMBER 2022

ERA Water Regional Subsidiary

Statement of Comprehensive Income
for the year ended 30 June 2022

\$	Notes	2022	2021
Income			
User Charges	2a	731,967	613,297
Investment Income	2b	15,996	14,574
Reimbursements	2c	-	28,916
Other Income	2d	-	4
Total Income		747,963	656,791
Expenses			
Employee Costs	3a	103,544	103,381
Materials, Contracts & Other Expenses	3b	489,142	710,979
Depreciation, Amortisation & Impairment	3c	468,775	462,482
Finance Costs	3d	329,031	361,553
Total Expenses		1,390,492	1,638,395
Operating Surplus / (Deficit)		(642,529)	(981,605)
Amounts Received Specifically for New or Upgraded Assets		-	-
Net Surplus / (Deficit)		(642,529)	(981,605)
Total Comprehensive Income		(642,529)	(981,605)

ERA Water Regional Subsidiary

Statement of Financial Position
for the year ended 30 June 2022

\$	Notes	2022	2021
ASSETS			
Current Assets			
Cash and Cash Equivalents	4a	175,282	106,205
Trade & Other Receivables	4b	59,649	65,497
Prepayments		8,227	7,874
Subtotal		243,158	179,576
Total Current Assets		243,158	179,576
Non-Current Assets			
Other Non-Current Assets	5	20,141,187	20,573,300
Total Non-Current Assets		20,141,187	20,573,300
TOTAL ASSETS		20,384,345	20,752,876
LIABILITIES			
Current Liabilities			
Trade & Other Payables	6a	173,918	150,764
Provisions	6c	577	1,231
Subtotal		174,495	151,995
Total Current Liabilities		174,495	151,995
Non-Current Liabilities			
Borrowings	6b	15,300,000	15,048,502
Total Non-Current Liabilities		15,300,000	15,048,502
TOTAL LIABILITIES		15,474,495	15,200,497
Net Assets		4,909,850	5,552,379
EQUITY			
Accumulated Surplus		4,909,850	5,552,379
Total Council Equity		4,909,850	5,552,379

ERA Water Regional Subsidiary

Statement of Changes in Equity
for the year ended 30 June 2022

\$	Notes	Accumulated Surplus	Asset Revaluation Reserve	Other Reserves	Total Equity
Balance at the end of previous reporting period		5,552,379	-	-	5,552,379
Restated Opening Balance		5,552,379	-	-	5,552,379
a. Net Surplus / (Deficit) for Year		(642,529)			(642,529)
b. Other Comprehensive Income		-	-	-	-
Other Comprehensive Income		-	-	-	-
Total Comprehensive Income		(642,529)	-	-	(642,529)
c. Transfers between Reserves					-
Balance at the end of period		4,909,850	-	-	4,909,850

ERA Water Regional Subsidiary

Statement of Changes in Equity
for the year ended 30 June 2021

\$	Notes	Accumulated Surplus	Asset Revaluation Reserve	Other Reserves	Total Equity
2021					
Balance at the end of previous reporting period		6,533,983	-	-	6,533,983
Restated Opening Balance		6,533,983	-	-	6,533,983
a. Net Surplus / (Deficit) for Year		(981,605)	-	-	(981,605)
b. Other Comprehensive Income		-	-	-	-
Other Comprehensive Income		-	-	-	-
Total Comprehensive Income		(981,605)	-	-	(981,605)
c. Transfers between Reserves		-	-	-	-
Balance at the end of period		5,552,379	-	-	5,552,379

ERA Water Regional Subsidiary

Statement of Cash Flows

for the year ended 30 June 2022

\$	Notes	2022	2021
Cash Flows from Operating Activities			
Receipts			
User Charges		712,070	580,773
Investment Receipts		14,571	14,574
Reimbursements		2,225	28,916
Other Receipts		-	4
Payments			
Payments to Employees		(106,242)	(102,905)
Payments for Materials, Contracts & Other Expenses		(431,324)	(790,891)
Finance Payments		(329,031)	(364,902)
Net Cash provided by (or used in) Operating Activities		(137,731)	(634,431)
Cash Flows from Investing Activities			
Receipts			
Amounts Received Specifically for New/Upgraded Assets		-	-
Payments			
Expenditure on New/Upgraded Assets		(44,691)	(391,131)
Net Cash provided by (or used in) Investing Activities	7	(44,691)	(391,131)
Cash Flows from Financing Activities			
Receipts			
Proceeds from Borrowings		251,498	984,899
Net Cash provided by (or used in) Financing Activities		251,498	984,899
Net Increase (Decrease) in Cash Held		69,077	(40,663)
plus: Cash & Cash Equivalents at beginning of period	7	106,205	146,868
Cash & Cash Equivalents at end of period	7	175,282	106,205
Total Cash, Cash Equivalents & Investments		175,282	106,205

ERA Water Regional Subsidiary

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Significant Accounting Policies	8
2	Income	11
3	Expenses	11
	Current Assets	
4a	Cash & Cash Equivalents	12
4b	Trade & Other Receivables	12
	Non-Current Assets	
5	Other Non-Current Assets	13
	Liabilities	
6a	Trade & Other Payables	14
6b	Borrowings	14
7	Reconciliation to Statement of Cashflows	14
8	Financial Instruments	15
9	Uniform Presentation of Finances	17
10	Contingencies & Assets/Liabilities Not Recognised in the Balance Sheet	17
11	Events After the Balance Sheet Date	17
12	Expenditure Commitments	18
13	Related Party Transactions	18

ERA Water Regional Subsidiary

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

Note 1. Summary of Significant Accounting Policies

ERA Water is a Local Government Authority Section 43 Regional Subsidiary under the control of the Corporation of the Town of Walkerville, the City of Norwood, Payneham & St Peters and the City of Burnside. The principal accounting policies adopted by ERA Water Regional Subsidiary (ERA Water) in the preparation of these financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

1 Basis of Preparation

1.1 Compliance with Australian Accounting Standards

This general purpose financial report has been prepared in accordance with Australian Accounting Standards as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and relevant South Australian legislation.

The financial report was authorised for issue by certificate under regulation 14 of the *Local Government (Financial Management) Regulations 2011*.

1.2 Going Concern Basis

The Authority has an operating loss for FY2022 and the 10-year Long Term Financial Plan indicates that its operations are financially unsustainable without the support of its Constituent Councils.

The board of management notes that the authority has borrowings that it will continue to manage. The authority has a statutory guarantee from its member councils to meet all of its financial obligations and accordingly has prepared their financials on a going concern basis.

1.3 Historical Cost Convention

Except as stated below, these financial statements have been prepared in accordance with the historical cost convention.

1.4 Critical Accounting Estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates, and requires management to exercise its judgement in applying ERA Water's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are specifically referred to in the relevant sections of these Notes.

1.5 Economic Dependency

Per Section 5.2 of the Authority's Charter, there may be a requirement for additional financial contributions to be made by Constituent Councils if there is insufficient working capital available to meet ERA Water's financial obligations into the future. The Authority may be reliant on this additional financial support being provided to enable it to continue to operate on a going concern basis.

1.6 Rounding

All amounts in the financial statements have been rounded to the nearest Dollar.

2 The Local Government Reporting Entity

ERA Water is incorporated under the South Australian *Local Government Act 1999* and has its principal place of business at 175 The Parade, Norwood SA 5067.

3 Income Recognition

Income is measured at the fair value of the consideration received or receivable. Income is recognised when ERA Water obtains control over the assets comprising the income, or when the amount due constitutes an enforceable debt, whichever first occurs.

Where grants, contributions and donations recognised as incomes during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the amounts subject to those undischarged conditions are disclosed in these notes.

4 Cash, Cash Equivalents and other Financial Instruments

Cash Assets include all amounts readily convertible to cash on hand at ERA Water's option with an insignificant risk of changes in value with a maturity of three months or less from the date of acquisition.

All receivables are reviewed as at the reporting date and adequate allowance made for amounts the receipt of which is considered doubtful.

All financial instruments are recognised at fair value at the date of recognition. A detailed statement of the accounting policies applied to financial instruments forms part of Note 8.

5 Infrastructure, Property, Plant & Equipment

5.1 Initial Recognition

All assets are initially recognised at cost. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition.

ERA Water Regional Subsidiary

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

Note 1. Summary of Significant Accounting Policies (continued)

All non-current assets purchased or constructed are capitalised as the expenditure is incurred and depreciated as soon as the asset is held "ready for use". Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including architects' fees and engineering design fees and all other costs incurred. The cost of non-current assets constructed by ERA Water includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overhead.

5.2 Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Council for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life. No capitalisation threshold is applied to the acquisition of land or interests in land.

5.3 Depreciation of Non-Current Assets

Other than land, all infrastructure, property, plant and equipment assets recognised are systematically depreciated over their useful lives on a straight-line basis which, in the opinion of ERA Water, best reflects the consumption of the service potential embodied in those assets.

5.4 Impairment

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount (which is the higher of the present value of future cash inflows or value in use).

5.5 Borrowing Costs

Borrowing costs in relation to qualifying assets (net of offsetting investment revenue) have been capitalised in accordance with AASB 123. The amounts of borrowing costs recognised as an expense or as part of the carrying amount of qualifying assets are disclosed in Note 3, and the amount (if any) of interest revenue offset against borrowing costs in Note 2.

5.6 Connection Costs

In previous reporting periods, expenditure relating to direct connections to a number of reserves was expensed on the basis that the infrastructure for the most part sits on customer land. Despite connection infrastructure sitting on customer land, ERA Water has certain responsibilities in relation to the future upkeep, maintenance and renewal of connection infrastructure. Accordingly, there is an

argument that costs which were expensed in previous reporting periods should have been capitalised.

During FY2023, ERA Water will undertake a review of previously expensed connection costs to determine if they meet the definition of an asset and to consider whether or not they should be retrospectively capitalised.

6 Payables

6.1 Goods & Services

Creditors are amounts due to external parties for the supply of goods and services and are recognised as liabilities when the goods and services are received. Creditors are normally paid 30 days after the month of invoice. No interest is payable on these amounts.

6.2 Payments Received in Advance & Deposits

Amounts other than grants received from external parties in advance of service delivery, and security deposits held against possible damage to ERA Water assets, are recognised as liabilities until the service is delivered or damage reinstated, or the amount is refunded as the case may be.

7 Borrowings

Borrowings are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period to which it relates and is recorded as part of "Payables".

In line with AASB 101, the disclosure of all CAD facility loan balances in the current financial year and comparative figures were reclassified from current liabilities to non-current liabilities as there is no expectation these facilities will be repaid in the next 12 months.

9 Employee Benefits

9.1 Salaries, Wages & Compensated Absences

Liabilities for employees' entitlements to salaries, wages and compensated absences expected to be paid or settled within 12 months of reporting date are accrued at nominal amounts (including payroll based oncosts) measured in accordance with AASB 119.

Liabilities for employee benefits not expected to be paid or settled within 12 months are measured as the present value of the estimated future cash outflows (including payroll based oncosts) to be made in respect of services provided by employees up to the reporting date. Present values are calculated using government guaranteed securities rates with similar maturity terms.

10 Provisions for Reinstatement, Restoration and Rehabilitation

ERA Water Regional Subsidiary

Notes to and forming part of the Financial Statements for the year ended 30 June 2022

Note 1. Summary of Significant Accounting Policies (continued)

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation and rehabilitation of disturbed areas. Significant uncertainty exists in the estimation of the future restoration and/or closure costs and accordingly, no provisions for such costs have been made at this time.

11 Construction Contracts

Construction works undertaken by ERA Water for third parties are generally on an agency basis where the third party reimburses ERA Water for actual costs incurred, and usually do not extend beyond the reporting period. As there is no profit component, such works are treated as 100% completed. Reimbursements not received are recognised as receivables and reimbursements received in advance are recognised as "payments received in advance".

13 GST Implications

In accordance with UIG Abstract 1031 "Accounting for the Goods & Services Tax"

- Receivables and Creditors include GST receivable and payable.
- Except in relation to input taxed activities, revenues and operating expenditures exclude GST receivable and payable.
- Non-current assets and capital expenditures include GST net of any recoupment.
- Amounts included in the Statement of Cash Flows are disclosed on a gross basis.

(14) New accounting standards and UIG interpretations

In the current year, ERA Water reviewed all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period and have found none requiring adoption. ERA Water has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective.

The following list identifies all the new and amended Australian Accounting Standards, and Interpretation, that were issued but not yet effective at the time of compiling these illustrative statements that could be applicable to Local Government entities.

Effective for NFP annual reporting periods beginning on or after 1 January 2023

- AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current and associated standards (amended by AASB 2020-6)
- AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates (amended by AASB 2021-6)

Effective for NFP annual reporting periods beginning on or after 1 January 2025

- AASB 2014-10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amended by AASB 2015-10, AASB 2017-5 and AASB 2021-7))

16 Comparative Figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

17 Disclaimer

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstance.

ERA Water Regional Subsidiary

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 2. Income

\$	Notes	2022	2021
(a). User Charges			
Water Sales including annual supply charges		731,967	613,297
Total User Charges		731,967	613,297
(b). Investment Income			
Interest Income		77	5
LGFA distribution		15,919	14,569
Total Investment Income		15,996	14,574
(c). Reimbursements			
Reserve connection costs reimbursed		-	28,916
Total Reimbursements		-	28,916
(d). Other Income			
Insurance Claim		-	4
Total Other Income		-	4
Note 3. Expenses			
(a). Employee Costs			
Salaries and Wages		93,574	95,478
Movement in Leave Provision		(654)	476
Superannuation		10,624	7,427
Total Operating Employee Costs		103,544	103,381
(b). Materials, Contracts and Other Expenses			
Auditor's Remuneration			
- Auditing the Financial Reports		6,363	6,200
Electricity		102,981	90,789
Insurance		40,524	40,955
Maintenance and Repairs		224,885	334,822
Professional Services		72,546	64,011
Connection Costs		-	54,171
Other		41,843	120,032
Total Materials, Contracts and Other Expenses		489,142	710,979
(c). Depreciation, Amortisation and Impairment			
Depreciation		468,775	462,482
Total Depreciation, Amortisation and Impairment		468,775	462,482
(d). Finance Costs			
Interest Expense		329,031	361,553
Total Finance Costs		329,031	361,553

ERA Water Regional Subsidiary

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

\$	Notes	2022	2021
Note 4. Current Assets			
(a). Cash & Cash Equivalents			
Cash at Bank		145,129	92,048
LGFA Council Deposits - 24HR Mthly		30,153	14,157
Total Cash & Cash Equivalents		175,282	106,205
(b). Trade & Other Receivables			
Trade debtors		43,116	25,666
GST Receivable		16,533	39,831
Total Trade & Other Receivables		59,649	65,497

ERA Water Regional Subsidiary

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 5. Non-Current Assets

\$	as at 30/6/2021			Asset Movements during the Reporting Period					
				Asset Additions			as at 30/6/2022		
	Cost	Acc. Dep'n	Written Down Value	New / Upgrade	Depreciation	Cost	Acc. Dep'n	Written Down Value	
Civil Assets	13,350,188	554,374	12,795,814	1,831	220,365	13,352,019	774,739	12,577,280	
Electronic Assets	1,316,245	112,060	1,204,185	-	43,378	1,316,245	155,438	1,160,807	
Instrumentation & Control Assets	273,039	40,209	232,830	31,921	19,073	304,960	59,282	245,678	
Mechanical Assets	2,272,180	292,030	1,980,150	2,910	113,621	2,275,090	405,651	1,869,439	
Sunk Construction Costs	4,346,233	160,397	4,185,836	-	62,089	4,346,233	222,486	4,123,748	
Information Technology	1,454	414	1,040	-	291	1,454	705	748	
Water Treatment Equipment	199,170	25,725	173,445	-	9,958	199,170	35,683	163,487	
Total Infrastructure, Property, Plant & Equipment	21,758,509	1,185,209	20,573,300	36,662	468,775	21,795,171	1,653,984	20,141,187	
Comparatives	21,367,378	722,725	20,644,653	391,131	462,482	21,758,509	1,185,209	20,573,300	

Disclosure Note:

During FY2023, ERA Water will be undertaking its first review of the fair value of its asset base and accordingly next year we would expect all asset classes will be revalued. As referenced in Note 1 (5.6), ERA Water will also be undertaking a review of historical connection costs which were previously expensed to determine if some of these costs meet the definition of an asset and accordingly, whether or not they should be retrospectively reclassified as an asset.

ERA Water Regional Subsidiary

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 6. Liabilities

\$	Notes	2022		2021	
		Current	Non Current	Current	Non Current
(a). Trade and Other Payables					
Trade and Other Payables		78,137	-	39,463	-
Accrued Expenses - Finance Costs		87,662	-	89,086	-
Accrued Expenses - Other		6,325	-	18,377	-
Accrued Expenses - Employment liabilities		1,794	-	3,838	-
Total Trade and Other Payables		173,918	-	150,764	-

(b). Borrowings

Loans		-	15,300,000	-	15,048,502
Total Borrowings		-	15,300,000	-	15,048,502

Unrestricted access was available at balance date to the following lines of credit:

	2022	2021
LGFA Cash Advance Debenture Facility	15,300,000	15,300,000
Undrawn balance	-	251,498

ERA's Maturity Date on current CAD facilities held is as follows:

Deal	Settlement	End Date
ERA Water CA 2 Cash Advance	1,000,000	15/03/2033
ERA 3 CAD	2,300,000	17/06/2034
ERA CAD	12,000,000	15/12/2031

Note: ERA Water has agreed to a recapitalisation proposal which has resulted in an equity injection of \$600,000 from Constituent Councils in FY2023 to ensure that ERA Water has sufficient capital to meet its future obligations, at least for a further 12 months.

(c). Provisions

Employee Entitlements	577	-	1,231	-
Total Provisions	577	-	1,231	-

Note 7. Reconciliation to Statement of Cash Flows

\$	2022	2021
----	------	------

(a). Reconciliation of Cash

Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet

Total Cash & Equivalent Assets	175,282	106,205
Balances per Statement of Cash Flows	175,282	106,205

(b). Reconciliation of Change in Net Assets to Cash from Operating Activities

Net Surplus/(Deficit)	(642,529)	(981,604)
Non-Cash Items in Income Statements		
Depreciation, Amortisation & Impairment	468,775	462,482
Net increase (decrease) in unpaid employee benefits	(653)	476
Non cash asset acquisitions	8,026	-
	(166,381)	(518,646)
Add (Less): Changes in Net Current Assets		
Net (Increase)/Decrease in Receivables	5,848	(32,524)
Net (Increase)/Decrease in Prepayments	(352)	6,454
Net Increase/(Decrease) in Trade & Other Payables	23,154	(89,715)
Net Cash provided by (or used in) operations	(137,731)	(634,431)

ERA Water Regional Subsidiary

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 8. Financial Instruments

Recognised Financial Instruments

Bank, Deposits at Call, Short Term Deposits

Accounting Policy:

Initially recognised at fair value and subsequently measured at amortised cost; interest is recognised when earned.

Rates:

All deposits are at call earning rates of 1.05% as at 30 June 2022.

Carrying Amount:

Approximates fair value due to the short term to maturity.

Receivables

Accounting Policy:

Initially recognised at fair value and subsequently measured at amortised cost.

Terms & Conditions:

Unsecured, and do not bear interest. At the balance date, ERA Water is not materially exposed to any individual debtor.

Carrying Amount:

Approximates fair value (after deduction of any allowance).

Liabilities - Creditors and Accruals

Accounting Policy:

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to ERA Water.

Terms & Conditions:

Liabilities are normally settled on 30 day terms.

Carrying Amount:

Approximates fair value.

Liabilities - Interest Bearing Borrowings

Accounting Policy

Initially recognised at fair value and subsequently at amortised cost using the effective interest rate.

Terms and conditions

Interest is charged at a range of both fixed and variable rates ranging from 1.66% to 2.8%

Carrying Amount:

Approximates fair value.

ERA Water Regional Subsidiary

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 8. Financial Instruments

\$	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
2022					
Financial Assets					
Cash & Equivalents	175,282	-	-	175,282	175,282
Receivables	59,649	-	-	59,649	59,649
Total Financial Assets	234,931	-	-	234,931	234,931
Financial Liabilities					
Trade and other payables	172,124	-	-	172,124	172,124
Non-Current Borrowings	-	-	15,300,000	15,300,000	15,300,000
Total Financial Liabilities	172,124	-	15,300,000	15,472,124	15,472,124
2021					
Financial Assets					
Cash & Equivalents	106,205	-	-	106,205	106,205
Receivables	65,497	-	-	65,497	65,497
Total Financial Assets	171,702	-	-	171,702	171,702
Financial Liabilities					
Payables	144,261	-	-	144,261	144,261
Non-Current Borrowings	-	-	15,048,502	15,048,502	15,048,502
Total Financial Liabilities	144,261	-	15,048,502	15,192,763	15,192,763

The following interest rates were applicable to Council's Borrowings at balance date:

	30 June 2022		30 June 2021	
	Weighted Avg Interest Rate	Carrying Value	Weighted Avg Interest Rate	Carrying Value
Other Variable Rates	2.46%	15,300,000	2.42%	15,048,502
		<u>15,300,000</u>		<u>15,048,502</u>

Financial Liabilities

Financial liabilities do not include employee benefits such as wages payable, superannuation payable, or income tax withheld.

Net Fair Value

All carrying values approximate fair value for all recognised financial instruments. There is no recognised market for the financial assets of the ERA Water.

Risk Exposures

Credit Risk represents the loss that would be recognised if counterparties fail to perform as contracted. The maximum credit risk on financial assets of ERA Water is the carrying amount, net of any allowance for doubtful debts. All ERA Water investments are made with the SA Local Government Finance Authority and are guaranteed by the SA Government.

Market Risk is the risk that fair values of financial assets will fluctuate as a result of changes in market prices. All of ERA Water's financial assets are denominated in Australian dollars and are not traded on any market, and hence neither market risk nor currency risk apply.

Liquidity Risk is the risk that ERA Water will encounter difficulty in meeting obligations with financial liabilities. In accordance with the model Treasury Management Policy (LGA Information Paper 15), liabilities have a range of maturity dates. ERA Water also has available a borrowing facility that it can access.

Interest Rate Risk is the risk that future cash flows will fluctuate because of changes in market interest rates. At the balance date, ERA Water has a combination of variable and fixed rate facilities of varying maturities.

ERA Water Regional Subsidiary

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 9. Uniform Presentation of Finances

\$	2022	2021
The following is a high level summary of both operating and capital investment activities of ERA Water prepared on a simplified Uniform Presentation Framework basis. All Councils and Subsidiaries in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis.		
Income	747,963	656,791
less Expenses	<u>(1,390,492)</u>	<u>(1,638,395)</u>
Operating Surplus / (Deficit)	(642,529)	(981,605)
less Net Outlays on Existing Assets		
Capital Expenditure on Renewal and Replacement of Existing Assets	-	-
Add back Depreciation, Amortisation and Impairment	468,775	462,482
Proceeds from Sale of Replaced Assets	-	-
Subtotal	468,775	462,482
less Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets	(44,691)	(391,131)
Amounts Received Specifically for New and Upgraded Assets	-	-
Proceeds from Sale of Surplus Assets	-	-
Subtotal	(44,691)	(391,131)
Net Lending / (Borrowing) for Financial Year	(218,445)	(910,254)

Note 10. Contingencies & Assets/Liabilities Not Recognised in the Balance Sheet

The following assets and liabilities do not qualify for recognition in the Balance Sheet, but knowledge is considered relevant to the users of the financial report in making and evaluating decisions about the allocation of scarce resources.

POTENTIAL INSURANCE LOSSES

ERA Water insures against known insurable risks using a range of insurance policies, each of which is subject to deductible "insurance excesses", the amount of which varies according to the class of insurance. ERA Water is not aware of any such insurance claims at the reporting date. Other potential claims not reported to ERA Water may have existed at reporting date.

PIPE REMEDIATION OR DAMAGE

ERA Water owns a network of pressurised underground pipes which could result in damage to public or private infrastructure in the event of failure. Further more, there may be long term remediation liabilities attached to some of ERA Water's pipeline assets. The cost of these potential liabilities cannot be reliably estimated and have not been included in these financial statements.

Note 11. Events after the Balance Sheet Date

Events that occur after the reporting date of 30 June 2022, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

ERA Water has adopted the date of receipt of the Auditors' Report as the appropriate "authorised for issue" date relating to these General Purpose Financial Statements.

Accordingly, the authorised for issue date is 15 September 2022.

ERA Water is unaware of any material or significant "non adjusting events" that should be disclosed.

ERA Water Regional Subsidiary

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 12. Expenditure Commitments

Capital Commitments

No known capital commitments exist at the balance date.

Other Expenditure Commitments

ERA Water has contracts in place with 3rd party contractors for business as usual operations and maintenance services.

Note 13. Related Party Transactions

Key Management Personnel

Transactions with Key Management Personnel

During financial year 2022, the Key Management Personnel of the Authority include Terry Sutcliffe, Wally Iasiello and the members of the ERA Water Board.

Members of the ERA Water Board:

- Jeff Tate (Chairperson)
- John Minney (Councillor - City of Norwood, Payneham and St Peters)
- MaryLou Bishop (Councillor - Corporation of the Town of Walkerville)
- Chris Cowley (CEO - City of Burnside)

General Manager(s):

- Wally Iasiello (former General Manager whose employment ceased on 31 January 2022).
- Terry Sutcliffe (current Acting General Manager)

In all, six persons were paid a total of \$115,544 of remuneration for services provided to ERA Water.

Key Management Personnel Remuneration	2022
Salaries, allowances & other short term benefits	115,554
Post-employment benefits	-
Long-term benefits	-
Termination benefits	-
TOTAL	115,554

Transactions with related parties:

The related parties disclosed below are equity owners of the Authority and are referred to as Constituent Councils. Constituent Councils have representation on the Board of the Authority and accordingly have significant influence on the financial and operating decisions of the Authority. No single Constituent Council individually has control of ERA Water.

Amounts received from related parties:

Town of Walkerville provided ERA Water with Board and Audit Committee secretarial support and a location to hold ERA Water board meetings.

City of Norwood Payneham & St Peters provided furnished office accommodation for ERA Water General Manager for the whole of the financial year.

City of Burnside funded part of the cost of bookkeeping and financial management support provided to ERA Water by a third party.

There are no invoices that remain payable by related parties outside of ordinary trading terms.

\$	Sale of Water	outstanding from Related Parties	Description of Services Provided
Related Party			
Town of Walkerville	53,286	3,152	Water sales
City of Norwood, Payneham and St Peters	227,805	5,214	Water sales
City of Burnside	397,450	15,045	Water sales
Total	678,541	23,411	



ERA WATER REGIONAL SUBSIDIARY

**GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2022**

CERTIFICATION OF AUDITOR INDEPENDENCE

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of ERA Water Regional Subsidiary for the year ended 30 June 2022, the Council's Auditor, Dean Newbery and Partners, has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22(3) *Local Government (Financial Management) Regulations 2011*.

Michael Parkinson
ERA Water Audit Committee Chairperson

Date: 23 AUGUST 2022

Terry Sutcliffe
Acting General Manager

Date: 23 AUGUST 2022

HEAD OFFICE
214 Melbourne Street
North Adelaide SA 5006

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North Adelaide SA 5006

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Dean Newbery
ABN: 30 164 612 890

Auditor's Independence Declaration under Section 22 of the Local Government (Financial Management) Regulations 2011 to the Eastern Region Alliance Water Regional Subsidiary

I confirm that, for the audit of the financial statements of the Eastern Region Alliance Water Regional Subsidiary for the year ended 30 June 2021, I have maintained my independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants (including Independence Standards), Part 4A, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011* made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22 (5) *Local Government (Financial Management) Regulations 2011*.



JIM KEOGH
PARTNER

Signed on the 1st day of September 2022,
at 214 Melbourne Street, North Adelaide, South Australia 5006



ERA WATER REGIONAL SUBSIDIARY

**GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2022**

CERTIFICATION OF AUDITOR INDEPENDENCE

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of ERA Water Regional Subsidiary for the year ended 30 June 2022, the Council's Auditor, Dean Newbery and Partners, has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22(3) *Local Government (Financial Management) Regulations 2011*.

A handwritten signature in black ink, appearing to read 'Chris Cowley', is positioned above a horizontal dotted line.

Chris Cowley
**CHIEF EXECUTIVE OFFICER
CITY OF BURNSIDE**

Date: 18 August 2022




ERA WATER REGIONAL SUBSIDIARY

**GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2022**

CERTIFICATION OF AUDITOR INDEPENDENCE

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of ERA Water Regional Subsidiary for the year ended 30 June 2022, the Council's Auditor, Dean Newbery and Partners, has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22(3) *Local Government (Financial Management) Regulations 2011*.


.....
Mario Barone PSM
CHIEF EXECUTIVE OFFICER
CITY OF NORWOOD PAYNEHAM & ST PETERS

Date: 22. 08. 2022.



ERA WATER REGIONAL SUBSIDIARY

**GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2022**

CERTIFICATION OF AUDITOR INDEPENDENCE

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of ERA Water Regional Subsidiary for the year ended 30 June 2022, the Council's Auditor, Dean Newbery and Partners, has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22(3) *Local Government (Financial Management) Regulations 2011*.

A handwritten signature in black ink, appearing to read 'Scott Reardon', is positioned above a dotted line.

Scott Reardon
**CHIEF EXECUTIVE OFFICER
TOWN OF WALKERVILLE**

Date: 18 August 2022

HEAD OFFICE
214 Melbourne Street
North Adelaide SA 5006PO Box 755
North Adelaide SA 5006T: (08) 8267 4777
www.deannewbery.com.auDean Newbery
ABN: 30 164 612 890**INDEPENDENT AUDITOR'S REPORT****To the members of the Eastern Region Alliance Water Regional Subsidiary****Opinion**

We have audited the accompanying financial report of the Eastern Region Alliance Water Regional Subsidiary (the Entity), which comprises the Statement of Financial Position as at 30 June 2022, the Statement of Comprehensive Income, the Statements of Changes in Equity, the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and other explanatory information and the Certification of the Financial Statements.

In our opinion, the accompanying financial report presents fairly, in all material aspects, the financial position of the Entity as at 30 June 2022, and its financial performance and its cash flows for the year then ended in accordance with the *Local Government Act 1999*, *Local Government (Financial Management) Regulations 2011* and the Australian Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described as in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Entity in accordance with the auditor independence requirements of the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 1 regarding the Going Concern and Economic Dependency disclosure given the Authority's reliance on Constituent Council's ongoing financial support to ensure the Authority can meet its expected financial obligations. Our opinion is not modified in respect of this matter.

Responsibility of the Board and Those Charged with Governance for the Financial Report

The Board is responsible for the preparation of the Entity's financial report in accordance with Australian Accounting Standards, the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011*, and for such controls as the Board determines is necessary to enable the preparation of the financial report is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Board is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that the audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DEAN NEWBERRY



JIM KEOGH
Partner

Signed on the 19th day of September 2022,
at 214 Melbourne Street, North Adelaide, South Australia 5006

Attachment D

Regional Subsidiaries Annual Financial Statements for the Year Ended 30 June 2022

Highbury Landfill Authority Inc

City of Norwood Payneham & St Peters
175 The Parade, Norwood SA 5067

Telephone 8366 4555
Facsimile 8332 6338
Email townhall@npsp.sa.gov.au
Website www.npsp.sa.gov.au



City of
**Norwood
Payneham
& St Peters**

HIGHBURY LANDFILL AUTHORITY

ANNUAL REPORT 2021/2022

GOVERNANCE AND ADMINISTRATION

BOARD MEMBERS

BURNSIDE

Mr. Chris Cowley
(Board Member)

NORWOOD, PAYNEHAM & ST PETERS

Cr John Minney
(Board Member
and Chair)

WALKERVILLE

Mr. James Kelly
(Board Member)

INDEPENDENT MEMBER— AUDIT COMMITTEE

Corinne Garret

Walkerville Council appointed Mr James Kelly to replace Mr Ben Clark on the Board and Audit Committee of the Highbury Landfill Authority (HLA) during the year. TJH Management Services Pty Ltd continued to provide administration and management services to HLA.

The Highbury Landfill is governed by the South Australian Environment Protection Authority (SA EPA) as a contaminated site covered by the Environment Protection Act 1993. The Authority has an ongoing environmental duty to manage the site and ensure that it has minimal impact on the surrounding environment. The site has remained stable and within an acceptable risk profile during the year.

The landfill gas quality continues to degrade and McMahon Services Australia Pty Ltd through its sub-contractor Biogas Systems is contracted to manage the gas field and flare the landfill gas.

The accounting standards require Highbury to estimate the future costs over an initial period of at least 25 years to meet the legislative requirements of a closed landfill in South Australia. HLA is now 12 years into the post closure management period and the provision in the accounts is a net present value (NPV) calculation of the future cash outflows to manage the remaining 13 years.



Torrens Road Entrance

As recommended by the HLA audit committee the provision calculation assumptions are reviewed every three years. Golder carried out the review in the 20/21 year as part of the financial audit function and found the provision calculation reasonable.

An internal review of the provision calculation was undertaken this year by management and the cashflow assumptions where considered appropriate. The inflation projections where increased and the interest rates revised.

Dean Newbery is the external auditor for HLA and has been appointed to the 24/25 financial year.

SPECIAL POINTS OF INTEREST:

- The Risk Management Plan continued to be the measure of how the site was managed during the year.
- The board has noted that the Highbury landfill will have an impact on Member Council's future commitments to meet their carbon reduction targets. This may require the Board to again evaluate the feasibility of a Solar project on the site.



Control panel of flare operating



The LoCal flare installed and operating at the Highbury landfill

CLOSURE & POST-CLOSURE MANAGEMENT

The site continues to revegetate naturally and is maintained with annual spraying for noxious weeds and regular grass cutting and maintenance in accordance with the landfill closure plan. The Leachate pond is designed to collect leachate from the landfill gas collection infrastructure of pipes and wells in the winter months. This leachate then evaporates during the summer months.

The EPA has access to monthly reports on landfill gas extraction and monitoring. These reports show compliance with the risk profile for the site.



Leachate Pond

FINANCIAL SUMMARY FOR THE YEAR ENDING 30 JUNE 2022

Income Statement as at 30 June 2022

Statement of Financial Position as at 30 June 2022

	<u>2022</u>	<u>2021</u>		<u>2022</u>	<u>2021</u>
	\$	\$		\$	\$
<u>INCOME</u>			<u>CURRENT ASSETS</u>		
Interest Received	199	213	Cash & Cash Equivalents	216,772	108,078
Sundry Income	20,454	18,710	Trade & Other Receivables	25,031	22,282
Highbury Landfill Provision	457,724	391,241	Total Current Assets	241,803	130,360
TOTAL REVENUE	478,377	410,163			
			<u>NON-CURRENT ASSETS</u>		
<u>EXPENSES</u>			Infrastructure, Property, Plant	111,077	136,295
Materials, contracts & other expenses	3,000	3,000	Total Non-Current Assets	111,077	136,295
Depreciation, amortisation & impairment	25,218	25,218	<u>TOTAL ASSETS</u>	352,880	266,655
Finance Payments	5,514	6,491			
Highbury Closure Provision	0		<u>CURRENT LIABILITIES</u>		
TOTAL EXPENSES	33,732	34,709	Trade and Other Payables	111,385	9,733
OPERATING SURPLUS/ (DEFICIT)	444,645	375,454	Borrowings	27,554	26,549
			Provisions	204,952	244,702
			Total Current Liabilities	343,891	280,984
			<u>NON-CURRENT LIABILITIES</u>		
			Borrowings	104,913	132,467
			Provisions	2,142,546	2,736,319
			Total Non-Current Liabilities	2,247,459	2,868,786
			TOTAL LIABILITIES	2,591,350	3,149,770
			NET ASSETS	(2,238,470)	(2,883,115)
			<u>EQUITY</u>		
			Accumulated Deficit	(2,238,470)	(2,883,115)
			TOTAL EQUITY	(2,238,470)	(2,883,115)

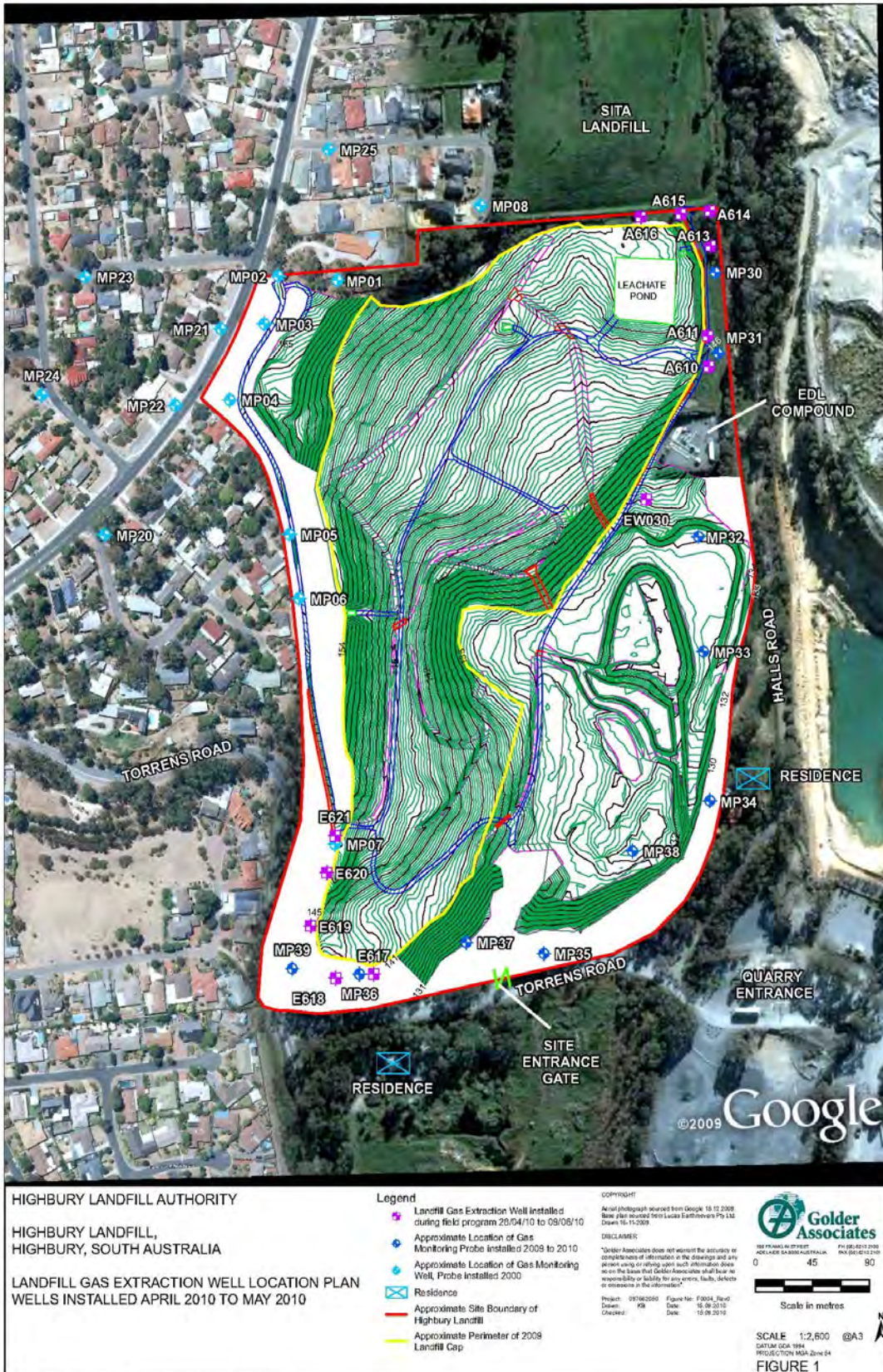


Re-vegetation of the landfill

AERIAL MAP OF LANDFILL GAS MONITORING LOCATIONS FOR THE HIGHBURY LANDFILL TO MONITOR COMPLIANCE WITH THE EPA LANDFILL LICENCE

LANDFILL GAS MANAGEMENT AT HIGHBURY

- The plan opposite shows the network of monitoring bores to assist in managing landfill gas on the site.
- Boundary gas extraction bores have been established on the southern and eastern boundaries of the site.
- Landfill gas monitoring bores were monitored regularly during the year
- McMahons through their sub-contractor Biogas Systems extracted landfill gas from approximately 80 extraction bores located over the site and flared the landfill gas.
- The landfill gas quality and quantity are declining and is insufficient to generate green electricity so the gas is burnt to reduce greenhouse gas emissions.
- The ongoing flaring of the landfill gas ensures that the gas is controlled from the site to comply with the risk management plan.



HIGHBURY LANDFILL AUTHORITY

General Purpose Financial Reports for the year ended 30 June 2022

TABLE OF CONTENTS

	<u>Page</u>
Authority Certificate	1
Principal Financial Statements	
Statement of Comprehensive Income	2
Statement of Financial Position	3
Statement of Changes in Equity	4
Statement of Cash Flows	5
Notes to, and forming part of, the Principal Financial Statements	
Note 1 - Significant Accounting Policies	6
Note 2 - Income	9
Note 3 - Expenses	10
Note 4 - Current Assets	11
Note 5 - Property, Plant & Equipment	12
Note 6 - Liabilities	14
Note 7 - Reconciliation of Cash Flow Statement	15
Note 8 - Financial Instruments	16
Note 9 - Uniform Presentation of Finances	18
Note 10 - Assets & Liabilities not Recognised	19
Note 11 - Events Occurring After Reporting Date	20
Note 12 - Related Party Transactions	21
Audit Report - Financial Statements	22
Authority/Member Council Certificate of Audit Independence	24
Audit Certificate of Audit Independence	28

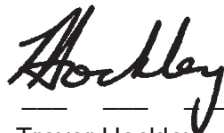
HIGHBURY LANDFILL AUTHORITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2021

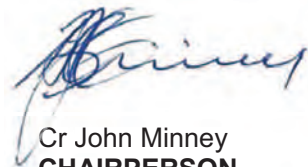
CERTIFICATION OF FINANCIAL STATEMENTS

We have been authorised by the Authority to certify the financial statements in their final form. In our opinion:

- the accompanying financial statements comply with the *Local Government Act 1999, Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards.
- the financial statements present a true and fair view of the Authority's financial position at 30 June 2022 and the results of its operations and cash flows for the financial year.
- internal controls implemented by the Authority provide a reasonable assurance that the Authority's financial records are complete, accurate and reliable and were effective throughout the financial year.
- the financial statements accurately reflect the Authority's accounting and other records.



Trevor Hockley
CHIEF EXECUTIVE OFFICER



Cr John Minney
CHAIRPERSON

Date: 8 September 2022

HIGHBURY LANDFILL AUTHORITY
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2022

	Notes	2022 \$	2021 \$
INCOME			
Interest Received	2	-	7
Sundry Income	2	20,454	18,710
LGFA Investment Income	2	199	206
Highbury Closure Provision	2	457,724	391,241
Total Income		<u>478,377</u>	<u>410,163</u>
EXPENSES			
Materials, contracts & other expenses	3	3,000	3,000
Depreciation, amortisation & impairment	3	25,218	25,218
Finance Payments		5,514	6,491
Total Expenses		<u>33,732</u>	<u>34,709</u>
OPERATING SURPLUS / (DEFICIT)		444,645	375,454
Other Comprehensive Income		-	-
Total Other Comprehensive Income		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME		<u>444,645</u>	<u>375,454</u>

This Statement is to be read in conjunction with the attached Notes.

HIGHBURY LANDFILL AUTHORITY
STATEMENT OF FINANCIAL POSITION
as at 30 June 2022

ASSETS	Notes	2022 \$	2021 \$
Current Assets			
Cash and cash equivalents	4	216,772	108,078
Trade & other receivables	4	25,031	22,282
Total Current Assets		<u>241,803</u>	<u>130,360</u>
Non-current Assets			
Infrastructure, property, plant & equipment	5	111,077	136,295
Total Non-current Assets		<u>111,077</u>	<u>136,295</u>
Total Assets		<u>352,880</u>	<u>266,655</u>
LIABILITIES			
Current Liabilities			
Trade & other payables	6	111,385	9,733
Borrowings	6	27,554	26,549
Provisions	6	204,952	244,702
Total Current Liabilities		<u>343,891</u>	<u>280,984</u>
Non-current Liabilities			
Borrowings	6	104,913	132,467
Provisions	6	2,142,546	2,736,319
Total Non-current Liabilities		<u>2,247,459</u>	<u>2,868,786</u>
Total Liabilities		<u>2,591,350</u>	<u>3,149,770</u>
NET ASSETS		<u>(2,238,470)</u>	<u>(2,883,115)</u>
EQUITY			
Accumulated Surplus		(2,238,470)	(2,883,115)
TOTAL EQUITY		<u>(2,238,470)</u>	<u>(2,883,115)</u>

This Statement is to be read in conjunction with the attached Notes.

HIGHBURY LANDFILL AUTHORITY

STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2022

	Notes	Accumulated Surplus	TOTAL EQUITY
2022		\$	\$
Balance at end of previous reporting period		(2,883,115)	(2,883,115)
Net Surplus / (Deficit) for Year		444,645	444,645
Member Council Contributions - Recurrent Funding of Provision			
- City of Burnside		100,812	100,812
-City of Norwood Payneham & St. Peters		80,714	80,714
-Corporation of the Town of Walkerville		18,474	18,474
Balance at end of period		(2,238,470)	(2,238,470)
2021			
Balance at end of previous reporting period		(3,458,569)	(3,458,569)
Net Surplus / (Deficit) for Year		375,454	375,454
Member Council Contributions - Recurrent Funding of Provision			
-City of Burnside		100,812	100,812
-City of Norwood Payneham & St. Peters		80,714	80,714
-Corporation of the Town of Walkerville		18,474	18,474
Balance at end of period		(2,883,115)	(2,883,115)

This Statement is to be read in conjunction with the attached Notes

HIGHBURY LANDFILL AUTHORITY

STATEMENT OF CASH FLOWS

for the year ended 30 June 2022

	Notes	2022 \$	2021 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
<u>Receipts</u>			
Operating Receipts		35,358	46,384
Investment receipts		199	212
<u>Payments</u>			
Operating Payments to Suppliers		(184,063)	(171,500)
Finance payments		(5,716)	(6,685)
Net Cash provided by (or used in) Operating Activities	7	(154,222)	(131,588)
CASH FLOWS FROM INVESTING ACTIVITIES			
<u>Payments</u>			
Expenditure on renewal/replacement of assets		-	-
Net Cash provided by (or used in) Investing Activities		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
<u>Receipts</u>			
Member Council Contributions		289,465	200,000
Proceeds from borrowings		-	-
<u>Payments</u>			
Repayments of borrowings		(26,549)	(25,580)
Net Cash provided by (or used in) Financing Activities		262,916	174,420
Net Increase (Decrease) in cash held		108,694	42,832
Cash & cash equivalents at beginning of period	7	108,078	65,246
Cash & cash equivalents at end of period	7	216,772	108,078

This Statement is to be read in conjunction with the attached Notes

HIGBURY LANDFILL AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2022

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report has been prepared in accordance with Australian Accounting Standards as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and relevant South Australian legislation

Highbury Landfill Authority (the Authority) is a Regional Subsidiary under Section 43 and Schedule 2 of the Local Government Act 1999. The Member Councils and their respective percentages of equity are as follows:

<i>Constituent Council</i>	<i>Equity Share %</i>
City of Burnside	50.406%
City of Norwood Payneham & St Peters	40.357%
Corporation of the Town of Walkerville	9.237%

The financial report was authorised for issue by certificate under clause 11 of the *Local Government (Financial Management) Regulations 2011*.

The following is a summary of the material accounting policies adopted by the Authority in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of preparation

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

(a) Competitive Neutrality

The Authority does not undertake any commercial (for profit) activities.

(b) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by the Board of the Authority to ensure it is not in excess of the recoverable amount from these assets.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, is depreciated on a diminishing value basis over their useful lives commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	20%
Flare	10%

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Highbury Landfill Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2022

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(c) Impairment

Assets that have an indefinite useful life are not subject to depreciation and are reviewed annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount (which is the higher of the present value of future cash outflows or value in use).

(d) Cash And Cash Equivalents and other Financial Instruments

Cash Assets include all amounts readily convertible to cash on hand at Authority's option with an insignificant risk of changes in value with a maturity of three months or less from the date of acquisition.

All receivables are reviewed as at the reporting date and adequate allowance made for amounts the receipt of which is considered doubtful.

All financial instruments are recognised at fair value at the date of recognition.

(e) Investments

Investments represent monies on deposit at twenty-four hour call and on fixed deposit for twelve months or less.

(f) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(g) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

(h) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(i) Critical Accounting Estimates and Judgments

The Authority evaluates estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the association.

Key assumptions from the provision calculated:

The provision provides for ongoing administrative costs to be paid per annum to recognise the costs associated with running the Authority and post closure obligations.

The provision has been calculated based on the assumption that the minimum requirements for ongoing operation of the flare will be met with gas collected.

The provision calculation was based on a 25 year period. This period may be required to be longer if the site poses unacceptable environmental risks.

Highbury Landfill Authority**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2022****NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****(j) Going Concern Basis**

The Board of Management of HLA notes the accumulated deficit of \$2,238,470. The Authority is required to manage the post-closure of the Highbury landfill and the Authority has a statutory guarantee from its Member Councils to meet all financial obligations and accordingly has prepared the financial statements on a going concern basis.

(k) New Accounting Standards

There were no new accounting standards implemented during the financial year. There are no proposed changes in future accounting standards, interpretations or guidance statements which are expected to have a material impact on the accounting policies of the Authority in future periods as at the time of preparing the financial statements.

HIGHBURY LANDFILL AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2022

Note 2 - INCOME

	Notes	2022 \$	2021 \$
OPERATING INCOME			
Interest Income		-	7
Sundry Income		20,454	18,710
LGFA Investment Income		199	206
Movement in Provision	6	457,724	391,241
		<u>478,377</u>	<u>410,163</u>

HIGHBURY LANDFILL AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2022

Note 3 - EXPENSES

	2022	2021
Notes	\$	\$
Materials, Contracts and Other Expenses		
Auditor's Remuneration		
- Auditing the financial reports	3,000	3,000
Depreciation		
Plant & Equipment	25,218	25,218
Total Expenses	28,218	28,218

HIGHBURY LANDFILL AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2022

Note 4 - CURRENT ASSETS

	2022	2021
CASH & EQUIVALENT ASSETS	\$	\$
Cash on Hand and at Bank	215,568	107,073
LGFA Investment Account	1,204	1,005
	216,772	108,078
TRADE & OTHER RECEIVABLES		
Trade Receivables	21,856	19,935
GST Receivable	3,175	2,347
Total	25,031	22,282

HIGBURY LANDFILL AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2022

Note 5 - PROPERTY, PLANT & EQUIPMENT

	2021				2022			
	\$				\$			
	AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT	AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT
Land	-	1,800	-	1,800	-	1,800	-	1,800
Plant & Equipment	-	330,270	(195,775)	134,495	-	330,270	(220,993)	109,277
TOTAL PROPERTY, PLANT & EQUIPMENT	-	332,070	(195,775)	136,295	-	332,070	(220,993)	111,077
<i>Comparatives</i>		332,070	(170,557)	161,513	-	332,070	(195,775)	136,295

HIGHBURY LANDFILL AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2022

Note 5 - PROPERTY, PLANT & EQUIPMENT

	2021	CARRYING AMOUNT MOVEMENTS DURING YEAR							2022
	\$	\$							\$
	CARRYING AMOUNT	Additions		Disposals	Depreciation	Impairment	Transfers		Net Revaluation
	New/Upgrade	Renewals	In				Out		
Land	1,800	-	-	-	-	-	-	-	1,800
Plant & Equipment	134,495	-	-	-	25,218	-	-	-	109,277
TOTAL PROPERTY, PLANT & EQUIPMENT	136,295	-	-	-	25,218	-	-	-	111,077
Comparatives	161,513	-	-	-	25,218	-	-	-	136,295

This Note continues on the following pages.

HIGHBURY LANDFILL AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2022

Note 6 - LIABILITIES

	Notes	2022		2021	
		Current	Non-current	Current	Non-current
TRADE & OTHER PAYABLES		\$		\$	
Goods & Services		17,916	-	4,125	-
Accrued Expenses - other		4,004	-	5,608	-
Capital Contributions Received in Advance		89,465	-	-	-
		<u>111,385</u>	<u>-</u>	<u>9,733</u>	<u>-</u>

The Authority has recorded a liability to recognise that a Member Council has pre-paid their annual Member Council Contributions relating to FY2023 prior to 30 June 2022. As at 1 July 2022, the Authority has converted the liability to an equity contribution to be recognised in FY2023

BORROWINGS

Loans	<u>27,554</u>	<u>104,913</u>	<u>26,549</u>	<u>132,467</u>
	<u>27,554</u>	<u>104,913</u>	<u>26,549</u>	<u>132,467</u>

PROVISIONS

Provision for Highbury Post Closure	<u>204,952</u>	<u>2,142,546</u>	<u>244,702</u>	<u>2,736,319</u>
	<u>204,952</u>	<u>2,142,546</u>	<u>244,702</u>	<u>2,736,319</u>

Movements in Provisions - 2022 year only

<i>(current & non-current)</i>	
Opening Balance	2,981,021
(Less) Payments recorded & accrued	(175,799)
Add (Less) Remeasurement Adjustments	<u>(457,724)</u>
Closing Balance	<u>2,347,498</u>

The Authority has an ongoing obligation under the Environment Protection Act 1993 to manage the post-closure phase of the landfill for at least 25 years. A provision for the Highbury Landfill closure has been accrued. A net present value (NPV) calculation has then been made by estimating cash flows to manage the Highbury site .

The cash outflows have been escalated at an inflation forecast of 2.5% per annum (2021:2%) and the discount rate used is equivalent to the 10 year Commonwealth Bond rate - indicative mid rate 30 June 2022 adjusted to 30 June balance dates. This NPV calculation has been incorporated into the provision and represents the Authority's best estimate of its future liability to manage the Highbury Landfill post-closure phase.

In 2012, the Board of the Highbury Landfill Authority resolved to have the cash flow estimates and assumptions in the provision spreadsheet reviewed by Golders Associates. Their summary conclusion was that the provision appears to be reasonable based on available information.

The Audit Committee of the Highbury Landfill Authority has recommended that the provision be reviewed annually and that the provision be independently reviewed every 3 years. As such, a review by Golder Associates was undertaken in the 2021 year-end provision and was found to be reasonable.

HIGHBURY LANDFILL AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2022

Note 7 - RECONCILIATION TO CASH FLOW STATEMENT

(a) Reconciliation of Cash

Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

	Notes	2022	2021
		\$	\$
Total cash & equivalent assets	4	216,772	108,078
Balances per Cash Flow Statement		<u>216,772</u>	<u>108,078</u>

**(b) Reconciliation of Change in Net Assets to Cash
from Operating Activities**

Net Surplus (Deficit)		444,645	375,454
Non-cash items in Income Statement			
Movement in Post Closure Provision		(457,724)	(391,241)
Depreciation, amortisation & impairment		25,218	25,218
		<u>12,139</u>	<u>9,431</u>
Add (Less): Changes in Net Current Assets			
Net (increase) decrease in receivables		(2,749)	13,013
Net increase (decrease) in trade & other payables		12,187	(3,596)
Net increase (decrease) in other provisions		(175,799)	(150,437)
Net Cash provided by (or used in) operations		<u>(154,222)</u>	<u>(131,589)</u>

HIGHBURY LANDFILL AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2022

Note 8 - FINANCIAL INSTRUMENTS

All financial instruments are categorised as *loans and receivables*.

Accounting Policies - Recognised Financial Instruments

Bank, Deposits at Call, Short Term Deposits	<p>Accounting Policy: Carried at lower of cost and net realisable value; Interest is recognised when earned.</p> <p>Terms & conditions: Deposits are returning fixed interest rates of 0.55%</p> <p>Carrying amount: approximates fair value due to the short term to maturity.</p>
Receivables - Fees & other charges	<p>Accounting Policy: Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.</p> <p>Terms & conditions: Unsecured, and do not bear interest. Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries.</p> <p>Carrying amount: approximates fair value (after deduction of any allowance).</p>
Liabilities - Creditors and Accruals	<p>Accounting Policy: Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Council.</p> <p>Terms & conditions: Liabilities are normally settled on 30 day terms.</p> <p>Carrying amount: approximates fair value.</p>
Liabilities - Interest Bearing Borrowings	<p>Accounting Policy: Carried at the principal amounts. Interest is charged as an expense as it accrues.</p> <p>Terms & conditions: secured over future revenues, borrowings are repayable (describe basis); interest is charged at a fixed rate of 3.75%</p> <p>Carrying amount: approximates fair value.</p>

Highbury Landfill Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2022

Note 8 (cont) - FINANCIAL INSTRUMENTS

Liquidity Analysis

2022	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
Financial Assets	\$	\$	\$	\$	\$
Cash & Equivalents	216,772	-	-	216,772	216,772
Receivables	25,031	-	-	25,031	25,031
Total	241,803	-	-	241,803	241,803
Financial Liabilities					
Payables	111,385	-	-	111,385	111,385
Current Borrowings	32,265	-	-	32,265	27,554
Non-Current Borrowings	-	112,928	-	112,928	104,913
Total	143,650	112,928	-	256,578	243,852
2021	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
Financial Assets	\$	\$	\$	\$	\$
Cash & Equivalents	108,078	-	-	108,078	108,078
Receivables	22,282	-	-	22,282	22,282
Total	130,360	-	-	130,360	130,360
Financial Liabilities					
Payables	9,733	-	-	9,733	9,733
Current Borrowings	32,265	-	-	32,265	26,549
Non-Current Borrowings	-	145,193	-	145,193	132,467
Total	41,998	145,193	-	187,191	168,749

Net Fair Value

All carrying values approximate fair value for all recognised financial instruments. There is no recognised market for the financial assets of the Authority.

Risk Exposures

Credit Risk represents the loss that would be recognised if counterparties fail to perform as contracted. The maximum credit risk on financial assets of the Authority is the carrying amount, net of any allowance for doubtful debts. All Authority investments are made with the SA Local Government Finance Authority and are guaranteed by the SA Government. Except as detailed in Note 4 in relation to individual classes of receivables, exposure is concentrated within the Authority's boundaries, and there is no material exposure to any individual debtor.

Market Risk is the risk that fair values of financial assets will fluctuate as a result of changes in market prices. All of the Authority's financial assets are denominated in Australian dollars and are not traded on any market, and hence neither market risk nor **currency risk** apply.

Liquidity Risk is the risk that the Authority will encounter difficulty in meeting obligations with financial liabilities. In accordance with the model Treasury Management Policy (LGA Information Paper 15), liabilities have a range of maturity dates.

Interest Rate Risk is the risk that future cash flows will fluctuate because of changes in market interest rates. The Authority has a balance of both fixed and variable interest rate borrowings and investments. Cash flow fluctuations are managed holistically in seeking to minimise interest costs over the longer term in a risk averse manner.

HIGHBURY LANDFILL AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2022

Note 9 - UNIFORM PRESENTATION OF FINANCES

	2022	2021
	\$	\$
Income	478,377	410,163
Expenses	<u>(33,732)</u>	<u>(34,709)</u>
Operating Surplus / (Deficit)	444,645	375,454
 Net Outlays on Existing Assets		
Add back Depreciation, Amortisation and Impairment	25,218	25,218
	<u>25,218</u>	<u>25,218</u>
 Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets <i>(including investment property & real estate developments)</i>	-	-
Amounts received specifically for New and Upgraded Assets	-	-
	<u>-</u>	<u>-</u>
 Net Lending / (Borrowing) for Financial Year	 <u>469,863</u>	 <u>400,672</u>

HIGHBURY LANDFILL AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2022

Note 10 - CONTINGENCIES & ASSETS & LIABILITIES NOT RECOGNISED
IN THE STATEMENT OF FINANCIAL POSITION

There were no contingent assets or liabilities to 30 June 2022 that need to be disclosed in the financial statements.

HIGHBURY LANDFILL AUTHORITY**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2022****Note 11 - EVENTS OCCURRING AFTER REPORTING DATE**

There were no events subsequent to 30 June 2022 that need to be disclosed in the financial statements.

HIGHBURY LANDFILL AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2022

Note 12 - DISCLOSURES OF RELATED PARTY TRANSACTIONS

The Key Management Personnel include the Board and Chief Executive Officer under section 112 of the Local Government Act 1999. In all, one entity (TJH Management Services Pty Ltd) was paid the following total compensation management and administrative services:

	2022
Contractor Payments	\$ 63,657.00
Post-employment benefits	\$ -
Long term benefits	\$ -
Termination benefits	\$ -
TOTAL	\$ 63,657.00

Transactions with Related Parties

Related Party Entity	Sale of Goods & Services (\$)	Equity Contributions (\$)	Amounts Outstanding from Related Parties (\$)	Descriptions of Services provided to Related Parties
City of Burnside	-	100,812	-	Rehabilitation of landfill site
City of Norwood, Payneham & St.Peters Corporation of the Town of Walkerville	-	80,714	-	Rehabilitation of landfill site
	-	18,474	-	Rehabilitation of landfill site

The Related Parties disclosed above are equity owners of the Authority and as referred to as Member Councils. Member Councils have equal representation on the Board of the Authority and accordingly have significant influence on the financial operating decisions of the Authority. No one Member Council individually has control of those policies.

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North Adelaide SA 5006

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Dean Newbery
ABN: 30 164 612 890

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE Highbury Landfill Authority**

Opinion

We have audited the financial report of the Highbury Landfill Authority (the Authority), which comprises the Statement of Financial Position as at 30 June 2022, the Statement of Comprehensive Income, the Statements of Changes in Equity, the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and other explanatory information and the Certification of Financial Statements.

In our opinion, the financial report presents fairly, in all material respects, the financial position of the Authority as at 30 June 2022, and its financial performance and its cash flows for the year then ended in accordance with the *Local Government Act 1999*, *Local Government (Financial Management) Regulations 2011* and the Australian Accounting Standards (including Australian Accounting Interpretations).

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described as in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Authority in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information other than the Financial Report and Auditor's Report Thereon

The Authority is responsible for the other information. The other information comprises the information included in the Authority's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility for the Financial Report

The Authority is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011*. The Authority's responsibility includes establishing and maintaining internal control relevant to preparation and fair presentation of the financial report so that it is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Authority is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that the audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by those charged with governance.
- Conclude on the appropriateness of the Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DEAN NEWBERY



SAMANTHA CRETEN
PARTNER

Signed on the 13th day of September 2022,
at 214 Melbourne Street, North Adelaide

HIGHBURY LANDFILL AUTHORITY**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2021****CERTIFICATION OF AUDITOR INDEPENDENCE**

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of Highbury Landfill Authority for the year ended 30 June 2022, the Authority's Auditor, Dean Newbery, has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22(3) *Local Government (Financial Management) Regulations 2011*.


Trevor Hockley
CHIEF EXECUTIVE OFFICER


Cr John Minney
PRESIDING MEMBER
AUDIT COMMITTEE

Date: 8 September 2022

File Number: qA88244
Enquiries To: Skye Grinter-Falzun
Direct Telephone: 8366 4539



City of
Norwood
Payneham
& St Peters

CHIEF
EXECUTIVE'S
OFFICE

1 September 2022

Mr Trevor Hockley
Executive Officer
Highbury Landfill Authority
C/- PO Box 289
Brooklyn Park SA 5032

Via email to: trevor@tjhms.com.au

175 The Parade,
Norwood SA 5067

PO Box 204
Kent Town SA 5071

Telephone
8366 4555

Email
townhall@npsp.sa.gov.au

Website
www.npsp.sa.gov.au

Dear Trevor

I Mario Barone, CEO of the City of Norwood Payneham & St Peters, Member Council of the Highbury Landfill Authority, state that to the best of my knowledge and belief, Dean Newbery, the Auditor of the Highbury Landfill Authority, has complied with Regulation 22(3) in that the Auditor has not undertaken any services to the Highbury Landfill Authority outside of the scope of the Auditor's functions under the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011*.

Yours sincerely

Mario Barone PSM
CHIEF EXECUTIVE OFFICER



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- Community Well-being is...
- Social Equity
- Cultural Vitality
- Economic Prosperity
- Environmental Sustainability

TOWN OF



WALKERVILLE

The Corporation of the Town of Walkerville

ABN 49 190 949 882

66 Walkerville Terrace, Gilberton SA 5081

PO Box 55, Walkerville SA 5081

Contact Officer: Acting CEO, Scott Reardon

Telephone: (08) 8342 7100

Facsimile: (08) 8269 7820

Email: walkerville@walkerville.sa.gov.auwww.walkerville.sa.gov.au

5 September 2022

Mr Trevor Hockley
Executive Officer
Highbury Landfill Authority

via email: trevor@tjhms.com.au

Dear Mr Hockley,

Re: Town of Walkerville Auditor Independence

I Scott Reardon, Acting CEO of the Town of Walkerville, Member Council of the Highbury Landfill Authority, state that to the best of my knowledge and belief, Dean Newbery, the Auditor of the Highbury Landfill Authority, has complied with Regulation 22(3) in that the Auditor has not undertaken any services to the Highbury Landfill Authority outside of the scope of the Auditor's functions under the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011.

Yours sincerely

Scott Reardon
Acting Chief Executive Officer

31 August 2022

Mr Trevor Hockley
Executive Officer
Highbury Landfill Authority
via email: trevor@tjhms.com.au

Dear Trevor,

**RE: Highbury Landfill Authority Audited Financial Statements
FY22 - Auditor Independence**

I, Chris Cowley, CEO of the City of the City of Burnside, Member Council of the Highbury Landfill Authority, state that to the best of my knowledge and belief, Dean Newbery, the Auditor of the Highbury Landfill Authority, has complied with Regulation 22(3) in that the Auditor has not undertaken any services to the Highbury Landfill Authority outside of the scope of the Auditor's functions under the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011.

Yours sincerely,



Chris Cowley
Chief Executive Officer

HEAD OFFICE214 Melbourne Street
North Adelaide SA 5006PO Box 755
North Adelaide SA 5006T: (08) 8267 4777
www.deannewbery.com.auDean Newbery
ABN: 30 164 612 890**Auditor's Independence Declaration under Section 22 of the Local Government
(Financial Management) Regulations 2011 to the Highbury Landfill Authority**

I confirm that, for the audit of the financial statements of the Highbury Landfill Authority for the year ended 30 June 2022, I have maintained my independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Part 4A, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011* made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22 (5) *Local Government (Financial Management) Regulations 2011*.



SAMANTHA CRETEN
PARTNER

Signed on the 13th day of September 2022,
at 214 Melbourne Street, North Adelaide, South Australia 5006

6.7 FINANCE POLICIES

REPORT AUTHOR: Accountant
GENERAL MANAGER: General Manager, Corporate & Community Services
CONTACT NUMBER: 8366 4585
FILE REFERENCE: qA98586/A497948
ATTACHMENTS: A - D

PURPOSE OF REPORT

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

BACKGROUND

Pursuant to Section 125 of the *Local Government Act 1999*, the Council must ensure that appropriate policies, practices and procedures of internal control are implemented and maintained in order to assist the Council to carry out its activities in an efficient and orderly manner to achieve its objectives, to ensure adherence to management policies, to safeguard the Council's assets, and to secure (as far as possible) the accuracy and reliability of the Council's records.

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

RELEVANT STRATEGIC DIRECTIONS & POLICIES

Not Applicable.

FINANCIAL AND BUDGET IMPLICATIONS

Not Applicable.

EXTERNAL ECONOMIC IMPLICATIONS

Not Applicable.

SOCIAL ISSUES

Not Applicable.

CULTURAL ISSUES

Not Applicable.

ENVIRONMENTAL ISSUES

Not Applicable.

RESOURCE ISSUES

Not Applicable.

RISK MANAGEMENT

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

CONSULTATION

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

DISCUSSION

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

TABLE 1: PROPOSED POLICY AMMENDMENTS

Policy	Details of Proposed Amendment
Expenditure Policy (Attachment A)	Updated position titles to reflect the Future Ready Organisation Structure Changes. Reviewed financial delegations to reflect operational and budget responsibilities.
Budget Review Policy & Guidelines (Attachment B)	Included in the Policy & Guidelines that unspent funds for completed projects are not eligible to be carried forward.
Credit Cards Policy (Attachment C)	No changes recommended.
Payments Policy (Attachment D)	With the resignation of the General Manager, Corporate & Community Services and the Manager, Finance the organisation is down two (2) cheque signatories and electronic payment release authorisers. To meet the operational needs, the Manager, Governance & Legal and the Manager, Information Services have been added to the list of electronic payment release authorisers and the Manager, Governance & Legal as a cheque signatory.

OPTIONS

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

CONCLUSION

To ensure compliance with Section 125 of the Act, the Council must have in place appropriate policies, practices and procedures which assist the Council to carry out its activities in an efficient and orderly manner. It is important to ensure that the policies adopted by the Council are regularly reviewed to ensure that they reflect the current operating environment and continue to meet the Council's overall objectives.

COMMENTS

Nil

RECOMMENDATION

1. That the Audit Committee notes that the following policies have been reviewed and notes that no amendments are recommended.
 - Credit Cards Policy (Attachment C).
2. That the Audit Committee notes that the following policies have been reviewed and notes that amendments are recommended.
 - Expenditure Policy (Attachment A);
 - Budget Review Policy & Guidelines (Attachment B); and
 - Payments Policy (Attachment D)
3. That the Audit Committee recommends to the Council that the following policies be adopted.
 - Expenditure Policy (Attachment A);
 - Budget Review Policy & Guidelines (Attachment B); and
 - Credit Cards Policy (Attachment C)
 - Payments Policy (Attachment D).

Attachment A

Finance Policies

Expenditure Policy

City of Norwood Payneham & St Peters
175 The Parade, Norwood SA 5067

Telephone 8366 4555
Facsimile 8332 6338
Email townhall@npsp.sa.gov.au
Website www.npsp.sa.gov.au



City of
**Norwood
Payneham
& St Peters**



NAME OF POLICY: Expenditure Policy

POLICY MANUAL: Finance

BACKGROUND

Section 44 (2) of the *Local Government Act 1999*, provides that delegations may be made to:

- an employee of the Council; or
- the employee of the Council for the time being occupying a particular office or position.

In respect to approval of expenditure, the delegation is limited to the expenditure of money on works, services and operations which are contained in the Annual Budget Plan as adopted by the Council. Expenditure in excess of the approved budget, are to be authorised in line with the Council Budget Review Policy and Guidelines.

DISCUSSION

The City of Norwood Payneham & St Peters operates in an environment which is subject to public scrutiny and legislative requirements. The Council is required to ensure that financial resources are allocated in an effective and efficient manner to ensure that “best value” is achieved and the continuation of service provision to the City in the most efficient and cost effective manner.

When purchasing goods and services to support the operations of the Council, consideration is required to be given to;

- obtaining value for money consistent with specified standards of quality and service;
- minimising risks to the Council and Staff; and
- ensuring transparency in all decision making.

KEY PRINCIPLES

This Policy applies to all expenditure which is incurred by the Council. Expenditure must be properly authorised before the Council is to be committed to the expenditure.

The general guidelines to be followed for all expenditure, which should be paid for only after:

- the purchase of goods and/or services has been properly authorised;
- the services provided and or a goods received, have been checked for quality, quantity and performance criteria agreed at the time the purchase was approved; and
- the invoice details have been verified;
 - against purchase requisition / order / approval;
 - to evidence receipt of goods / services;
 - for correct pricing, extensions and additions; and
 - to ensure all available discounts and incentives have been availed.

The Delegation of Authority sets out a list of staff with the authority to approve the purchase of goods and services. The Delegation level is based on the position and the value of the purchase.

At the time of expenditure commitment, authorised signatories must satisfy themselves that the general guidelines have been followed.

POLICY

All invoices and commitment of expenditure must be authorised for payment in line with the Delegation of Authority listed in;

Schedule 1: Delegation of Authority; and
Schedule 2: Delegation of Authority – Specified Transactions.

If repairs associated with Work Health, Safety or Security are required to be attended to after normal working hours, the Responsible Officer is authorised to purchase whatever goods or services are required to carry out the repair or secure the situation until the next working day. However, the Responsible Officer is required to use discretion regarding the level of repair affected.

REVIEW PROCESS

This Policy will be reviewed within 12 months of the adoption of the Policy.

INFORMATION

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

ADOPTION OF THE POLICY

This Policy was endorsed by the Audit Committee on 26 March 2012.
This Policy was adopted by the Council on 2 April 2012.
This Policy was endorsed by the Audit Committee on 25 February 2013.
This Policy was adopted by the Council on 4 March 2013.
This Policy was endorsed by the Audit Committee on 24 February 2014.
This Policy was adopted by the Council on 3 March 2014.
This Policy was endorsed by the Audit Committee on 25 May 2015.
This Policy was adopted by the Council on 1 June 2015.
This Policy was endorsed by the Audit Committee on 29 February 2016.
This Policy was adopted by the Council on 7 March 2016.
This Policy was endorsed by the Audit Committee on 27 February 2017.
This Policy was adopted by the Council on 6 March 2017.
This Policy was endorsed by the Audit Committee on 26 February 2018.
This Policy was adopted by the Council on 5 March 2018.
This Policy was endorsed by the Audit Committee on 25 February 2019.
This Policy was adopted by the Council on 6 March 2019.
This Policy was endorsed by the Audit Committee on 24 February 2020
This Policy was adopted by the Council on 2 March 2020
This Policy was endorsed by the Audit Committee on 25 May 2020
This Policy was adopted by the Council on 1 June 2020
This Policy was endorsed by the Audit Committee on 24 May 2021
This Policy was adopted by the Council on 7 June 2021
This Policy was endorsed by the Audit Committee on 23 May 2022
This Policy was adopted by the Council on 6 June 2022
[This Policy was endorsed by the Audit Committee on 24 October 2022](#)
[This Policy was adopted by the Council on 7 November 2022](#)

SCHEDULE 1: DELEGATION OF AUTHORITY

<u>Nature & Level</u>		Limits (per transaction)	
All Invoices within adopted budget (excludes Specified Transactions)			
Chief Executive Officer		As per Council Delegation	
General Managers		\$100,000	
Managers – Level 1		\$50,000	
Manager – Level 2		\$20,000	
Responsible officers – Level 1		\$10,000	
Responsible officers – Level 2		\$5,000	
Other Specified Positions			
* Building Maintenance Officer		\$5,000	
▪ Senior Mechanic		\$5,000	
▪ Clerical Administration Officer – City Services		\$5,000	
▪ Executive Assistants to General Managers and CEO & Mayor		\$2,500	
▪ Corporate Card holders (not Responsible Officers)		\$2,500	
▪ Planning Assistants		\$5,000	
▪ Administration Assistant – Child Care Centre		\$2,500	
* Assistant Manager – Swim Centre		\$2,000	
* Cook – Child Care Centre		\$1,000	
Managers Level 1	Managers Level 2	Responsible Officers Level 1	Responsible Officers Level 2
Manager, City Assets	Manager, Community Care Services	Team Leader Regulatory Services	Co-ordinator, Volunteer Services
Manager, City Services	Manager, Information Systems	Assets and Special Projects Manager Project Manager, Assets	Youth Development Officer
Manager, Economic Development & Strategic Projects Manager, City Projects	Manager, Development Assessment	Project Manager, Civil	Event Co-ordinator
	Manager, Urban Planning & Sustainability	Works Co-ordinator – Civil Maintenance Project Manager, Buildings	Community Art Officer
	Manager, Library Services and Lifelong Learning	Works Co-ordinator – Parks & Garden Works Co-ordinator – Civil	City Arborist
	Manager, Organisational Development	Venue Manager, Norwood Concert Hall Works Co-ordinator – Parks & Garden	Corporate Records Co-ordinator
	Manager, Finance	Director, St Peters Childcare Centre & Pre-school	Economic Development Co-ordinator
	Manager, Economic Development & Strategy	Manager, Swimming Centres Manager, Norwood Concert Hall	Collections Development Team Leader Team Leader – Collections & Digital Services
	Manager, Arts, Culture & Community Connections	Manager, Communications & Community Engagement Director, Child Care Centre	Lifelong Learning Team Leader Team Leader – Library Customer Experience
		Manager, Traffic & Integrated Transport Manager, Swimming Centres	Facilities & Building Maintenance Officer Manager, WHS & Risk
		Manager, Chief Executive Office Communications Officer	Cultural Heritage Advisor Manager, Governance, Legal and Property
		Manager, Governance & Legal Manager, Traffic & Integrated Transport	Coordinator, Events & Marketing
		Manager, WHS & Risk	Assistant Manager, Swimming Centres

			Assistant Director, St Peters Childcare Centre & Pre-school
Standing Delegations			
Where the relevant General Manager/Department Manager is not available, other General Managers, Department Managers and Chief Executive Officer can authorise invoices for payment in their absences, up to their respective delegation.			

SCHEDULE 2: DELEGATION OF AUTHORITY – SPECIFIED TRANSACTIONS

<u>Nature & Level</u>	Limits (per transaction)
Contract Purchases	As per the Tenders & Contracts Procurement Policy & Guidelines
Contracted Purchase/Lease Agreements (once negotiated)	Relevant General Manager (as per contracted amounts only) Manager, City Services (consumable/stores purchases) <\$100,000
Project Approval	Council >\$250,000 Chief Executive Officer <\$250,000
Project Spend (approved project)	Relevant General Manager <\$250,000 Project Manager Capital <\$25,000 Operating Projects <\$10,000
IT Hardware & Software & Maintenance	Manager, Information Systems
Communications Equipment	Manager, Information Systems
Payroll (including employee deductions)	General Manager, Corporate Services Manager, Finance
Encashment of Leave Entitlements	Manager, Organisational Development
Recruitment (placing of advertisement etc)	Human Resources Officer/Advisor < \$5,000
Facility Hire Related Transactions	Communities Facility Officer <\$750
Taxation related payments (GST,FBT,PAYG etc)	Manager, Finance
Reimbursement of personal expenditure - General Manager - Other employees	Chief Executive Officer Immediate Manager
Insurance Renewals	Chief Executive Officer > \$100.00 General Manager, Corporate Services < \$50,000 100,000
Insurance Claim Settlements	Chief Executive Officer >\$5,000 General Manager, Corporate Services <\$5,000
Rates Related Transactions	General Manager, Corporate Services Manager, Finance >\$5,000 Rate & Revenue Officer <\$5,000
Provision for Doubtful Debts	Council >\$5,000 Chief Executive Officer <\$5,000
Write off bad debt against provision	Chief Executive Officer <\$5,000
Asset sales & write offs	Council >\$250,000 Chief Executive Officer <\$250,000 In line with Asset & Land Disposal Policy
Initiate, settle or abandon any legal action in Council name	Council All action
Salary Increases - General Managers - GM Direct Reports - Other employees	Chief Executive Officer In line with re-classification policy In line with re-classification policy
Standing Delegations	

Where the relevant General Manager/Department Manager is not available, other General Managers, Department Managers and Chief Executive Officer can authorise invoices for payment in their absences, up to their respective delegation.

Attachment B

Finance Policies

Budget Review Policy & Guidelines

City of Norwood Payneham & St Peters
175 The Parade, Norwood SA 5067

Telephone 8366 4555
Facsimile 8332 6338
Email townhall@npsp.sa.gov.au
Website www.npsp.sa.gov.au



City of
**Norwood
Payneham
& St Peters**



City of
Norwood
Payneham
& St Peters

NAME OF POLICY: Budget Review Policy

POLICY MANUAL: Finance

BACKGROUND

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

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

DISCUSSION

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

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

POLICY

1. The Council's Budget Reviews will be prepared to ensure compliance with the *Local Government Act, 1999* and the *Local Government (Financial Management) Regulations, 2011*.
2. In preparing the Budget Review, reference must be given to the Council's Adopted Annual Budget.
3. A Budget Update report is to be prepared and included in the Agenda of the Ordinary Meeting of Council in the months of December and May each year.
4. A Mid-Year Review report will be prepared and included in the Agenda of the Ordinary Meeting of Council in the month of March each year.

5. The Chief Executive Officer and General Managers may approve Budget variations within the scope of the approved budget allocations without obtaining Council approval.
6. Justification for Budget variations outside the scope of the approved budget allocations must be provided by Responsible Officers.
7. Budget variations outside the scope of the approved budget allocations must be approved by the Council.
8. Un-expended Budgets associated with [approved capital and operating](#) projects which have not been completed, included in the budget for the previous year, may be carried forward as part of the current year Budget. [Un-expended budgets for completed capital and operating projects are not carried forward to new budget years.](#)

REVIEW PROCESS

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

INFORMATION

The contact officer for further information at the City of Norwood Payneham & St Peters is Council's General Manager, Corporate [& Community](#) Services, telephone 8366 4585.

ADOPTION OF THE POLICY

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

This Policy was adopted by the Council on 1 June 2015.

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

This Policy was adopted by the Council on 7 November 2016.

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

This Policy was adopted by the Council on 5 November 2018.

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

This Policy was adopted by the Council on 5 November 2018.

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

This Policy was adopted by the Council on 2 November 2020.

This Policy was endorsed by the Audit Committee on [24 October 2022](#).

This Policy was adopted by the Council on [7 November 2022](#).



City of
Norwood
Payneham
& St Peters

NAME OF POLICY: Budget Review Policy Guidelines

POLICY MANUAL: Finance

PURPOSE

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

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

DISCUSSION

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

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

GUIDELINES

Budget Review Considerations

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

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

Timing of Reviews

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

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

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

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

Requests for Budget Variations

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

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

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

Approval of Variations outside the scope of the Budget

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

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

Approval of variations within the scope of the Budget

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

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

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

Carry forward of Project expenditure

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

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

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

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

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

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

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

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

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

REVIEW PROCESS

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

INFORMATION

The contact officer for further information at the City of Norwood Payneham & St Peters is Council's General Manager, Corporate & [Community](#) Services, telephone 8366 4585.

ADOPTION OF THE GUIDELINE

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

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

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

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

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

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

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

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

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

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

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

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

Attachment C

Finance Policies

Credit Cards Policy

City of Norwood Payneham & St Peters
175 The Parade, Norwood SA 5067

Telephone 8366 4555
Facsimile 8332 6338
Email townhall@npsp.sa.gov.au
Website www.npsp.sa.gov.au



City of
**Norwood
Payneham
& St Peters**



City of
Norwood
Payneham
& St Peters

NAME OF POLICY: Credit Cards Policy

POLICY MANUAL: Finance

BACKGROUND

Pursuant to Section 125 of the *Local Government Act 1999*, the Council must ensure that appropriate policies, practices and procedures of internal control are implemented and maintained, in order to assist the Council to carry out its activities in an efficient and orderly manner to achieve its objectives, to ensure adherence to management policies, to safeguard the Council's assets and to secure (as far as possible) the accuracy and reliability of the Council's records.

DISCUSSION

The City of Norwood Payneham & St Peters operates in an environment which is subject to public scrutiny. The Council is required to ensure that cash resources are allocated and used in an effective manner to minimize rate increases to its rate payers and to ensure the continuation of service provision to the community in the most efficient and cost-effective manner.

The use of credit cards to make small value purchases is considered to be a cost-effective purchasing method.

KEY PRINCIPLES

The intent of this Policy is to provide guidance with respect to the use of Council issued Credit Cards to Council Staff.

POLICY

Council Credit Cards may be issued only to an approved person on the authority of the Chief Executive Officer.

Council Credit Cards are not to be issued to short-term contractors, consultants, or contract personnel, who have contracts that provide for them to be reimbursed for costs which they may incur.

Only staff who are authorised to incur expenditure can approve expenditure on Credit Cards.

Council Credit Cards must not be used to incur personal expenditure, or expenditure on behalf of other organisations, even if it will be reimbursed at a later date.

The Card holder is the staff member whose name appears on the Corporate Credit Card. It is the card holder's responsibility to adhere to the following requirements:

- ensure use of the credit card is within the Council's Expenditure Policy;
- sign the Credit Card immediately upon receipt;
- keep the Credit Card and associated Pin Number in a safe and secure place;
- keep card holder and account details up to date;
- retain all original tax invoices, sales vouchers and receipts and attach these to the Monthly Statement;
- reconcile Statements, providing the appropriate account number, description of transaction, including the business purpose, for each item on the Statement for the expenditure to be

costed to and submitted to his or her manager for authorisation during the monthly reconciliation period; and

- notifying the bank and relevant Finance staff if the Credit Card is lost or stolen.

The cardholders Manager is responsible to review and question transactions that appear inappropriate, unusual and that expenditure incurred is within the expenditure delegation of staff member requesting the payment of expenditure via the credit card before signing the Credit Card Monthly Reconciliation.

Misuse of a Council Credit Card may lead to the Card being cancelled and the staff member may be required to pay restitution to the Council and disciplinary action may be taken against the staff member.

REVIEW PROCESS

The Council will review this Policy within 24 months of the adoption date of the Policy.

INFORMATION

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

ADOPTION OF THE POLICY

This Policy was endorsed by the Audit Committee on 26 March 2012.
This Policy was adopted by the Council on 2 April 2012.
This Policy was endorsed by the Audit Committee on 25 February 2013.
This Policy was adopted by the Council on 4 March 2013.
This Policy was endorsed by the Audit Committee on 24 February 2014.
This Policy was adopted by the Council on 3 March 2014.
This Policy was endorsed by the Audit Committee on 25 May 2015.
This Policy was adopted by the Council on 1 June 2015.
This Policy was endorsed by the Audit Committee on 29 February 2016.
This Policy was adopted by the Council on 7 March 2016.
This Policy was reviewed by the Audit Committee on 26 February 2018.
This Policy was adopted by the Council on 5 March 2018.
This Policy was reviewed by the Audit Committee on 24 February 2020.
This Policy was adopted by the Council on 2 March 2020.
This Policy was reviewed by the Audit Committee on 26 October 2020
This Policy was adopted by the Council on 2 November 2020
This Policy was reviewed by the Audit Committee on [24 October 2022](#)
This Policy was adopted by the Council on [7 November 2022](#)

TO BE REVIEWED

October 2024

Attachment D

Finance Policies

Payments Policy

City of Norwood Payneham & St Peters
175 The Parade, Norwood SA 5067

Telephone 8366 4555
Facsimile 8332 6338
Email townhall@npsp.sa.gov.au
Website www.npsp.sa.gov.au



City of
**Norwood
Payneham
& St Peters**



City of
Norwood
Payneham
& St Peters

NAME OF POLICY: Payments Policy

POLICY MANUAL: Finance

BACKGROUND

Pursuant to Section 125 of the *Local Government Act 1999*, the Council must ensure that appropriate policies, practices and procedures of internal control are implemented and maintained, in order to assist the Council to carry out its activities in an efficient and orderly manner to achieve its objectives, to ensure adherence to management policies, to safeguard the Council's assets and to secure (as far as possible) the accuracy and reliability of the Council's records.

DISCUSSION

The City of Norwood Payneham & St Peters operates in an environment which is subject to public scrutiny and legislative requirements. The Council is required to ensure that financial resources are allocated in an effective manner to ensure that "best value" is achieved and the continuation of service provision to the community in the most efficient and cost effective manner.

At the time of payment, authorised signatories must satisfy themselves that the:

- purchase of goods and/or services have been properly authorised; and
- the invoice details have been verified
 - against purchase requisition / order / approval;
 - to evidence receipt of goods / services;
 - for correct pricing, extensions and additions; and
 - to ensure all available discounts and incentives have been availed.
 -

The City of Norwood Payneham & St Peters will make supplier payments on a weekly basis.

KEY PRINCIPLES

All Council disbursements are authorised in line with the Council's Expenditure Policy, prior to the payment being made.

This Policy applies to all payments which are made by the Council.

POLICY

The Council will make payments in line with the supplier's agreed payment terms.

Where the payment terms are not specified, the Council's standard payment term is thirty (30) days from the date of the invoice.

All payments must be authorised for payment in line with the Council's Expenditure Policy.

A payment on behalf of the Council, must be made by a cheque drawn on Council's bank, Electronic Funds Transfer (EFT) or Direct Debit. The preferred payment method is EFT.

Cheques shall be printed on Council stationery, pre-numbered and issued in numerical sequence. A cheque register is required to be maintained at all times.

The Cheque Register must be signed by authorised cheque signatories.

All disbursements shall be authorised for payment by any two (2) of the following authorised signatories;

ANZ Transactive (EFT Payments)	General Manager, Corporate Services, Manager, Finance Accountant, Assistant Accountant
Cheque Signatories	Chief Executive Officer, General Manager, Corporate Services, Manager, Finance, Accountant, Assistant Accountant.

Documentation regarding disbursements shall be retained for the period set down prescribed by the *State Records Act 1997*.

REVIEW PROCESS

The Council will review within 24 months of adoption of the Policy.

INFORMATION

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

ADOPTION OF THE POLICY

This Policy was endorsed by the Audit Committee on 26 March 2012.
 This Policy was adopted by the Council on 2 April 2012.
 This Policy was endorsed by the Audit Committee on 25 February 2013.
 This Policy was adopted by the Council on 4 March 2013.
 This Policy was endorsed by the Audit Committee on 24 February 2014.
 This Policy was adopted by the Council on 3 March 2014.
 This Policy was endorsed by the Audit Committee on 25 May 2015.
 This Policy was adopted by the Council on 1 June 2015.
 This Policy was endorsed by the Audit Committee on 29 February 2016.
 This Policy was adopted by the Council on 7 March 2016.
 This Policy was endorsed by the Audit Committee on 26 February 2018.
 This Policy was adopted by the Council on 5 March 2018.
 This Policy was endorsed by the Audit Committee on 24 February 2020.
 This Policy was adopted by the Council on 2 March 2020.
 This Policy was endorsed by the Audit Committee on February 2022.
 This Policy was adopted by the Council on March 2022.

TO BE REVIEWED

February 2024

6.8 INTERNAL CONTROL AND RISK MANAGEMENT ASSESSMENT

REPORT AUTHOR: Management Accountant
GENERAL MANAGER: General Manager, Corporate Service
CONTACT NUMBER: 8366 4585
FILE REFERENCE: qA98586/A471389
ATTACHMENTS: A - B

PURPOSE OF REPORT

The purpose of this report is to provide the Audit Committee with an update on the status of the Council's major risks and the assessment of the Council's Internal Controls.

BACKGROUND

The 2022-2023 Audit Committee Work Program requires the Committee to:

- a. *Identify whether weaknesses in internal controls have been previously identified, e.g. by management or Council's external auditor, and if so whether action has been taken to have them addressed:*
 - *consider the range of documented internal control policies and procedures; and*
 - *whether they are being followed.*
- b. *Develop and monitor the delivery of the Council's Strategic Internal Audit Plan by:*
 - *meeting with the Council's Internal Auditors to discuss any points of concern raised by the Internal Auditor, as part of the delivery of the Strategic Audit Plan;*
 - *assessing the appropriateness of the Council's response to matters raised in the Internal Audit Reports; and*
 - *annually review the appropriateness of the Council's three (3) year Strategic Internal Audit Plan.*
- c. *Review Management's assessment of Council's major risks.*
- d. *Establish whether locally appropriate strategies exist to minimise the likelihood of occurrence and adverse consequence for obvious and major risks. Consider:*
 - *whether an assessment has been undertaken to identify foreseeable events with potentially catastrophic consequences and actions established to minimise their likelihood and effect*
 - *whether a business continuity plan has been developed in case of major damage to key Council properties or other, (e.g. computer, assets);*
 - *whether there are significant risks that have been identified by Council's insurers that have not been reasonably addressed and therefore could jeopardise insurance cover in this regard; and*
 - *adequacy of insurance coverage.*

At its meeting held on 15 October 2010, the Audit Committee requested that Risk Management be a standard item on its agenda and that a brief report be prepared for each meeting confirming that the risks remain current and that the identified existing controls remain in place.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

Not Applicable.

FINANCIAL AND BUDGET IMPLICATIONS

Additional funding may be required to complete the work which has been requested by the Audit Committee, depending on the nature and timeframes which are set for any further work required to be undertaken.

EXTERNAL ECONOMIC IMPLICATIONS

Nil.

SOCIAL ISSUES

Nil.

CULTURAL ISSUES

Nil.

ENVIRONMENTAL ISSUES

Nil.

RESOURCE ISSUES

Refer to Financial Implications above.

RISK MANAGEMENT

The risks identified to be managed are contained in **Attachment B**.

CONSULTATION

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

DISCUSSION

Financial Internal Controls

A self-assessment of the Council's Financial Internal Controls was undertaken for the twelve (12) month period ending 30 June 2022. The Overall Organisational effectiveness rating for the assessment period was 4.87 out of a maximum score of 5 (2021: 4.89), which would indicate that the controls which are in place have been consistently and or effectively applied in the majority of cases.

While there has been no significant movement in the overall assessment, as detailed in Table1 below, there have been movements within each assessment category.

TABLE 1: ASSESSED RATING BY CATEGORY

Category	2022	2021	Comments
Assets	4.81	4.92	While overall, the internal controls in place have been assessed as being effective, when compared to the 2021 assessment, there has been a decrease in the assessed effectiveness of the cash flows and petty cash controls due to a delay in the review of the cash handling policy review as a result of staff absences resulting from COVID-19 and associated isolation requirements.
Liabilities	4.92	4.88	The marginal increase in the rating due to the internal controls in the taxation being assessed by a different staff member compared to 2020-2021 Financial Year.
Revenue	4.88	4.84	The increase in the rating of assessment is due to improvements in the grants reconciliation process and improved communication between the project managers and the Finance team, which has resulted in a more effective review of grant income against the budget.
Expenses & External Services	4.93	4.95	The slight reduction in rating is due to changes in staffing during the assessment period.
Strategic Financial Planning	4.94	4.88	The increase in the assessment is due primarily to an improvement in the Journal narrations provided to explain the transactions.
Financial Governance	5.00	5.00	No changes in the rating.

Attachment A contains a summary report on the assessment which has been undertaken and the action plans which have been developed to strengthen the control activities which require improvements.

Risk Management Assessment

Following the risk review and risk workshop held on 11 September 2019, eight (8) strategic risks and thirteen (13) operational risks were identified. Upon review of the nature of the risks and the existing controls which are in place, five (5) strategic risks and three (3) operational risks were identified with a target risk greater than the residual risk. To reduce the risk to the target risk rating, a number of treatment plans were identified to mitigate against the risks. The status of the risks requiring additional mitigation strategies and controls is contained in **Attachment B**.

Internal Audit

The Council has in place a three (3) year Strategic Internal Audit Plan (the Plan) which, following the recommendation of the Audit Committee, was adopted by the Council on 4 November 2019.

The contract with the Council's Internal Audit Service Provider expired in August 2021. In consideration of Best Practice, the Council re-tested the market to ensure that the Council was receiving the best value for money for its Internal Audit Function.

Bentley (SA) Pty Ltd were appointed, with the contract term commencing on 1 May 2022, as such not internal audits were undertaken during the year.

Information Security Breaches

The Council's 2015 Risk Management Plan identified the Breach of Confidentiality and Destruction of Information, Communications and Technology, as risks which the Council is required to manage and implement treatment plans in order to mitigate the risks. While the Council has a number of existing controls in place such as IT Security Controls and system procedures and policies which address these two risks, a staff initiated the establishment of the Information Security Committee (the Committee) in October 2016, with the following purpose:

'...to provide a structured and formal forum for assessing information security risks; including reviewing existing and past Information security incidents'

In addition, the Committee will work to understand industry trends and new threat scenarios to identify initiatives and mitigation strategies that counteract existing and future risks. Through regular meetings, Information Security processes will be continuously challenged, assessed and enhanced, outcomes from incident investigations will be tracked and staff awareness will remain in focus.'

The Committee meets on a quarterly basis, and is co-ordinated by the Manager, Information Services and supported by the General Manager, Corporate & Community Services.

Security incidents are categorised into 3 areas, namely:

- Confidentiality – protecting information from disclosure to unauthorized parties;
- Integrity – protecting information from being modified by unauthorized parties; and
- Availability – ensuring that authorized parties are able to access information when needed.

Between July 2021 and June 2022, the Committee tracked and reviewed two (2) Information Security incidents, one (1) associated with Confidentiality, one (1) associated with Integrity and zero (0) associated with Availability. Over the same period, no security information breaches were identified.

As at the time of writing this report, there has been 1285 days since the last information security breach. The previous period was 920 days.

It is noted that previous incidents and the resulting preventative actions continue to have a positive impact on how often incidents occur and when they do, how long the incidents last and the severity of the impact.

Details of the Incident Summary for the period from July 2021 to June 2022 are detailed in Table 2 below.

TABLE 2: BREACH SUMMARY JULY 2020 - JUNE 2021

Date	Threat type	Impact	Reactive Actions	Preventative actions/Comments
27 June 2022	Virus/Trojan	A staff members opened a zip file containing a Virus	Controls blocked the Virus from running	The virtual PC and email were deleted. The staff member was provided aware training.
4 March 2022	Phishing	A staff members provided password to a phishing scam	The staff member changed their password	The phishing email was from a known service provider

OPTIONS

Nil.

CONCLUSION

Nil.

COMMENTS

Nil.

RECOMMENDATION

That the report be received and noted.

Attachment A

Internal Control and Risk Management Assessment

City of Norwood Payneham & St Peters
175 The Parade, Norwood SA 5067

Telephone 8366 4555
Facsimile 8332 6338
Email townhall@npsp.sa.gov.au
Website www.npsp.sa.gov.au



City of
**Norwood
Payneham
& St Peters**

**Financial Internal Controls
Self- Assessment
June 2022**



City of
**Norwood
Payneham
& St Peters**

Financial Internal Controls Self-Assessment

June 2022

BACKGROUND

Internal control is one of the foundations of a good Corporate Governance Framework. The Councils approach to internal control is based on a pro-active, risk aware culture that reviews and identifies the key business risks that the organisation faces. By implementing an Internal Control Framework, the Council is able to demonstrate both a practical commitment to governance processes and transparency in the delivery of the Framework.

In addition, the Council will be adequately equipped to meet the statutory obligations under Section 125 of the Local Government Act 1999 (“Local Government Act”), which states that:

“a council must ensure that appropriate policies, practices and procedures of internal control are implemented and maintained in order to assist the council to carry out its activities in an efficient and orderly manner to achieve its objectives, to ensure adherence to management policies, to safeguard the council’s assets, and to secure (as far as possible) the accuracy and reliability of council records”.

The primary responsibility for managing organisational risks on a day-to-day basis rest with the Councils Management and forms the “first line of defence” for the Council. The “second line of defence” are the policies and procedures which govern organisational activities and processes. By monitoring activities, using tools such as the internal control self-assessment, boundaries and expected standards by which the organisation operates are established. The “third line of defence” consists of internal audit which is charged with the responsibility to perform an objective assessment on the performance of control activities and business processes.

The financial internal control environment, which is part of the Council’s broader internal control processes, is designed to assist the Council in addressing the risk of fraud and error, improving reliability of financial reporting and compliance with laws, regulations and policies. It focuses on Council’s financial processes and functions that deal with, but are not limited to, budgeting, financial reporting, transaction processing, financial delegations, treasury management and infrastructure management.

A good financial internal control environment will provide confidence to all stakeholders that:

- the Council’s assets are safeguarded;
- financial and non-financial reporting is reliable;
- the Council complies with legislation and Council policies;
- the Council’s operations are effective and efficient.

The effectiveness of the control environment are assessed on a scale from 1 – 5. Table 1 describes the control effectiveness ratings.

Financial Internal Controls Self-Assessment

June 2022

A3**TABLE 1: CONTROL EFFECTIVENESS RATINGS**

Score	Score Definition	
0	n/a or not rated	no rating as not relevant or not implemented
1	Ineffective	During the period, the control has not been implemented as described. Urgent management action is required to implement the described control processes.
2	Requires significant improvement	During the period, the control has been implemented as described, but with significant deficiencies in the consistency or effectiveness of implementation. Significant management action required to implement processes to improve the effectiveness of the control.
3	Partially effective	During the period, the control has been implemented as described, but with some deficiencies in the consistency and/or effectiveness in which it has been applied.
4	Majority effective	During the period, the control has been implemented as described and in the majority of cases has been consistently and/or effectively applied. There is potential to enhance the effectiveness of the control, but only with minor adjustments.
5	Effective	During the period, the control as described has been fully implemented and has in all cases has been consistently and/or effectively applied.

INTRODUCTION

The following report summarises the results of the Council's self-assessment of the financial control environment for the previous twelve (12) months to June 2022. The assessment is based on a desk top review by the Council's Finance Staff. The initial assessment of the financial control is undertaken by the staff member (control owner) responsible for the business process on a day-to-day basis, with the supervisor/manager of the business process reviewing the control effectiveness rating, to determine the overall control effectiveness. Where a control effectiveness rating was deemed to be partially effective or less, action plans have been developed to address the weakness in the control environment.

SUMMARY OF RESULTS

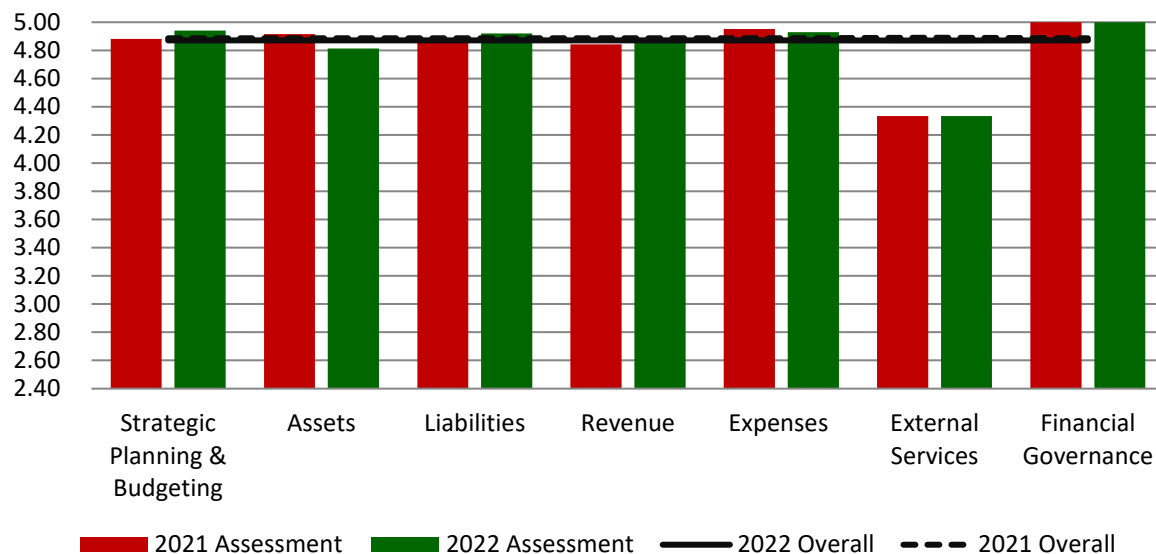
The Overall Organisational Effectiveness rating for the assessment period was 4.87 out of a maximum score of 5 (2021: 4.89), which means that the controls in place have been consistently and or effectively applied in the majority of cases. Compared to the previous rating, the overall rating has remained consistent with previous assessments, as detailed in Figure 1 albeit, there has been some minor movements in the ratings within each category.

Financial Internal Controls Self-Assessment

June 2022

A4

FIGURE1: FINANCIAL INTERNAL CONTROLS SELF-ASSESSMENT BY CATEGORY



A breakdown of each business process and associated risks within each category are detailed below.

ASSETS

Table 2 outlines the business processes assessed within the Assets category; with a description of the risks the control environment is designed to minimise.

TABLE 2: ASSET BUSINESS PROCESS AND ASSOCIATED RISKS

Business Process	Risk
Petty Cash & Banking	<ul style="list-style-type: none"> Banking transactions are either inaccurately recorded or not recorded at all Cash Floats and Petty Cash transactions are either invalid, inaccurately recorded or not recorded at all Cash Floats and Petty Cash are inadequately safeguarded Fraud (i.e. misappropriation of funds)
Debtors	<ul style="list-style-type: none"> Debtors are either inaccurately recorded or not recorded at all Credit notes to debtors are either inaccurately recorded or not recorded at all An appropriate provision for doubtful debts is not recorded Debtors are either not collected on a timely basis or not collected at all The Debtors master file data does not remain pertinent.
Fixed Assets	<ul style="list-style-type: none"> Fixed asset acquisitions, disposals and write-offs are fictitious, inaccurately recorded or not recorded at all. Fixed Asset Register (FAR) does not remain pertinent Fixed assets are inadequately safeguarded Fixed Assets are not valued correctly initially or on subsequent revaluation Fixed Asset maintenance and/or renewals are inadequately planned Depreciation charges are either invalid, not recorded at all or are inaccurately recorded which includes inappropriate useful lives and residuals.

Financial Internal Controls Self-Assessment

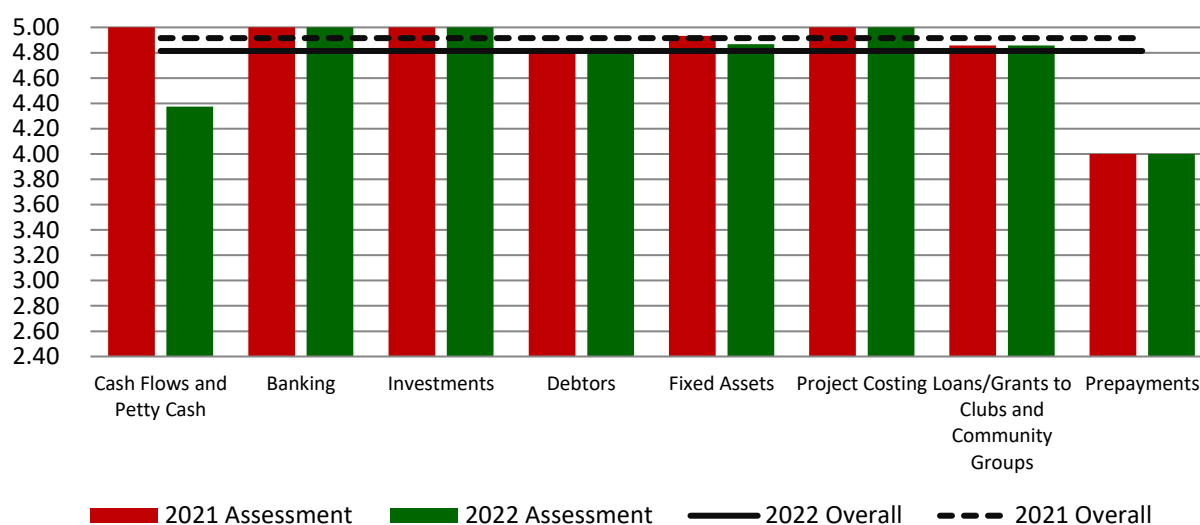
June 2022

A5

Business Process	Risk
Investments	<ul style="list-style-type: none"> • Council makes poor investment decisions. • Investment transactions are either not recorded or are recorded inaccurately • Investment income is inaccurately calculated or not recorded in the appropriate period. • Conflict of interest impacts negatively upon the investment decision
Loans and or Grants to Clubs and Community Groups	<ul style="list-style-type: none"> • Council issues Loans / Grants inappropriately • Loans/Grants to Clubs/Community Groups are inaccurately recorded or not recorded at all • Clubs/Community Groups are not able to repay Loans/Grants to the Council.
Prepayment	<ul style="list-style-type: none"> • Prepayments are either inaccurately recorded or not recorded at all
Project Costing	<ul style="list-style-type: none"> • Project Costs are either inaccurately recorded or not recorded at all

The effectiveness rating for the assessment period was 4.81 (2021: 4.92). The decrease in the rating is due to the Council's Cash Handling policy review being delayed as a result of the Citizen Service department being understaffed through resignations and absences resulting from COVID-19 isolation requirements.

FIGURE 2 FINANCIAL INTERNAL CONTROLS - ASSETS



Compared to the previous Assessment, there has been a decrease in the assessed rating in the Fixed Assets area due to the review of fixed assets' useful lives set out in the Asset Management Plan not being undertaken as part of the latest review to ensure consistency with the Council's fixed assets lives set out in the Depreciation Policy.

LIABILITIES

Table 3 sets out the business processes assessed within the Liabilities category; with a description of the risks the control environment is designed to minimise.

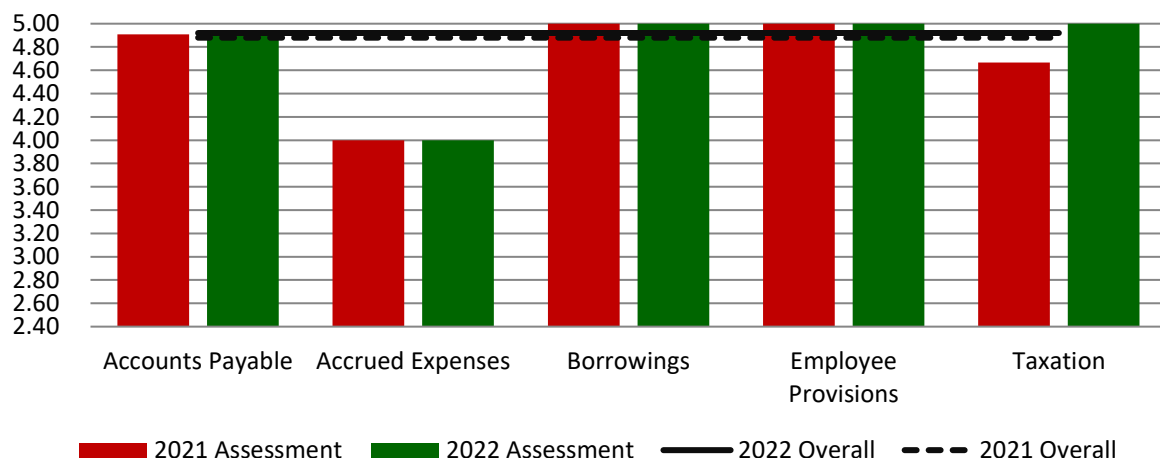
Financial Internal Controls Self-Assessment

June 2022

A6**TABLE 3: LIABILITIES BUSINESS PROCESS AND ASSOCIATED RISKS**

Business Process	Risk
Accounts Payable	<ul style="list-style-type: none"> Accounts payable amounts are either inaccurately recorded or not recorded at all Accounts payable amounts and disbursements are either inaccurately recorded or not recorded at all Disbursements are not authorised properly Accounts are not paid on a timely basis Credit notes and other adjustments to accounts payable are either inaccurately recorded or not recorded at all Supplier master file data does not remain pertinent and/or unauthorised changes are made to the supplier master file.
Accrued Expenses	<ul style="list-style-type: none"> Accrued Expenses are either inaccurately recorded or not recorded at all.
Borrowings	<ul style="list-style-type: none"> Borrowings are either not recorded or are recorded inaccurately Loans are taken out without appropriate approval Loans are not repaid in accordance with the agreed terms Loan repayments are not recorded at all or are recorded inaccurately Lack of working capital to meet Council's financial commitments.
Employee Provisions	<ul style="list-style-type: none"> Employee Provisions are either inaccurately recorded or not recorded at all Payroll master file does not remain pertinent.
Taxation	<ul style="list-style-type: none"> Tax liabilities are either inaccurately recorded or not recorded at all Council does not meet statutory reporting / lodgement deadlines.

The Effectiveness Rating for the assessment period was 4.92 (2021: 4.88), which means that the controls in place have been consistently and or effectively applied in the majority of cases.

FIGURE 3 FINANCIAL INTERNAL CONTROLS- LIABILITIES

Financial Internal Controls Self-Assessment

June 2022

As stated in Figure 3 above, the overall rating with respect to the controls surrounding business process dealing with the Council's Liabilities, have increased marginally, with the increase being recorded within Taxation due to there being no identified non-conformances with lodgement of returns.

REVENUE

Table 4 below outlines the business processes assessed within the Revenue category; with a description of the risks the control environment is designed to minimise.

TABLE 4: REVENUE BUSINESS PROCESS AND ASSOCIATED RISKS

Business Process	Risk
Rates/Rate Rebates	<ul style="list-style-type: none"> • Council does not raise the correct level of rate income • Rates and rate rebates are either inaccurately recorded or not recorded at all • The Property master file does not remain pertinent • Rates are not collected on a timely basis.
Grants	<ul style="list-style-type: none"> • Council loses recurrent Grant funding to provide existing service • Grant funding is not claimed by Council on a timely basis or not claimed at all • Grants are either inaccurately recorded or not recorded at all.
User Pay/Fee for Service	<ul style="list-style-type: none"> • The fee charged does not reasonably reflect the value of the services provided • Council does not apply User Pay principles consistently • User pay income is either inaccurately recorded or not recorded at all.
Investment/Interest Income	<ul style="list-style-type: none"> • Investment income is either inaccurately recorded or not recorded at all.
Receipting	<ul style="list-style-type: none"> • Receipts are either inaccurately recorded or not recorded at all • Receipts are not deposited at the bank on a timely basis.
Other Revenue	<ul style="list-style-type: none"> • Other Revenue is either inaccurately recorded or not recorded at all.

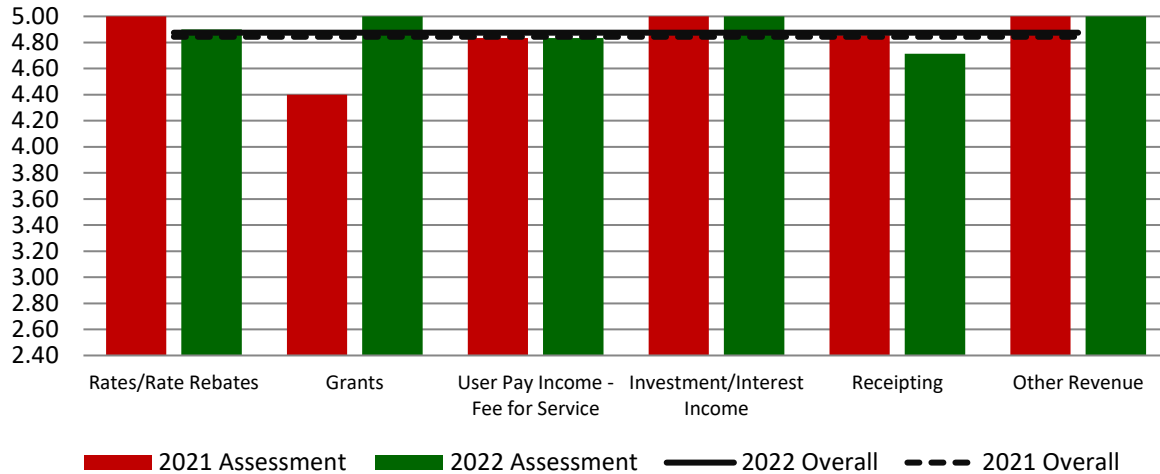
The effectiveness rating for the assessment period was 4.88 (2021:4.84), which means that the controls in place have been consistently and or effectively applied in the majority of cases. As detailed in Figure 4, the rating in the classification of Grant has increased due to improved communication between the Finance team and the respective project managers on grant funding received to ensure that funding is identified and recorded in Budget reviews. The rating in the classification of "Receipting" has decreased due to the assessor and reviewer noting that the bank reconciliation and the investigation of discrepancy sometimes were not processed in a timely manner as a result of understaffing in Finance department due to resignations and absences resulting from COVID-19 isolation requirements.

Financial Internal Controls Self-Assessment

June 2022

A8

FIGURE 4: FINANCIAL INTERNAL CONTROLS - REVENUE



EXPENDITURE & EXTERNAL SERVICES

Table 5 below outlines the business processes assessed within the Expenditure category; with a description of the risks the control environment is designed to minimise.

TABLE 5: EXPENDITURE BUSINESS PROCESS AND ASSOCIATED RISKS

Business Process	Risk
Purchasing & Procurement	<ul style="list-style-type: none"> • Council does not obtain value for money in its purchasing & procurement actives • Purchases of goods and services are made from non-preferred suppliers • Purchase orders are either recorded inaccurately or not recorded at all • Purchase orders are placed for unapproved goods and services • Supplier master file data does not remain pertinent and/or unauthorised changes are made to the supplier master file.
Payroll	<ul style="list-style-type: none"> • Payroll expenses are inaccurately calculated • Payroll disbursements are made to incorrect or fictitious employees • Time and/or attendance data is either invalid, inaccurately recorded or not recorded at all • Payroll master file does not remain pertinent and/or unauthorised changes are made to the payroll master file • Voluntary and statutory payroll deductions are inaccurately processed • Employees are terminated in breach of statutory and enterprise agreements.
Elected Members	<ul style="list-style-type: none"> • Elected Members obtain unauthorised private benefit from Council • Elected Member expenses and allowances are inaccurately recorded or not recorded at all.
Credit Cards	<ul style="list-style-type: none"> • Credit Cards are issued to unauthorised employees. • Credit Cards are used for purchases of a personal nature • Credit Card limits are set at inappropriate levels.

Financial Internal Controls Self-Assessment

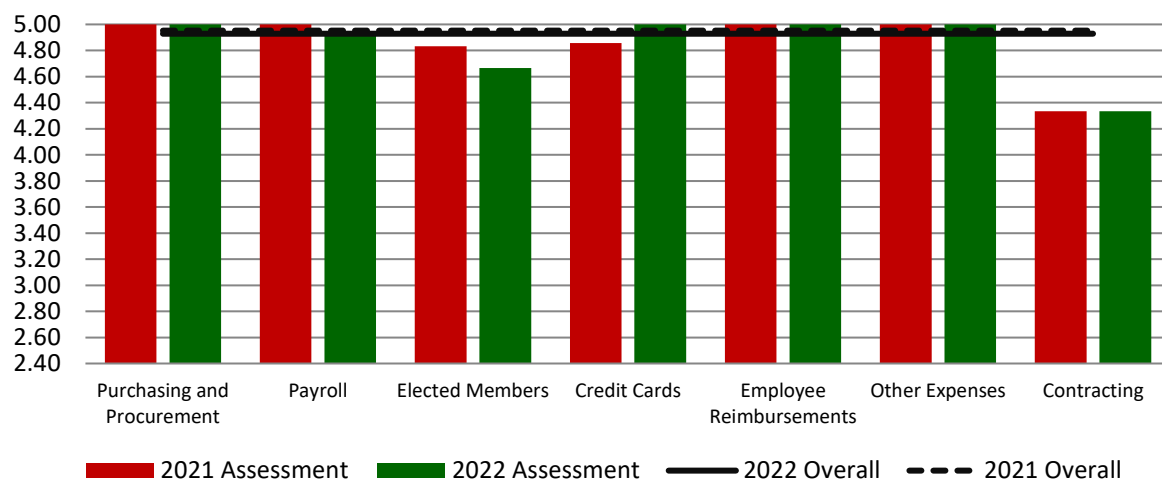
June 2022

A9

Business Process	Risk
Employee Re-imburements	<ul style="list-style-type: none"> • Employees are reimbursed for expenses of a personal nature • Employee reimbursements are either inaccurately recorded or not recorded at all.
Other Expenses	<ul style="list-style-type: none"> • Other Expenses are either inaccurately recorded or not recorded at all • Other Expenses do not represent valid expenses of Council.
External Services	
Contracting	<ul style="list-style-type: none"> • Council is not able to demonstrate that all probity issues have been addressed in the Contracting process • Commitments are made for unapproved goods and services • Council does not obtain value for money in relation to its contracting.

The effectiveness rating for the assessment period was 4.93 (2021:4.95) for expenditure, which means that the controls in place have been consistently and or effectively applied in the majority of cases.

FIGURE 5 FINANCIAL INTERNAL CONTROLS– EXPENSES & EXTERNAL SERVICES



As detailed in Figure 5 above, there is an increase in the classification of Credit Cards and decrease in the classification of Elected Members. The reason for the movement is due to some control questions are assessed by different person during this assessment compared to previous assessment.

While the overall control environments associated with expenditure was assessed as being Majority Effective, there is one area within the expenditure business process where the effectiveness of the control was assessed as “Partially Effective”. Table 6 details the control assessed as partially effective and the associated action plan to address the deficiencies.

TABLE 6: CONTROL WEAKNESS AND ASSOCIATED ACTION PLAN

Business Process	Control	Effective Rating	Identified Weakness	Action Plan	Due Date
Contracting	There is a contract management process in place throughout the term of contract to ensure that supplier/Contractor meet their obligation	3	While the Council's has a Procurement Policy and framework in place, the Contract Management component of the Framework is being developed.	Finalisation of the Contract Management Framework. It is recommended from Contract management Review and the action is delayed due to COVID-19 impacting resource availability.	30/12/2022

STRATEGIC FINANCIAL PLANNING

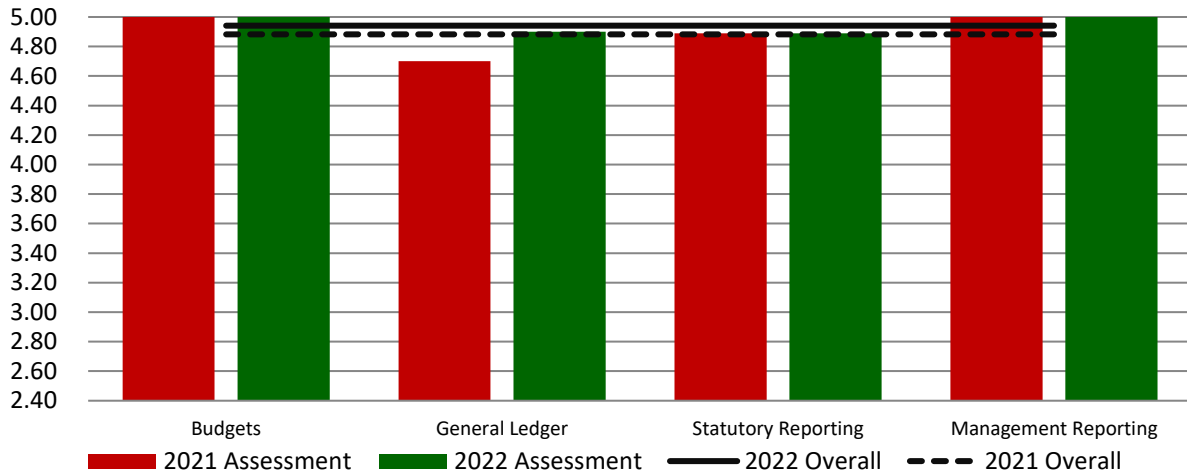
Table 7 outlines the business processes assessed within the Strategic Financial Planning; with a description of the risks the control environment is designed to minimise.

TABLE 7: STRATEGIC FINANCIAL PLANNING BUSINESS PROCESS AND ASSOCIATED RISKS

Business Process	Risk
Budgets	<ul style="list-style-type: none"> • Budgets do not reflect strategic objectives • Unrealistic budgets • Budgets are not compliant with relevant legislation • Budgets are inaccurately reported with differences in the budget adopted by Council, and that exercised by Council administration.
General Ledger	<ul style="list-style-type: none"> • General Ledger does not contain accurate financial information • Data contained within the General Ledger is permanently lost.
Statutory Reporting	<ul style="list-style-type: none"> • Council does not comply with statutory reporting requirements and deadlines • Council's financial information is not reviewed in a timely manner to enable effective decision making • Council's statutory reports provide inaccurate financial information.
Management Reporting	<ul style="list-style-type: none"> • KPIs are not consistent with corporate objectives and accounting policies adopted by Council are not adhered to by Council administration • Council's manage reports provide inaccurate financial information • Significant budget variances are either not investigated on a timely basis or not investigated at all.

The effectiveness rating for the assessment period was 4.94 (2021:4.88). The controls in place have been consistently and or effectively applied in the majority of cases.

FIGURE 6: FINANCIAL INTERNAL CONTROLS - STRATEGIC PLANNING & BUDGETS



As detailed in Figure 6 above, the rating in General Ledger has seen a slight increase. Compared to the previous assessment. The review of the General Ledger has improved due to reinforcing the need for more accurate narrations when entering information.

FINANCIAL GOVERNANCE

Table 8 below sets out the business processes assessed within the Financial Governance; with a description of the risks the control environment is designed to minimise.

TABLE 8: FINANCIAL GOVERNANCE BUSINESS PROCESS AND ASSOCIATED RISKS

Business Process	Risk
Governance	<ul style="list-style-type: none"> • Policies and Procedures do not reflect current requirements • Delegations of authority are not commensurate with job roles and responsibilities • Staff are not aware of their responsibilities to ensure good governance including compliance with policies, procedures and relevant legislation.

The effectiveness rating for the assessment period was 5 (2021: 5). The controls in place have been consistently and or effectively applied in the majority of cases.

Attachment B

Internal Control and Risk Management Assessment

City of Norwood Payneham & St Peters
175 The Parade, Norwood SA 5067

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City of
**Norwood
Payneham
& St Peters**



IDENTIFIED RISKS REQUIRING TREATMENT PLANS

Risk	Inherent Risk	Residual Risk	Target Risk	Treatment Plan	Status
<p>1. Community Expectations</p> <p>The Council is not delivering what the community expects or delivering what has been promised. This can be over or under servicing. The Council is (or should not) delivering certain services and/or projects as the community are (or not) wanting, needing or expecting.</p>	<p>High 9</p> <p>Intolerable without treatment</p>	<p>Substantial 14</p> <p>Tolerable with continual review</p>	<p>Medium 19</p> <p>Tolerable with periodic review</p>	<ul style="list-style-type: none"> Development of Service Standards for key services Develop a multi-channel approach to communicate service standards Development of standard responses or FAQ for sensitive issues and significant projects and changes Policies supporting business practice are regularly reviewed and up dated where appropriate and widely communicated to ensure such policies are administered on a balanced and consistent basis. 	<p>The Council has developed a Service Excellence Framework, designed to identify a single agreed service philosophy and expected standards of service, which is aligned to the Organisational Values. Individual departments are developing Service Excellence Plans.</p> <p>Street and Footpath Sweeping Program available on the Councils' Website.</p> <p>Letter box affected residents when undertaking programmed street tree pruning and civil infrastructure renewal programs.</p> <p>Policy review program and associated framework has been developed. All Council policies have been reviewed and considered by the Council.</p>
<p>2. Non-delivery of a project or not delivery the right project.</p>	<p>High 9</p>	<p>Substantial 14</p>	<p>Medium 19</p>	<ul style="list-style-type: none"> Develop a Corporate Plan, which focusses on the priority in the 	<p>Work has commenced on the development of the Corporate Plan.</p>



IDENTIFIED RISKS REQUIRING TREATMENT PLANS

Risk	Inherent Risk	Residual Risk	Target Risk	Treatment Plan	Status
	Intolerable without treatment	Tolerable with continual review	Tolerable with periodic review	<p>medium term (i.e. 3 years) that links to the Strategic Plans (i.e. City Plan 2030, Long Term Financial Plan, Asset Management Plans)</p> <ul style="list-style-type: none"> Implement a common project management system across the organisation Develop a Project reporting framework, with the focus on what needs to go back to Council (i.e. Strategy & Direction) and what is dealt with at Administration Level (Operational). 	Projects, Organisational Plans (i.e. Smart City, Emissions Plan) work programs, events have been identified along with responsible department and review dates
3. Elected Member conduct	Substantial 13	Medium 19	Low 23	<ul style="list-style-type: none"> Undertake Culture and Values development programs, similar/consistent to the Staff program (Top down, one organisation) Establish Elected Member “group norms”. Develop and implement ongoing/regular training & awareness programs 	Induction program will be undertaken with the new Council following the 2022 Local Government Election
Elected Members (EMs) micro-manage business or communicate inappropriate message.	Tolerable with continual review	Tolerable with periodic review	Acceptable with Periodic review		
4. Lack of innovation and forward planning	High 9	Medium 19	Low 24	<ul style="list-style-type: none"> Infrastructure & Asset Management Plans prepared as a forward planning tool rather than a legislative compliance activity Development of a Corporate Plan which provides medium term plan for service priorities and projects 	<i>Infrastructure & Asset Management Plans</i> have been reviewed and adopted by the Council.
Lack of forward planning in project priorities and consideration of innovative outcomes in asset management.	Intolerable without treatment	Tolerable with periodic review	Acceptable with Periodic review		



IDENTIFIED RISKS REQUIRING TREATMENT PLANS

Risk	Inherent Risk	Residual Risk	Target Risk	Treatment Plan	Status
				<ul style="list-style-type: none"> Reinforce the inclusion of future impacts, when preparing Funding submissions Encourage consideration of innovation and use of emerging technologies when considering proposals and designs Include, value add and innovation in design solutions and consider in procurement activities. 	
<p>5. Lack of Organisational and Departmental Strategy</p> <p>Organisation wide or departmental decisions made without reference to an agreed organisational direction and strategy.</p>	<p>Extreme 5 Intolerable</p>	<p>Substantial 13 Tolerable with Continual review</p>	<p>Low 24 Acceptable with Periodic review</p>	<ul style="list-style-type: none"> Development of a Corporate Plan which provides medium term plan for service priorities and project priorities which link to the Council's suite of Strategic documents (City Plan 2030, LTFP, ABP, IAMP) Grant Funding Applications, to be supported with business case and funding submissions prior to applying for the funds 	<p>Review of the Councils suite of Strategic Management Plans are due within two (2) years following the 2022 Local Government Election.</p> <p>Recent Funding applications have been based on projects proposed within the Long Term Financial Plan</p>
<p>6. Contract management</p> <p>Insufficient management of contracts</p>	<p>Extreme 4 Intolerable</p>	<p>High 9 Intolerable without treatment</p>	<p>Low 24 Acceptable with Periodic review</p>	<ul style="list-style-type: none"> Finalisation of the Contract Management Framework and associated measurement and monitoring tools Annual Refresher training for staff who manage contracts Induction program be enhanced for staff with contract management responsibilities 	<p>Internal Audit Review undertaken. High level Roadmap developed and templates provided to assist in the development of the Framework.</p> <p>Work has commenced</p>



IDENTIFIED RISKS REQUIRING TREATMENT PLANS

Risk	Inherent Risk	Residual Risk	Target Risk	Treatment Plan	Status
7. Contractor management Incorrect contractor management in service/project delivery.	Extreme 4 Intolerable	High 9 Intolerable without treatment	Low 24 Acceptable with Periodic review	<ul style="list-style-type: none"> Increase awareness of WHS Contractor Chapter in WHS Manual or develop/enhance a Contractor Management Framework Development of associated Contractor management and Performance measurement and monitoring tools / templates to ensure consistent application across the organisation 	
8. Business and commercial awareness	Extreme 5 Intolerable	Substantial 14 Tolerable with Continual review	Low 21 Acceptable with Periodic review	<ul style="list-style-type: none"> Refresher Training to be incorporated in the Corporate Training Calendar 	

7. CONFIDENTIAL REPORTS
Nil

8. OTHER BUSINESS
(Of an urgent nature only)

9. NEXT MEETING
To be advised.

10. CLOSURE