

Audit & Risk Committee Agenda & Reports

28 October 2024

Our Vision

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

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

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

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City of
Norwood
Payneham
& St Peters

24 October 2024

To all Members of the Audit & Risk Committee

Committee Members

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

Staff

- Mario Barone (Chief Executive Officer)
- Lisa Mara (General Manager, Governance & Civic Affairs)
- Jenny McFeat (Manager, Governance)
- Natalia Axenova (Chief Financial Officer)

NOTICE OF MEETING

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

Monday 28 October 2024, commencing at 7.00pm

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

A light meal will be available from 6.30pm.

Yours faithfully



Mario Barone
CHIEF EXECUTIVE OFFICER

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

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City of
Norwood
Payneham
& St Peters

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6.1 REVIEW OF FINANCIAL CONTROLS – UPDATE ON INTERNAL AUDIT RECOMMENDATIONS

REPORT AUTHOR: Chief Financial Officer
GENERAL MANAGER: Chief Executive Officer
CONTACT NUMBER: 8366 4585
FILE REFERENCE: qA
ATTACHMENTS: Nil

PURPOSE OF REPORT

The purpose of this report is to advise the Audit & Risk Committee of the Review of Financial Controls that has been undertaken by the Council's External Auditors, Galpins.

BACKGROUND

Pursuant to Section 129 of the *Local Government Act 1999* (the Act), in addition to providing an opinion on a Council's Financial Statements, the Council's Auditor must provide an audit opinion regarding the Council's Internal Controls.

In respect to the Council's Internal Controls, pursuant to Section 125 of the Act, 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.

It should be noted that the Audit Opinion is restricted to financial controls as set out in Section 129 of the Act and relate to the internal controls that have been exercised by the Council during the 2023-2024 financial year in respect to the receipt, expenditure, investment of money, the acquisition and disposal of property and incurring of liabilities.

At its meeting held on 19 August 2024, following consideration of the Review of Financial Controls, the Audit & Risk Committee resolved the following:

1. *That the 2023-2024 Interim Management Letter from the Council's External Auditor, Galpins, titled Financial Controls Review be received and noted.*
2. *That the Financial Controls Review be recommended to the Council for endorsement*
3. *That staff be congratulated on their work on reviewing and addressing the issues that were raised in the 2022-2023 Financial Controls Review Report.*

This report presents an update on the five (5) financial controls that based on the recommendations of the audit, required improvement.

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

Appropriate financial controls are fundamental to an organisation's financial governance framework. Undertaking the review has provided the Chief Executive Officer and the Audit & Risk Committee, with an overview of the current situation and recommendations to address the weaknesses that have been identified.

CONSULTATION

- **Elected Members**
Not Applicable.
- **Community**
Not Applicable.
- **Staff**
Not Applicable.
- **Other Agencies**
Not Applicable.

DISCUSSION

As part of the Interim Audit that has been undertaken, the Council's Auditor, Galpins, has identified that of the 100 Internal Controls that have been reviewed and tested as shown in **Table 1**, 95 are operating effectively, three (3) represent Moderate Risk and two (2) represent a Low Risk Weakness.

The results of the Interim Audit were presented at the Audit & Risk Committee at its meeting held on 19 August 2024 and to the Council at its meeting held on 2 September 2024.

As outlined in the Interim Audit Report, a total of five (5) controls were identified as areas requiring improvement and corrective actions. Since the release of the Interim Audit Report, significant progress has been made in addressing these recommendations.

The purpose of this report is to advise the Committee of the progress that has been made in addressing these recommendations.

TABLE 1: FINANCIAL CONTROLS REVIEW SUMMARY

Business cycles	Controls Reviewed	Operating Effectively	Operating Effectively	2024 Findings			
		2024	2023	H	M	L	BP
General Ledger	11	11	8	-	-	-	-
Fixed Assets	16	13	13	-	2	1	-
Purchasing & Procurement/Contracting	10	9	7	-	1	-	-
Accounts Payable (AP)	13	13	12	-	-	-	-
Rates / Rates Rebates	10	10	8	-	-	-	-
Banking	5	5	4	-	-	-	-
Accounts Receivable (AR)	6	6	5	-	-	-	-
Credit Cards	5	4	1	-	-	1	-
Payroll	19	19	19	-	-	-	-
Receipting	5	5	5	-	-	-	-
Total	100	95	82	-	3	2	-

A total of five (5) controls were identified as areas requiring improvement and corrective actions. Staff have reviewed the report and agree with the recommendations and the Chief Executive Officer has endorsed a process to implement the necessary changes. Completed or corrective actions are outlined below.

a. Moderate Findings (3)

- Finding: Roads, River Torrens Linear Park, off-road carparks and traffic control assets, require updated condition assessments.

Action: The Condition Assessment works for transport related were completed at the end of June 2024.

- Finding: Buildings, civil infrastructure, stormwater and recreation and open space assets, require updated Asset Management Plans

Action: As Committee Members are aware, preparation of the required Asset Management Plan preparation is in progress and was presented to the Council for endorsement and for public consultation at the September Council meeting. The final plans are scheduled to be presented to the Council for final adoption at the November 2024 Council meeting.

- Finding: Inconsistencies in the Procurement Policy Guidelines document and opportunities to improve its contents.

Action: The Council's Procurement Policy has been reviewed and updated following the endorsement by the Council at its October 2024 Council meeting. Guidelines and instructions supporting the various procurement processes are being prepared to address inconsistencies and provide clear directions.

2. Low Findings (2)

- Finding: Assets included in Conquest Asset are not directly linked to the GIS system.

Action: While reconciliation process exists, the proposed system link to GIS is being investigated further.

- Finding: Two instances of credit card statements not being reviewed by an independent officer.

Action: The approval process has been updated to include an additional level of approvals where required.

OPTIONS

Not Applicable. This report is presented for information purposes only.

CONCLUSION

The *Financial Controls Review* has provided a sound basis for considering opportunities for improvement and making those improvements to the Council's Internal Financial Controls, where required.

COMMENTS

Nil.

RECOMMENDATION

That the report be received and noted and the actions that have been taken to resolve the findings noted.

6.2 FINANCIAL SUMMARY 2023-2024 ACTUAL RESULTS V ADOPTED BUDGET

REPORT AUTHOR: Chief Financial Officer
GENERAL MANAGER: Chief Executive Officer
CONTACT NUMBER: 8366 4548
FILE REFERENCE: qA770145
ATTACHMENTS: A

PURPOSE OF REPORT

This report provides a summary of the 2023-2024 Audited result and explanations for variations from the 2023-2024 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 2023-2024 Annual Financial Statements, the 2023-2024 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 \$108,599, compared to the Council's Adopted Operating Budget, which forecast an Operating Surplus of \$1.387 million. The variance was predominantly due to the delay in payment of 85% of the Federal Government's 2024-2025 Financial Assistance Grant, which was due to be received on 28 June 2024. The Grant totalling \$1.267 million was consequently received by Council on 1 July 2024 and therefore recognised in the next financial year (2024-2025). It should be noted that if these funds were received by 30 June 2024, Council's Operating Surplus for the 2023-2024 Financial Year would have been \$1.375 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 Total Comprehensive Income of \$41.944 million against an Adopted Net Surplus of \$17.966 million, with the favourable variance being driven by revaluation of Infrastructure, Property, Plant & Equipment, which is mainly driven by the economy and market fluctuations and is difficult to predict when setting the Budget.

EXTERNAL ECONOMIC IMPLICATIONS

Not Applicable.

SOCIAL ISSUES

Not Applicable.

CULTURAL ISSUES

Not Applicable.

ENVIRONMENTAL ISSUES

Not Applicable.

RESOURCE ISSUES

Nil

RISK MANAGEMENT

Nil

CONSULTATION

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

DISCUSSION

The 2023-2024 Annual Financial Statements have been finalised and will be presented to the Council for adoption at the Council Meeting to be held on 4 November 2024. A separate report has been provided on the 2023-2024 Audited Annual Financial Statements for consideration by the Audit Committee.

Statement of Comprehensive Income

Operating Result

The Council delivered an Operating Surplus of \$108,559, compared to the Council Adopted Operating Budget, which forecasted an Operating Surplus of \$1.387 million, which resulted in an unfavourable variance of \$1,278 million. The major variances (over 5%) from the Adopted Operating Surplus are outlined in Table 1 below.

TABLE 1: MAJOR VARIANCES FROM ADOPTED OPERATING SURPLUS

Account Name	Reasons for the Variance	Amount (\$)
Grants, subsidies & contributions - Operating	Grant funding that has been received is unfavourable to the Adopted Budget which was driven by the delay in receiving 85% of the Federal Government's Financial Assistance Grant advance for 2024-2025	(1,011,592)
Grants, subsidies & contributions - Capital	Grant funding that has been received was favourable to the Adopted Budget, due to the Local Roads and Community Infrastructure (LRCI) Grant Budget being allocated as part of Comprehensive Income instead of being allocated to the Operating Income. The Adopted Budget was revised to reflect the reclassification of this grant to the Operating Income during Third (3) Budget Review.	571,428
Investment Income	Investment Income was unfavourable to the Adopted Budget, due to less interest being received on deposits held at the Local Government Finance Authority compared to the Adopted Budget (\$60,848 compared to the budget of \$120,000) as funds were utilised for expenditure on projects.	(59,151)
Other Income	<p>Other Income was favourable to the Adopted Budget driven primarily by:</p> <ul style="list-style-type: none"> • Historical Open Space Fund Income and Tree Fund Income from previous financial years that were accumulated in the Balance Sheet were released into Other Income as recommended by the Council's Auditors (Open Space Fund Income - \$293,307 and Tree Fund Income - \$18,349) • The receipt of Local Government Finance Authority's annual bonus payments of \$26,037, which is calculated on the average deposit and loan levels held during the financial year. <p>Reimbursements were favourable to the Adopted Budget driven primarily by timing of the recharge invoices:</p> <ul style="list-style-type: none"> • Insurance re-imbursments for claims made during the year of \$83,829, which was offset by expenditure to replace or repair items subject to the insurance claim as part of Materials, contracts & Other Expenses. 	527,712
Employee costs	<p>Employee costs were favourable against the Adopted Budget due to:</p> <ul style="list-style-type: none"> • Difficulties in recruiting staff due to current labour market conditions. To meet operational needs, contract providers were utilised (as shown below). 	1,089,087
Materials, contracts & other expenses	<p>Materials, Contracts & Other Expenses were unfavourable against the Adopted Budget from a combination of various expense lines, but primarily due to:</p> <ul style="list-style-type: none"> • Contracted Services being unfavourable principally due to contracted staff being engaged to cover operational requirements. • Legal fees being higher than forecast Planning & Enforcement activities requiring legal advice and Council seeking general advice and HR legal advice. • Unplanned maintenance costs being unfavourable to Adopted Budget mainly in relation to adhoc repair and maintenance on buildings. 	(1,800,186)
Finance Costs	Finance costs were unfavourable to the Adopted Budget due funds being expensed for 2023-2024 Operating and Capital Projects and completing Carry Forwards from the 2022-2023 financial year.	(154,704)
Depreciation, amortisation & impairment	Depreciation expense was greater than anticipated due to the full year impact of the 2022-2023 Asset Capitalisation and Unit Cost Revaluation.	(390,189)

Non-Operating Income

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

For the 2023-2024 Financial Year, the Council is reporting Non-Operating Surplus of \$2.060 million, against an Adopted Non-Operating Surplus of \$10.722 million, resulting in an unfavourable variance of \$8.662 million. The reasons for unfavourable variance is set out in Table 2 below.

TABLE 2: MAJOR VARIANCES FROM ADOPTED NON-OPERATING INCOME

Reasons for the Variance	Amount (\$'000)
Due to the Trinity Valley Grant being lower compared to Adopted Budget as the forecast percentage of completion of the project was not achieved as scheduled and therefore the full amount of the grant was not recognised in the 2023-2024 financial year.	(2,868)
Due to the net loss as a result of disposal of Payneham Memorial Swimming Centre assets due to the demolition of the buildings and structures and smaller equipment as a result of the ongoing construction.	(4,516)

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 \$41.944 million, which is primarily due to the revaluation of Land & Buildings Assets.

Balance Sheet

The Net Assets of the Council at 30 June 2024 is \$628 million, against an Adopted Budget of \$592 million, favourable variance of \$36 million.

Major reasons for the variance in the Net Assets include:

Assets

Cash deposits with the Local Government Financing Authority is unfavourable by \$1.048 million, with the variance resulting from a lower cash balance due to payments for progressing the Council's 2023-2024 Operating & Capital Projects as well as Carry Forward Projects from the 2022-2023 financial year.

Other Non-current assets represent an increase in Capital Works-in-Progress. As at 30 June 2023, works on capital projects not yet completed amounted to \$8.872 million with the main project being Payneham Memorial Swimming Pool.

Higher than budgeted increase in Infrastructure, Property, Plant & Equipment of \$13.421 million, due to the number of completed projects and revaluation that occurred in 2023-2024.

Liabilities

Trade and Other Payables – with the timing of expenditures at the end of financial year the Council had less than anticipated value of invoices mainly in relation to Capital Expenditure resulting in a \$2.456 million favourable variance to the Adopted Budget.

Short Term Provisions were unfavourable compared to the Adopted Budget by \$632,236, as a result of an increase in Employee entitlements. Due to staff turnover there was a decrease in requests for Leave.

The long-term borrowings planned to be drawn down as part of the Adopted Budget, were not required to the full level as budgeted, due to delay in drawdown of the loans for the Trinity Valley Stormwater Upgrade Project and Payneham Memorial Swimming Centre, resulting in a favourable variance of \$11,018 million.

Attachment A contains the 2023-2024 Financial Statements comparing the actual result to the 2024-2025 Adopted Budget as required by Section 10 of the Regulations.

OPTIONS

There are no options associated with this matter.

CONCLUSION

Nil

COMMENTS

Nil

RECOMMENDATION

That the report be received and noted.

Attachment A

Financial Summary 2023-2024 Actual Results v Adopted Budget



Statement of Comprehensive Income

	BUDGET 2023-2024 \$'000	ACTUAL 2023-2024 \$'000	Variance \$'000
Income			
Rates	43,421	43,667	(246)
Statutory charges	2,100	2,112	(12)
User charges	3,837	3,823	13
Operating grants, subsidies and contributions	2,655	1,643	1,012
Other grants, subsidies and contributions - capital	-	571	(571)
Investment income	120	61	59
Other income	491	1,019	(528)
Net loss joint ventures & associates	-	39	(39)
Total Income	52,624	52,936	(312)
Expenses			
Employee costs	17,789	16,700	1,089
Materials, contracts & other expenses	20,531	22,331	(1,800)
Finance costs	456	611	(155)
Depreciation, amortisation & impairment	12,462	12,852	(390)
Net loss Joint Ventures & Associates	-	334	(334)
Total Expenses	51,237	52,827	(1,590)
Operating Surplus (Deficit)	1,387	109	1,278
Net gain (loss) on disposal or revaluation of assets	25	(4,491)	4,516
Amounts specifically for new or upgraded assets	9,310	6,442	2,868
Physical resources received free of charge	-	-	-
Non Operating Items - Joint Venture and Associates	-	-	-
Net Surplus (Deficit) transferred to Equity Statement	10,722	2,060	8,662
Other Comprehensive Income			
Changes in revaluation Surplus- infrastructure, property, plant & equipment	7,244	39,253	(32,009)
Share of Other comprehensive Income - joint ventures and associates	-	631	(631)
Total Other Comprehensive Income	7,244	39,884	(32,640)
Total comprehensive Income	17,966	41,944	(23,977)

Statement of Financial Position

	BUDGET 2023-2024 \$'000	ACTUAL 2023-2024 \$'000	Variance \$'000
Assets			
Current Assets			
Cash and cash equivalents	2,045	997	1,048
Trade & other receivables	2,941	3,720	(779)
Total Current Assets	4,986	4,717	269
Non-current Assets			
Financial Assets	104	111	(7)
Equity accounted investments in Council businesses	3,389	3,175	214
Infrastructure, Property, Plant & Equipment	632,176	645,596	(13,421)
Other Non-current Assets	-	8,873	(8,873)
Total Non-current Assets	635,669	657,755	(22,086)
Total Assets	640,655	662,472	(21,817)
Liabilities			
Current Liabilities			
Trade & Other Payables	11,284	8,828	2,456
Borrowings	946	1,136	(190)
Short-term Provisions	2,991	3,624	(632)
Other Current Liabilities	-	-	-
Liabilities relating to Non-current Assets held for Sale	-	-	-
Total Current Liabilities	15,222	13,588	1,634
Non-current Liabilities			
Long-term Borrowings	30,038	19,020	11,018
Long-term Provisions	1,217	460	758
Liability - Equity accounted Council Businesses	1,720	970	750
Total Non-current Liabilities	32,975	20,449	12,526
Total Liabilities	48,197	34,038	14,159
Net Assets	592,458	628,435	(35,977)
Equity			
Accumulated Surplus	77,944	66,480	11,464
Asset Revaluation Reserve	514,514	561,954	(47,440)
Total Equity	592,458	628,435	(35,977)

Statement of Changes in Equity

	BUDGET 2023-2024 \$'000	ACTUAL 2023-2024 \$'000	Variance \$'000
Accumulated Surplus			
Balance at end of previous reporting period	67,222	63,789	3,433
Net Surplus/ (Deficit) for year	10,722	2,060	8,662
Other comprehensive Income	-	631	(631)
Balance at end of period	77,944	66,480	11,464
Asset Revaluation Reserve			
Balance at end of previous reporting period	507,270	522,701	(15,431)
Gain on revaluation of infrastructure, property, plant & equipment	7,244	39,253	(32,009)
Share of other comprehensive income - joint ventures and associates	-	-	-
Balance at end of period	514,514	561,954	(47,440)
Total Equity at end of reporting period	592,458	628,434	(35,976)

Statement of Cash Flow

	BUDGET 2023-2024 \$'000	ACTUAL 2023-2024 \$'000	Variance \$'000
Cash Flow from Operating Activities			
<u>Receipts</u>			
Rates - general & other	43,442	43,219	223
Statutory charges	2,100	2,112	(12)
User Charges	3,837	3,823	14
Grants utilised for operating purposes	2,655	1,643	1,012
Investment receipts	120	61	59
Other Income	491	133	358
<u>Payments</u>			
Employee Costs	(17,755)	(16,241)	(1,514)
Contractual services & materials	(22,016)	(23,882)	1,866
Finance payments	(456)	(520)	64
Net Cash provided by (or used in) Operating Activities	12,418	10,348	2,070
Cash flow from Investing Activities			
<u>Receipts</u>			
Amounts specifically for new or upgraded assets	9,310	7,703	1,607
Sale of replaced assets	25	17	8
Repayments of loans by community groups	-	-	-
Capital Distributions from associated entities	-	-	-
<u>Payments</u>			
Expenditure on renewal/replacement of assets	(25,079)	(12,994)	(12,085)
Expenditure on new/upgraded assets	(18,658)	(18,961)	303
Loans made to community groups	-	-	-
Capital contributed to associated entities	(800)	(872)	72
Net Cash provided by (or used in) Investing Activities	(35,202)	(25,107)	(10,095)
Cash Flow from Financing Activities			
<u>Receipts</u>			
Proceeds from Borrowings	22,165	12,543	9,622
<u>Payments</u>			
Repayments of Borrowings	(989)	(1,105)	
Net Cash provided by (or used in) Financing Activities	21,176	11,438	9,738
Net Increase (Decrease) in cash held	(1,607)	(3,321)	1,714
Cash & cash equivalents at beginning of period	3,652	4,317	(665)
Cash & cash equivalents at end of period	2,045	996	1,049

Uniform Presentation of Finances

	BUDGET 2023-2024 \$'000	ACTUAL 2023-2024 \$'000	Variance \$'000
Income	52,624	52,936	(312)
<i>less Expenses</i>	(51,237)	(52,827)	1,590
Operating Surplus (Deficit)	1,387	109	1,278
Net timing adjustment for general purpose grant funding		1,405	(1,405)
Less: grants, subsidies and contributions - capital		(571)	571
Adjusted Operating surplus / (deficit)	1,387	942	445
Net Outlays on Existing Assets			
Capital Expenditure on renewal and replacement of Existing Assets	(25,079)	(12,994)	(12,085)
Depreciation, Amortisation and Impairment	12,462	12,852	(390)
Proceeds from Sale of Replaced Assets	25	17	8
	(12,592)	(125)	(12,467)
Net Outlays on New and Upgraded Assets			
Capital Expenditure on New and Upgraded Assets (including investment property & real estate developments)	(18,658)	(18,961)	303
Add back amounts received specifically for new and upgraded assets	9,310	7,132	2,179
Add back grants, subsidies and contributions - capital new/upgraded		571	(571)
	(9,348)	(11,258)	1,910
Net Lending / (Borrowing) for Financial Year	(20,553)	(10,441)	(10,112)

Financial Indicators

	BUDGET 2023-2024	ACTUAL 2023-2024
	\$	\$
Operating Surplus Ratio		
<u>Operating Surplus/(Deficit)</u>	<u>1,386,997</u>	<u>108,599</u>
Operating Revenue	52,624,000	52,935,643
	2.6%	0.2%
Net Financial Liabilities Ratio		
<u>Net Financial Liabilities</u>	<u>43,106,835</u>	<u>28,239,548</u>
Total Operating Revenue	52,624,000	52,935,643
	81.9%	53.3%
Assets Renewable Ratio		
<u>Net Asset Renewals</u>	<u>25,078,707</u>	<u>12,977,000</u>
Asset Management Plan	16,006,842	12,234,713
	156.7%	106.1%
Interest Cover Ration		
<u>Net Interest Expense</u>	<u>335,901</u>	<u>549,756</u>
Total Operating Revenue less Interest income	52,504,000	52,874,794
	0.6%	1.0%

6.3 ANNUAL FINANCIAL STATEMENTS FOR YEAR END 30 JUNE 2024

REPORT AUTHOR: Senior Finance Business Partner
GENERAL MANAGER: Chief Financial Officer
CONTACT NUMBER: 8366 4548
FILE REFERENCE:
ATTACHMENTS: A – B

PURPOSE OF REPORT

The purpose of this report is to present the 2023-2024 Audited Financial Statements to the Audit & Risk 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 & Risk Committee to include “*reviewing annual financial statements to ensure that they present fairly the state of affairs of the council*”.

A copy of the Statement by the Auditor is contained in **Attachment A**.

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

RELEVANT STRATEGIC DIRECTIONS & POLICIES

The Council's long term strategic directions are outlined in the *City Plan 2030 – Shaping our Future*. The 2022-2023 Annual Business Plan and supporting Budget, set out the services and programs and initiatives for the 2023-2024 Financial Year.

In the 2023-2024 Annual Business Plan, financial sustainability is recognised as a high priority. In adopting the 2023-2024 Budget, the Council forecasted an Operating Surplus of \$1.387 million.

FINANCIAL AND BUDGET IMPLICATIONS

Statement of Comprehensive Income

The Council concluded the 2023-2024 Financial Year with an Operating Surplus of \$108,599 (2022-2023: \$1.954 million), compared to the forecast Operating Surplus of \$1.387 million as set out in the 2023-2024 Adopted Budget. This variance was essentially attributed to the delay in payment of 85% of the Federal Government's 2024-2025 Financial Assistance Grant, which was due to be received on 28 June 2024. The Grant of \$1.267 million was however received by the Council on 1 July 2024 and therefore recognised in the new Financial Year 2024-2025. If the Council received these funds by 30 June 2024, as was initially included in the Budget, the Council would recognise an Operating Surplus for 2023-2024 of \$1.375 million.

All Councils have been affected by the timing of the Grant.

After considering 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 Total Comprehensive Income of \$41.944 million (2022-2023: \$50.111 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 on page 6, the Council concluded the Financial Year with an Operating Surplus of \$108,599 (2022-2023: \$1.954 million).

As highlighted in the previous reports to the Committee, for the last six (6) consecutive years, the Federal Government has made advance payments equal to approximately two quarters of the Financial Assistance Grants. The advance was gradually increased from the 2020-2021 Financial Year.

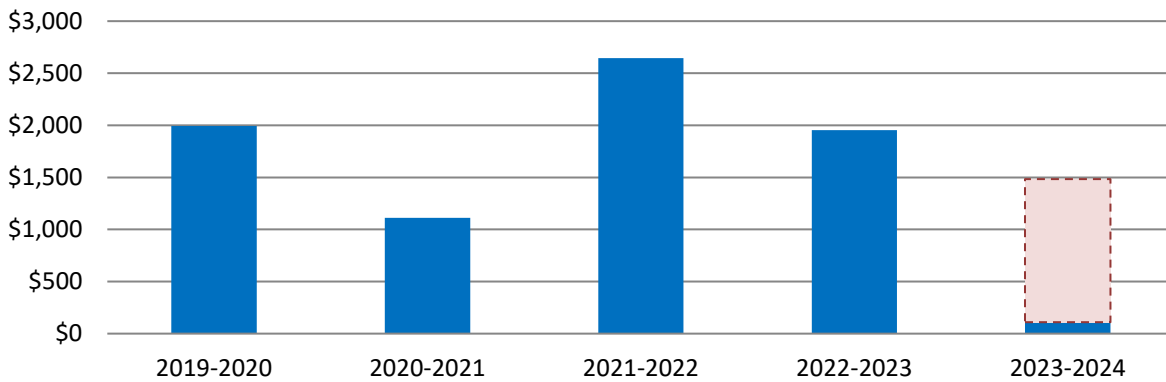
TABLE 1: FINANCIAL ASSISTANCE GRANTS ADVANCE PAYMENTS

Financial Year	Number of Quarters Advanced	Increase in Operating Surplus (Value of Advance)
2023-2024	more than 3	\$0
2022-2023	more than 3	\$1,405,173
2021-2022	3	\$1,071,000
2020-2021	2	\$607,000
2019-2020	2	\$655,000
2018-2019	2	\$595,000

However, the advance payment was not able to be recognised in the 2023-2024 Financial Year Operating result due to the delay in transfer of funds from the Federal Government, thereby impacting Council's Operating Surplus for the 2023-2024 Financial Year. It should be noted, that if Council received this advance of Grant funding, as scheduled on 28 June 2024 and included in the budget, Council would have reported an Operating Surplus for 2023-2024 of \$1.375 million.

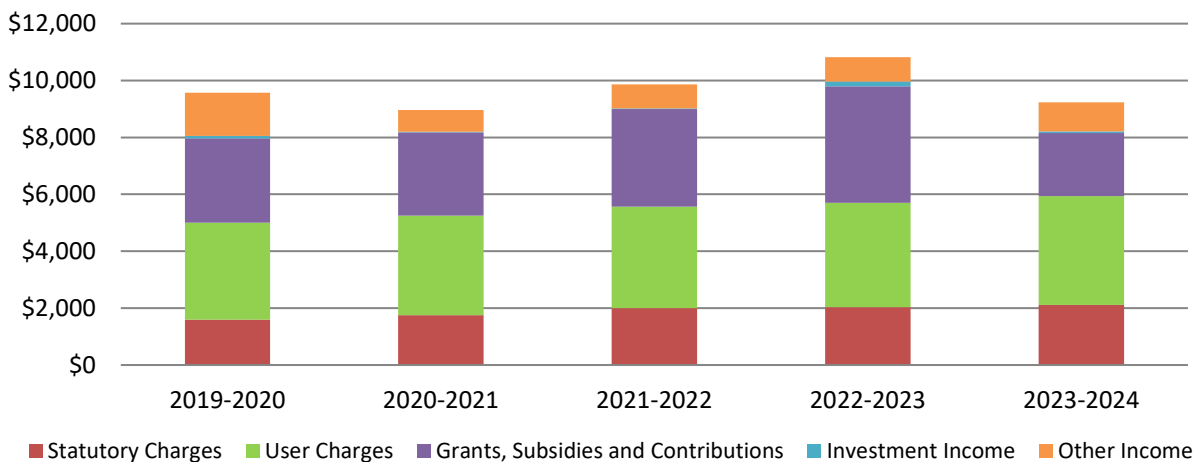
Figure 1 below, shows the Operating Surplus over the last five (5) years and compares the impacts of the advance payment of Financial Assistance Grants.

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



As detailed in Figure 2 below, non-rate revenues have decreased by 15% compared to the 2022-2023 Financial Year, which is due to a combination of the lower interest income that has been received from the Local Government Finance Authority for "cash at bank" as a result of expending funds to advance Operating & Capital projects and Carry forwards from the 2022-2023 Financial Year and the non-recognition of the advance receipt of the 2024-2025 Financial Assistance Grant Funding.

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



The cost to deliver the Council's continuing services (i.e. Recurrent Operating Costs) increased by 8% (\$3.935 million) compared to 2022-2023. Primary drivers for this increase were:

- Depreciation, amortisation and impairment have increased by \$1.290 million compared to 2022-2023, as a result of \$15 million capitalisation of fixed assets during the 2022-2023 Financial Year.
- Employee costs have increased mainly as a result of year-on-year wage increases as contained in Enterprise Bargaining Agreements for Municipal Officers Award of 3% and Local Government Award (Field staff) of 10.5%.
- Finance costs were higher during the year by \$0.155 million, due to increased expenditure on Capital Projects and Carry Forwards from the 2022-2023 Financial Year. This represents a timing difference of the finance cost expected to occur in line with the Capital Budget proposed in 2022-2023. Finance costs for 2022-2023 Financial Year were reported as under budget by \$0.414 million due to Capital Projects that were carried forward to the 2023-2024 Financial Year.

In addition to continuing services, the Council delivered twenty-seven (27) Operating Projects, which encompassed a number of new service initiatives and one-off activities or programs. The net cost of delivering these completed projects was \$1.053 million.

Depreciation, Amortisation & Impairment increased by 11% (\$1.289 million). This increase is attributed to Depreciation costs on the major assets which have been capitalised in the prior year.

b. Non-Operating Items

A Non-Operating impact from assets related activities of \$1,951,267 (gain) is reported for the 2023-2024 Financial Year (2022-2023 Non-Operating Loss \$862,114). The Non-Operating transactions comprised of:

- Loss on Sale and Write-off of Infrastructure Assets renewed as part of the Capital Works program and loss on sales of Payneham Memorial Swimming Centre Assets. (\$4.491 million)
- Grant Funding received or recognised for Capital Projects including: \$6.442 million
 - Trinity Valley Stormwater Upgrade Project Stage 2 \$3,288,444
 - River Torrens Linear Park Path Upgrade Project \$1,350,000
 - Payneham Memorial Swimming Centre Upgrade Project \$560,000
 - Dunstan Adventure Playground Redevelopment Project \$450,000
 - William Street Roundabouts \$430,000
 - Burchell Reserve Upgrade Project \$210,000
 - Annual acquisition of Library Books \$99,939

c. Other Comprehensive Income

Other Comprehensive Income comprises items of income and expenditure 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 for the 2023-2024 Financial Year is \$39.884 million (2022-2023: \$49.019 million).

The major factor contributing to the Income is the indexation of the Councils' Civil Infrastructure, Land and Building Assets.

Balance Sheet

The Net Assets of the Council on 30 June 2024 is \$628 million, an increase of \$41.944 million from 2022-2023 Financial Year. Major movements include:

a. Assets

Current Assets have decreased by \$1.793 million, predominately due to a decrease in cash held with the Local Government Financing Authority.

This was offset by an increase in Non-Current Assets of \$55.224 million, mainly due to the addition of new assets and revaluation during the year of \$50.825 million.

b. Liabilities

During 2023-2024 Financial Year, total liabilities increased by \$34.037 million. The increase was predominately due to the increase in borrowing to fund Capital projects and Carry Forward projects from the 2022-2023 Financial Year.

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 and 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	16.108	Represents a 6.8% increase in Fair Value based on average increase in capital valuations as reported by the Valuer Generals Report in June 2024
Buildings and Other Structures	4.242	Represents a 6.8% increase in Fair Value based on average increase in capital valuations as reported by the Valuer Generals Report in June 2024
Open space Assets	1.665	Represents a 8% increase in Fair Value based on the unit price assessment undertaken by Tonkin Consulting.
Road Infrastructure	9.309	Represents a 10% increase in Fair Value based on the unit price assessment undertaken by Tonkin Consulting.
Kerbing	3.015	Represents a 5% increase in Fair Value based on the unit price assessment undertaken by Tonkin Consulting.
Footpaths	(0.540)	Represents a 2% decrease in Fair Value based on the unit price assessment undertaken by Tonkin Consulting.
Linear Park	0.110	Represents an 11% increase in Fair Value based on the unit price assessment undertaken by Tonkin Consulting.
Storm-water Drainage	4.712	Represents a 7% increase in Fair Value, based on the unit price assessment undertaken by Tonkin Consulting.
Off- Roads Carparks	0.183	Represents an 8% increase in Fair Value, based on the unit price assessment undertaken by Tonkin Consulting.
Traffic Control Assets	0.357	Represents an 8% decrease in Fair Value, based on the unit price assessment undertaken by Tonkin Consulting.
Footbridge	0.092	Represents a 8% increase in Fair Value, based on the unit price assessment undertaken by Tonkin Consulting.
Total	39.253	

Overall, the revaluation increase for the 2023-2024 Financial Year is \$39 million, compared to an increase of \$49 million for the 2022-2023 Financial Year.

Statement of Cash Flows

For the 2023-2024 Financial Year, the Council is reporting a net decrease in cash and cash equivalents of \$3.320 million. The Council generated \$10.348 million from operating activities, with the funds being used to complete the Council’s Capital Renewal Works Program and expenditure on New and Upgraded Assets (\$25.107 million). The Council commenced an additional borrowing of \$12.5 million which was used towards Infrastructure Capital program for Trinity Valley Stormwater Upgrade Project and Payneham Memorial Swimming Centre Redevelopment Project.

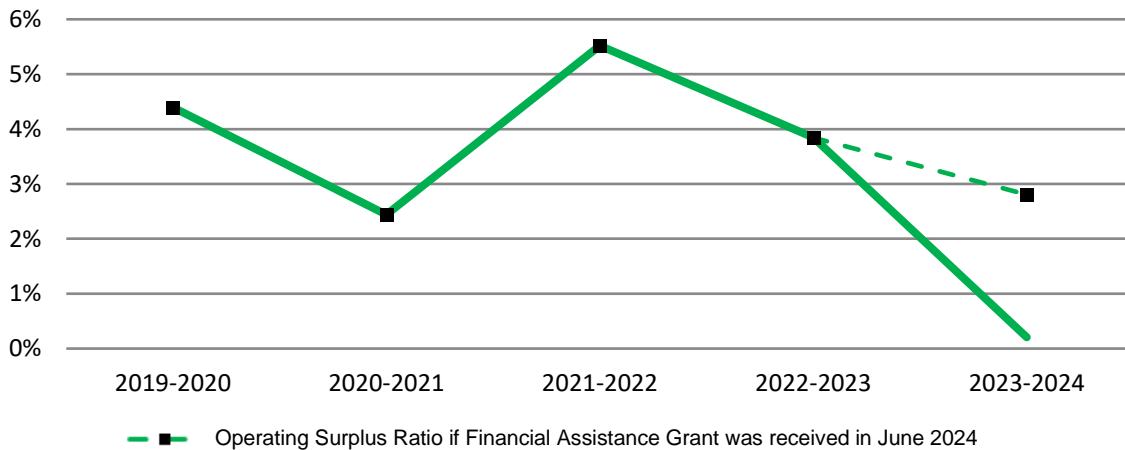
Section 126 (4) (a) of the *Local Government Act 1999*, requires that the functions of an Audit & Risk Committee include the review of the Annual Financial Statements to ensure that they present fairly the state of affairs of the Council. To ensure that the Audit & Risk Committee discharges its responsibilities under the Act, the information included in **Attachment A** and in particular **Attachment B**, is provided for review.

Financial Ratios

Financial Indicators represented by the following three (3) Financial Ratios are set out below:

- Operating Surplus Ratio (refer to Figure 3)
- Net Financial Liabilities Ratio (refer to Figure 4) and
- Asset Renewal Funding Ratio (refer to Figure 5)

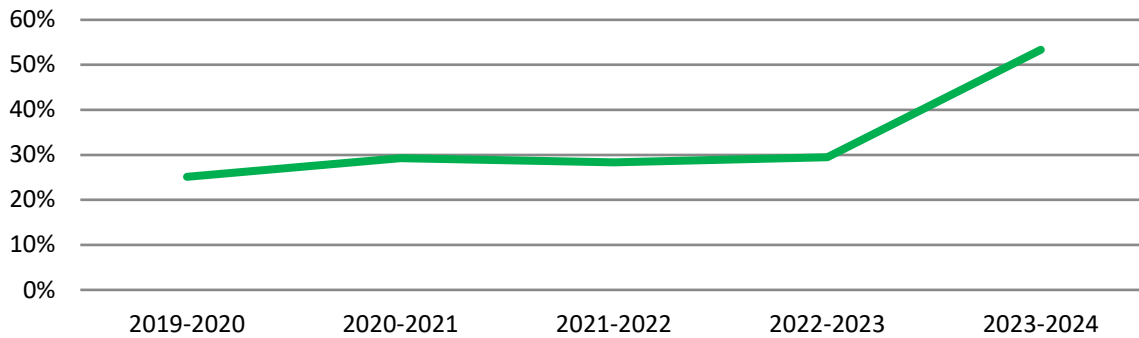
FIGURE 3: OPERATING SURPLUS RATIO



The 2024-2034 Long-Term Financial Plan target for the Operating Surplus Ratio between 0% and 10%

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

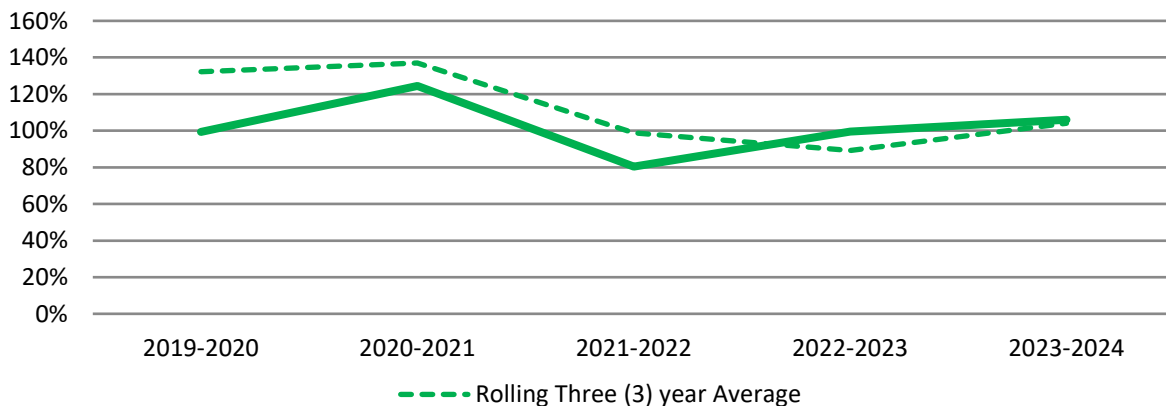
FIGURE 4: NET FINANCIAL LIABILITIES RATIO



The 2024-2034 Long-Term Financial Plan target for Net Financial Liabilities Ratio is less than or equal to 100%

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.

FIGURE 5: ASSET RENEWAL FUNDING RATIO



The 2024-2034 Long Term Financial Plan Target between 90% and 110% on a 3 year rolling average.

The Asset Renewal Funding Ratio measures whether the Council is renewing or replacing existing physical assets (roads, footpaths, buildings etc.), at the same rate at which the stock of assets is “wearing out”. The Asset Renewal Funding Ratio, 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 2024-2034 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.

OPTIONS

There are no options associated with this issue.

CONCLUSION

The Council concluded the Financial Year with an Operating Surplus of \$108,599 (2022-2023: \$1.954 million), taking into account the late payment of the 2023-2024 Federal Government Financial Assistance Grants.

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 Total Comprehensive Income of \$41.944 million (2022-2023: \$50.112 million).

The Council's Auditor, Galpins, have completed the audit of the Council's Annual 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 & Risk 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 & Risk Committee recommending to the Council to adopt the 2023-2024 Financial Statement.

COMMENTS

Nil

RECOMMENDATION

That the Audit & Risk Committee recommends to the Council that:

- a. the Annual Financial Statements for the year ended 30 June 2024, as contained in Attachment B be adopted;
- b. the Annual Financial Statements for the year ended 30 June 2024, be dated 4 November 2024 and be signed on behalf of the Council by the Mayor; and
- 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 2024**





CITY OF NORWOOD PAYNEHAM & ST PETERS

GENERAL PURPOSE FINANCIAL STATEMENTS

For the year ended 30 June 2024

Statement by Auditor

I confirm that, for the audit of the financial statements of City of Norwood Payneham & St Peters for the year ended 30 June 2024, 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*.

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS

A handwritten signature in blue ink, appearing to read 'T. Muhlhausler'.

Tim Muhlhausler CA, Registered Company Auditor
Partner

Date: 21 October 2024

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Galpins Trading Pty Ltd
ABN: 89 656 702 886

Liability limited by a scheme approved
under Professional Standards Legislation

Attachment B

**Annual Financial Statements
for Year End 30 June 2024**



The City Of Norwood Payneham & St Peters

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2024

norwood



The City Of Norwood Payneham & St Peters

General Purpose Financial Statements

for the year ended 30 June 2024

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The City Of Norwood Payneham & St Peters

General Purpose Financial Statements

for the year ended 30 June 2024

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 2024 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.

Mario Barone
Chief Executive Officer

04 November 2024

Robert Bria
Mayor

04 November 2024

The City Of Norwood Payneham & St Peters

Statement of Comprehensive Income

for the year ended 30 June 2024

\$	Notes	2024	2023
Income			
Rates	2a	43,667,070	39,973,871
Statutory charges	2b	2,111,925	2,038,822
User charges	2c	3,823,471	3,667,548
Grants, subsidies and contributions - capital	2g	571,428	552,577
Grants, subsidies and contributions - operating	2g	1,643,079	3,539,761
Investment income	2d	60,848	171,292
Reimbursements	2e	133,730	232,205
Other income	2f	885,092	620,156
Net gain - equity accounted council businesses	19(a)	38,653	49,738
Total income		<u>52,935,296</u>	<u>50,845,970</u>
Expenses			
Employee costs	3a	16,699,578	15,804,003
Materials, contracts and other expenses	3b	22,331,023	20,710,498
Depreciation, amortisation and impairment	3c	12,851,791	11,561,850
Finance costs	3d	610,606	458,233
Net loss - equity accounted council businesses	19(a)	333,700	357,104
Total expenses		<u>52,826,698</u>	<u>48,891,688</u>
Operating surplus / (deficit)		<u>108,598</u>	<u>1,954,282</u>
Asset disposal and fair value adjustments	4	(4,490,540)	(1,502,314)
Amounts received specifically for new or upgraded assets	2g	6,441,807	640,200
Net surplus / (deficit)		<u>2,059,865</u>	<u>1,092,168</u>
Other comprehensive income			
Changes in revaluation surplus - I,PP&E	9	39,253,447	49,030,971
Share of other comprehensive income - equity accounted council businesses	19	631,004	(11,537)
Total other comprehensive income		<u>39,884,451</u>	<u>49,019,434</u>
Total comprehensive income		<u>41,944,316</u>	<u>50,111,602</u>

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

The City Of Norwood Payneham & St Peters

Statement of Financial Position

as at 30 June 2024

\$	Notes	2024	2023
ASSETS			
Current assets			
Cash and cash equivalent assets	5a	997,332	4,317,226
Trade and other receivables	5b	3,719,748	2,193,344
Total current assets		<u>4,717,080</u>	<u>6,510,570</u>
Non-current assets			
Trade and other receivables	6a	111,106	103,796
Equity accounted investments in council businesses	6b	3,174,946	1,949,342
Other non-current assets	6c	8,872,785	5,706,735
Infrastructure, property, plant and equipment	7	645,596,228	594,770,941
Total non-current assets		<u>657,755,065</u>	<u>602,530,814</u>
TOTAL ASSETS		<u>662,472,145</u>	<u>609,041,384</u>
LIABILITIES			
Current liabilities			
Trade and other payables	8a	8,828,349	8,819,495
Borrowings	8b	1,135,783	1,097,409
Provisions	8c	3,623,717	3,871,685
Total current liabilities		<u>13,587,849</u>	<u>13,788,589</u>
Non-current liabilities			
Borrowings	8b	19,020,322	7,522,162
Provisions	8c	459,562	288,221
Liability - equity accounted council businesses	8d	969,876	952,192
Total non-current liabilities		<u>20,449,760</u>	<u>8,762,575</u>
TOTAL LIABILITIES		<u>34,037,609</u>	<u>22,551,164</u>
Net assets		<u>628,434,536</u>	<u>586,490,220</u>
EQUITY			
Accumulated surplus		66,480,155	63,789,286
Asset revaluation reserves	9	561,954,381	522,700,934
Total council equity		<u>628,434,536</u>	<u>586,490,220</u>
Total equity		<u>628,434,536</u>	<u>586,490,220</u>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

The City Of Norwood Payneham & St Peters

Statement of Changes in Equity

for the year ended 30 June 2024

\$	Notes	Accumulated surplus	Asset revaluation reserve	Total equity
2024				
Balance as at 1 July		63,789,286	522,700,934	586,490,220
Net surplus / (deficit) for year		2,059,865	–	2,059,865
Other comprehensive income				
Gain (loss) on revaluation of IPP&E	7a	–	39,253,447	39,253,447
Share of OCI - equity accounted council businesses		631,004	–	631,004
Other comprehensive income		631,004	39,253,447	39,884,451
Total comprehensive income		2,690,869	39,253,447	41,944,316
Balance at the end of period		66,480,155	561,954,381	628,434,536
2023				
Balance as at 1 July		62,708,655	473,669,963	536,378,618
Net surplus / (deficit) for year		1,092,168	–	1,092,168
Other comprehensive income				
Gain (loss) on revaluation of IPP&E	7a	–	49,030,971	49,030,971
Share of OCI - equity accounted council businesses		(11,537)	–	(11,537)
Other comprehensive income		(11,537)	49,030,971	49,019,434
Total comprehensive income		1,080,631	49,030,971	50,111,602
Balance at the end of period		63,789,286	522,700,934	586,490,220

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

The City Of Norwood Payneham & St Peters

Statement of Cash Flows

for the year ended 30 June 2024

\$	Notes	2024	2023
Cash flows from operating activities			
<u>Receipts</u>			
Rates receipts		43,219,209	39,978,796
Statutory charges		2,111,925	2,038,822
User charges		3,823,471	3,667,548
Grants, subsidies and contributions		1,643,079	3,539,761
Investment receipts		60,848	171,292
Reimbursements		133,730	232,205
Other receipts		–	887,653
<u>Payments</u>			
Payments to employees		(16,241,406)	(15,075,367)
Payments for materials, contracts and other expenses		(23,882,180)	(25,104,883)
Finance payments		(520,721)	(448,056)
Net cash provided by (or used in) operating activities	11b	<u>10,347,955</u>	<u>9,887,771</u>
Cash flows from investing activities			
<u>Receipts</u>			
Grants utilised for capital purposes		571,428	552,577
Amounts received specifically for new or upgraded assets		7,132,921	200,846
Sale of replaced assets		16,597	256
<u>Payments</u>			
Expenditure on renewal/replacement of assets		(12,994,204)	(11,193,008)
Expenditure on new/upgraded assets		(18,961,179)	(5,167,739)
Capital contributed to equity accounted Council businesses		(871,963)	(289,465)
Net cash provided (or used in) investing activities		<u>(25,106,400)</u>	<u>(15,896,533)</u>
Cash flows from financing activities			
<u>Receipts</u>			
Proceeds from loans		12,500,000	–
Proceeds from bonds and deposits		43,452	–
<u>Payments</u>			
Repayments of loans		(988,781)	(945,921)
Repayment of lease liabilities		(116,120)	(99,631)
Repayment of bonds and deposits		–	(21,771)
Net cash provided by (or used in) financing activities		<u>11,438,551</u>	<u>(1,067,323)</u>
Net increase (decrease) in cash held		<u>(3,319,894)</u>	<u>(7,076,085)</u>
plus: cash & cash equivalents at beginning of period		4,317,226	11,393,311
Cash and cash equivalents held at end of period	11a	<u>997,332</u>	<u>4,317,226</u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

The City Of Norwood Payneham & St Peters

Notes to and forming part of the Financial Statements

for the year ended 30 June 2024

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The City Of Norwood Payneham & St Peters

Notes to and forming part of the Financial Statements for the year ended 30 June 2024

Note 1. Summary of Material Accounting Policies

The principal accounting policies adopted by Council in the preparation of these consolidated 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 on a going concern basis using the historical cost convention 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 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 Council 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.

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

	Cash Payment Received	Annual Allocation	Difference
2020/21	\$1,113,164	\$1,161,256	- \$48,092
2021/22	\$1,648,333	\$1,184,403	+ \$463,930
2022/23	\$1,655,338	\$1,328,532	+ \$326,806
2023/24	\$68,806	\$1,504,411	+\$1,266,794

Because these grants are untied, the Australian Accounting Standards require that payments be recognised upon receipt. Accordingly, the operating results of 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 City Of Norwood Payneham & St Peters

Notes to and forming part of the Financial Statements

for the year ended 30 June 2024

Note 1. Summary of Material Accounting Policies (continued)

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

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".

(4) Cash, cash equivalents and other financial instruments

Cash Assets include all amounts readily convertible to cash on hand at Council's option with an insignificant 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 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, except for trade receivables from a contract with a customer, which are measured at the transaction price. A detailed statement of the accounting policies applied to financial instruments forms part of Note 13.

(5) Infrastructure, property, plant and 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 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.

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 on a straight-line basis which, in the opinion of Council, best reflects the consumption of the service potential embodied in those assets.

The City Of Norwood Payneham & St Peters

Notes to and forming part of the Financial Statements

for the year ended 30 June 2024

Note 1. Summary of Material Accounting Policies (continued)

Depreciation methods, useful lives and residual values of classes of assets are reviewed annually.

Major depreciation periods for each class of asset are listed below. Depreciation periods for infrastructure assets have been estimated based on the best information available to 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

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.

5.5 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.

5.6 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 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 Council assets, are recognised as liabilities until the service is delivered or damage reinstated, or the amount is refunded as the case may be.

The City Of Norwood Payneham & St Peters

Notes to and forming part of the Financial Statements

for the year ended 30 June 2024

Note 1. Summary of Material Accounting Policies (continued)

(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.

(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 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.

Weighted avg. discount rate 1.54% (2023, 0.62%)

Weighted avg. settlement period 1.5 years (2023, 1.35 years)

No accrual is made for sick leave as Council 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. 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 Hostplus Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently. Details of the accounting policies applied and Council's involvement with the schemes are reported in Note 18.

(9) 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.

9.1 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.

i) 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 above - Impairment of non-financial assets.

ii) 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.

iii) 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 an expense on a straight-line basis over the lease term.

The City Of Norwood Payneham & St Peters

Notes to and forming part of the Financial Statements

for the year ended 30 June 2024

Note 1. Summary of Material Accounting Policies (continued)

(10) Equity accounted Council businesses

Council participates in cooperative arrangements with other Councils for the provision of services and facilities. Council's interests in cooperative arrangements, which are only recognised if material, are accounted for in accordance with AASB 128 and set out in detail in Note 19.

(11) 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.

(12) New accounting standards and UIG interpretations

New accounting standards, amendments to existing standards and UIG Interpretations

Council applied for the first time certain new standards and amendments to existing standards, which are effective for annual periods beginning on or after 1 January 2023. Council has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates

Council adopted AASB 2021-2, which makes some small amendments to a number of standards including the following: AASB 7, AASB 101, AASB 108, AASB 134 and AASB Practice Statement 2.

AASB 2022-6: Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants

Council adopted AASB 2022-6, which introduces specific disclosure requirements for loan liabilities. These requirements apply when the right to defer settlement for at least twelve months from the reporting date is subject to conditions in the arrangement.

AASB 2022-7: Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards

AASB 2022-7 makes various editorial corrections to a number of standards effective for reporting periods beginning on or after 1 January 2023.

Council has adopted all amendments mentioned above required for the year ended 30 June 2024. The adoption of these amendments did not have a material impact on the financial statements.

Standards issued by the AASB not yet effective

The AASB has issued new and amended Australian Accounting Standards and Interpretations that are not effective as of 30 June 2024. These standards have not yet been adopted by Council and will be incorporated into the financial statements upon their effective dates. The following list identifies all applicable new and amended Australian Accounting Standards and Interpretations that were issued but are not yet effective as of 30 June 2024.

Effective for annual report periods beginning on or after 1 January 2024

- AASB 2020-1: Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current
- AASB 2022-5: Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback
- AASB 2022-10: Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities

Effective for annual report periods beginning on or after 1 January 2025

- AASB 2014-10: Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an investor and its Associate or Joint Venture

Council has assessed the impact of new and changed Australian Accounting Standards and Interpretations not yet effective and concluded that they will not have a material impact on the financial statements.

The City Of Norwood Payneham & St Peters

Notes to and forming part of the Financial Statements for the year ended 30 June 2024

Note 1. Summary of Material Accounting Policies (continued)

(13) 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.

(14) Disclaimer

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstance.

The City Of Norwood Payneham & St Peters

Notes to and forming part of the Financial Statements

for the year ended 30 June 2024

Note 2. Income

\$	2024	2023
(a) Rates		
General rates		
General rates	42,907,214	39,559,502
Less: mandatory rebates	(1,056,824)	(993,484)
Less: discretionary rebates, remissions and write-offs	(182,313)	(357,528)
Total general rates	41,668,077	38,208,490
Other rates (including service charges)		
Natural Resource Management Levy	1,549,976	1,384,593
Parade Rate	278,118	233,845
Total other rates (including service charges)	1,828,094	1,618,438
Other charges		
Penalties for late payment	170,899	146,943
Total other charges	170,899	146,943
Total rates	43,667,070	39,973,871
(b) Statutory charges		
Development fees	547,063	509,523
Town planning fees	-	14,411
Animal registration fees and fines	120,346	141,318
Parking fines / expiation fees	1,044,193	958,552
Other registration fees	246,263	275,196
Sundry	154,060	139,822
Total statutory charges	2,111,925	2,038,822
(c) User charges		
Admission charges - pools	189,020	201,544
Hall and equipment hire	954,247	790,905
Sales - general	147,765	118,227
Subsidies received on behalf of users	1,480,607	1,298,340
Sundry	154,397	140,908
Activity Program Revenues	21,783	22,594
Child Care Centre Fees	875,652	1,095,030
Total user charges	3,823,471	3,667,548
(d) Investment income		
Interest on investments		
- Local Government Finance Authority	60,684	171,216
- Banks and other	164	76
Total investment income	60,848	171,292

The City Of Norwood Payneham & St Peters

Notes to and forming part of the Financial Statements

for the year ended 30 June 2024

Note 2. Income (continued)

\$	2024	2023
(e) Reimbursements		
Private works	7,920	11,209
Other	125,810	220,996
Total reimbursements	133,730	232,205
(f) Other income		
Insurance and other recoupments - infrastructure, property, plant and equipment	56,298	152,215
Sundry	828,794	467,941
Total other income	885,092	620,156
(g) Grants, subsidies and contributions		
Capital grants, subsidies and contributions		
Amounts received specifically for new or upgraded assets	6,441,807	640,200
Other grants, subsidies and contributions - capital		
Untied - Local roads and community	571,428	552,577
Total Other grants, subsidies and contributions - capital	571,428	552,577
Operating grants, subsidies and contributions		
Other grants, subsidies and contributions	1,643,079	3,539,761
Other grants, subsidies and contributions - operating		
The functions to which operating grants relate are shown in Note 12.		
Total grants, subsidies and contributions	8,656,314	4,732,538
(i) Sources of grants		
Commonwealth Government	5,362,728	2,159,211
State Government	3,293,586	2,473,327
Other	-	100,000
Total	8,656,314	4,732,538

Note 3. Expenses

\$	Notes	2024	2023
(a) Employee costs			
Salaries and wages		12,845,700	11,497,079
Temporary Labour and Apprentices		989,247	1,272,594
Employee leave expense		1,500,131	1,836,894
Superannuation - defined contribution plan contributions	18	1,221,068	1,082,032
Superannuation - defined benefit plan contributions	18	182,874	210,997
Workers' compensation insurance		734,391	640,750
Income Protection Insurance		218,354	221,710
Less: capitalised and distributed costs		(992,187)	(958,053)
Total operating employee costs		16,699,578	15,804,003

The City Of Norwood Payneham & St Peters

Notes to and forming part of the Financial Statements
for the year ended 30 June 2024

Note 3. Expenses (continued)

\$	2024	2023
Total number of employees (full time equivalent at end of reporting period)	165	167
(b) Materials, contracts and other expenses		
(i) Prescribed expenses		
Auditor's remuneration		
- Auditing the financial reports	13,858	34,000
Bad and doubtful debts	(164,544)	-
Elected members' expenses	393,236	338,688
Lease expense - low value assets / short term leases	52,878	84,100
Subtotal - prescribed expenses	295,428	456,788
(ii) Other materials, contracts and expenses		
Contractors	8,133,686	7,228,413
Energy	756,832	589,080
Legal expenses	602,299	411,719
Parts, accessories and consumables	1,277,225	1,251,285
Professional services	1,150,563	910,875
Sundry	464,342	250,977
Water	750,705	703,984
Administration Costs	861,565	1,124,379
Grants and Donations	152,040	81,457
Rates and Taxes	89,253	129,569
Waste Collection and Disposal	4,513,451	4,400,457
Insurance	947,336	878,299
Subscriptions and Licences	752,159	820,843
Levies Paid to Government - Landscape Levy	1,523,277	1,383,353
Levies Paid to Government - Other	60,862	89,020
Subtotal - Other material, contracts and expenses	22,035,595	20,253,710
Total materials, contracts and other expenses	22,331,023	20,710,498

(c) Depreciation, amortisation and impairment

(i) Depreciation and amortisation		
Buildings and other structures	2,810,542	2,233,881
Infrastructure		
- Stormwater drainage	1,830,213	1,705,839
Open Space Infrastructure	1,343,503	1,234,176
Roads	2,459,893	2,304,224
Kerbing	1,363,237	1,275,338
Footpaths	1,138,065	1,107,152
Linear Parks	41,285	37,558
Off Roads Car Parks	54,711	52,278
Traffic Control	183,296	166,301
Footbridges	16,108	14,933
Right-of-use assets	109,084	105,203
Plant and equipment	326,455	300,274
Furniture and fittings	100,767	101,460
Other assets	1,074,632	923,233
Subtotal	12,851,791	11,561,850
Total depreciation, amortisation and impairment	12,851,791	11,561,850

The City Of Norwood Payneham & St Peters

Notes to and forming part of the Financial Statements

for the year ended 30 June 2024

Note 3. Expenses (continued)

\$	2024	2023
(d) Finance costs		
Interest on overdraft and short-term drawdown	156,405	106,235
Interest on loans	447,509	343,937
Interest on leases	6,692	8,061
<u>Total finance costs</u>	<u>610,606</u>	<u>458,233</u>

Note 4. Asset disposal and fair value adjustments

\$	2024	2023
Infrastructure, property, plant and equipment		
(i) Assets renewed or directly replaced		
Proceeds from disposal	16,597	256
Less: carrying amount of assets sold	(4,507,137)	(1,502,570)
Gain (loss) on disposal	<u>(4,490,540)</u>	<u>(1,502,314)</u>
<u>Net gain (loss) on disposal or revaluation of assets</u>	<u>(4,490,540)</u>	<u>(1,502,314)</u>

Note 5. Current assets

\$	2024	2023
(a) Cash and cash equivalent assets		
Cash on hand and at bank	866,105	777,840
Deposits at call	131,227	3,539,386
<u>Total cash and cash equivalent assets</u>	<u>997,332</u>	<u>4,317,226</u>
(b) Trade and other receivables		
Rates - general and other	1,624,016	1,183,465
Debtors - general	1,299,663	1,318,359
GST recoupment	947,282	155,472
Prepayments	226,291	113,274
Sundry	8,807	2,733
Subtotal	<u>4,106,059</u>	<u>2,773,303</u>
Less: provision for expected credit losses	(386,311)	(579,959)
<u>Total trade and other receivables</u>	<u>3,719,748</u>	<u>2,193,344</u>

The City Of Norwood Payneham & St Peters

Notes to and forming part of the Financial Statements for the year ended 30 June 2024

Note 6. Non-current assets

\$	2024	2023
(a) Trade and other receivables		
Receivables		
Council rates postponement scheme	111,106	103,796
<u>Total financial assets</u>	<u>111,106</u>	<u>103,796</u>
 (b) Equity accounted investments in council businesses		
Eastern Health Authority Inc.	19 221,270	184,390
Eastern Waste Management Authority Inc.	111,750	147,875
ERA Water Inc.	2,841,926	1,617,077
<u>Total equity accounted investments in Council businesses</u>	<u>3,174,946</u>	<u>1,949,342</u>
 (c) Other non-current assets		
Capital work in progress	8,872,785	5,706,735
<u>Total other non-current assets</u>	<u>8,872,785</u>	<u>5,706,735</u>

The City Of Norwood Payneham & St Peters

Notes to and forming part of the Financial Statements
for the year ended 30 June 2024

Note 7. Infrastructure, property, plant & equipment and investment property

Infrastructure, property, plant and equipment

	Fair Value Level	as at 30/06/23					Asset movements during the reporting period						as at 30/06/24				
		At Fair Value	At Cost	Accumulated Depreciation	Accumulated Impairment	Carrying amount	Asset Additions New / Upgrade	Asset Additions Renewals	WDV of Asset Disposals	Depreciation Expense (Note 3c)	Revaluation Decrements to Equity (ARR) (Note 9)	Revaluation Increments to Equity (ARR) (Note 9)	At Fair Value	At Cost	Accumulated Depreciation	Accumulated Impairment	Carrying amount
Land	3	236,889,999	—	—	—	236,889,999	—	—	—	—	—	16,108,520	252,998,519	—	—	—	252,998,519
Buildings and other structures	3	162,132,000	228,301	(95,674,827)	—	66,685,474	1,203,575	2,325,310	(1,495,540)	(2,810,542)	—	4,241,799	166,952,217	3,528,885	(100,331,027)	—	70,150,075
Infrastructure	3	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
- Stormwater drainage	3	155,057,008	750,379	(83,403,026)	—	72,404,361	7,561,478	—	—	(1,830,213)	—	4,711,879	165,518,910	7,561,478	(90,232,878)	—	82,847,510
- Open Space Infrastructure	3	33,325,425	1,218,024	(14,767,719)	—	19,775,730	5,142,159	187,082	(153,701)	(1,343,503)	—	1,467,851	36,233,942	5,329,241	(16,487,567)	—	25,075,616
- Roads	3	152,974,078	3,899,990	(64,143,651)	—	92,730,417	747,344	5,274,227	(1,467,937)	(2,459,893)	—	9,309,704	166,141,087	6,021,571	(68,028,797)	—	104,133,861
- Kerbing	3	88,256,057	2,265,088	(29,352,820)	—	61,168,325	424,239	1,136,501	(744,415)	(1,363,237)	—	3,015,236	94,248,441	1,560,741	(32,172,532)	—	63,636,650
- Footpaths	3	54,531,936	2,163,951	(27,072,789)	—	29,623,098	—	716,713	(252,055)	(1,138,065)	(540,809)	—	56,187,076	716,713	(28,494,906)	—	28,408,883
- Linear Parks	3	1,572,859	—	(549,502)	—	1,023,357	1,461,523	—	(243,553)	(41,285)	—	109,673	1,173,269	1,461,523	(325,078)	—	2,309,714
- Off Street Car Parks	3	3,228,527	—	(921,460)	—	2,307,067	11,539	—	—	(54,711)	—	182,868	3,466,018	11,539	(1,030,794)	—	2,446,763
- Traffic Control	3	7,365,206	455,091	(3,299,788)	—	4,520,509	135,762	591,481	(61,728)	(183,296)	—	356,716	8,233,100	727,243	(3,600,898)	—	5,359,445
- Footbridges	3	1,498,393	—	(279,624)	—	1,218,769	—	—	—	(16,108)	—	92,279	1,611,873	—	(316,933)	—	1,294,940
Right-of-use assets		588,957	—	(422,318)	—	166,639	141,436	—	—	(109,084)	—	—	419,670	—	(220,680)	—	198,990
Plant and equipment		—	7,618,154	(5,751,211)	—	1,866,943	217,705	—	(84,653)	(326,455)	—	—	—	7,635,888	(5,962,350)	—	1,673,538
Furniture and fittings		—	2,719,510	(2,219,214)	—	500,296	—	—	(3,552)	(100,767)	—	—	—	2,708,362	(2,312,385)	—	395,977
Other assets	3	3,607,783	5,498,879	(5,216,705)	—	3,889,957	1,634,268	18,424	—	(1,074,632)	—	197,731	6,856,902	4,092,770	(6,283,925)	—	4,665,747
Total infrastructure, property, plant and equipment		901,028,228	26,817,367	(333,074,654)	—	594,770,941	18,681,028	10,249,738	(4,507,134)	(12,851,791)	(540,809)	39,794,256	960,041,024	41,355,954	(355,800,750)	—	645,596,228
Comparatives		808,627,226	27,506,866	(292,424,108)	—	543,709,984	5,084,164	10,010,246	(1,502,570)	(11,561,850)	(10,728,529)	59,759,500	901,028,228	26,817,367	(333,074,654)	—	594,770,941

The City Of Norwood Payneham & St Peters

Notes to and forming part of the Financial Statements

for the year ended 30 June 2024

Note 7. Infrastructure, property, plant & equipment and investment property (continued)

Valuation of infrastructure, property, plant & equipment and investment property

Valuation of assets

The fair value of assets and liabilities must be estimated in accordance with various Accounting Standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a "level" in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

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

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Refer to Note 7(a) for the disclosure of the Fair Value Levels of Infrastructure, Property, Plant and Equipment Assets.

Information on valuations

Fair value hierarchy level 2 valuations - Certain land, and the buildings and structures thereon, are shown above as being based on fair value hierarchy level 2 valuation inputs. They are based on prices for similar assets in an active market, with directly or indirectly observable adjustments for specific advantages or disadvantages attaching to the particular asset.

Fair value hierarchy level 3 valuations of land - 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.

Fair value hierarchy level 3 valuations of buildings, infrastructure and other assets - There is no known market for buildings, infrastructure and other assets. These assets are valued at depreciated current 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.
- 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 Council.

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. Accordingly, formal sensitivity analysis does not provide useful information.

Transfers between fair value hierarchy levels

In the course of revaluing (name the asset classes), the nature of the inputs applied was reviewed in detail for each asset and where necessary, the asset reassigned to the appropriate fair value hierarchy level. Such transfers take effect as at the date of the revaluation.

Other information

At 1 July 2004 upon the transition to AIFRS, Council elected pursuant to *AASB 1.D5* to retain a previously established deemed cost under GAAP as its deemed cost. With subsequent addition 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, current replacement cost is taken to be the fair value.

Highest and best use

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

Highest and best use - For land which Council has an unfettered right to sell, the "highest and best use" recognises the possibility of the demolition or substantial modification of some or all of the existing buildings and structures affixed to the land. Much of the land under Council's care and control is Crown land or has been declared as community land under the provisions of the Local Government Act 1999. Other types of restrictions also exist.

For land subject to these restrictions, the highest and best use is taken to be the "highest and best use" available to Council, with a rebuttable presumption that the current use is the "highest and best use". The reason for the current use of a large proportion of Council's assets being other than the "highest and best use" relates to Council's principal role as the provider of services to the community, rather than the use of those assets for the generation of revenue.

The City Of Norwood Payneham & St Peters

Notes to and forming part of the Financial Statements

for the year ended 30 June 2024

Note 7. Infrastructure, property, plant & equipment and investment property (continued)

For buildings and other structures on and in the land, including infrastructure, "highest and best use" is determined in accordance with the land on and in which they are situated.

Transition to AASB 13 - Fair Value Measurement

Land & 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 2022-2023 Financial Year by AVR Consulting based on fair values of the assets as at 30 June 2023.

As the result of revaluation, all of the Council's land assets are classified at the fair value hierarchy level 3 and all of the Council's building and other structure assets are classified at the fair value hierarchy level 3.

AVR Consulting adopted a market approach to valuation of the land assets using level two inputs and level three inputs where unobservable inputs have been required and a cost-based approach for the valuation of the building assets and relied upon level 3 inputs.

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. 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 2023.

Road Infrastructure (Roads, Kerbing & Footpaths)

Road Infrastructure assets are independently condition assessed every five (5) years. An independent condition assessment was undertaken as at 30 June 2024 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 2023.

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 30 June 2024 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 2023.

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 2023.

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 Car Parks

Off Roads Carparks assets are independently condition assessed every five (5) years. An independent condition assessment was undertaken as at 30 June 2024 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 2023.

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 30 June 2024 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 2023.

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

The City Of Norwood Payneham & St Peters

Notes to and forming part of the Financial Statements

for the year ended 30 June 2024

Note 7. Infrastructure, property, plant & equipment and investment property (continued)

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.

The City Of Norwood Payneham & St Peters

Notes to and forming part of the Financial Statements
for the year ended 30 June 2024

Note 8. Liabilities

\$	2024 Current	2024 Non Current	2023 Current	2023 Non Current
(a) Trade and other payables				
Goods and services	1,404,493	–	1,347,682	–
Payments received in advance	5,608,969	–	4,917,855	–
Accrued expenses - employee entitlements	603,861	–	69,062	–
Accrued expenses - finance costs	179,618	–	89,733	–
Accrued expenses - other	919,394	–	1,853,802	–
Deposits, retentions and bonds	112,014	–	68,562	–
St Peters RSL Trust	–	–	44,003	–
Future Open Space Trust Fund	–	–	411,227	–
New Tree Legislation Rund	–	–	17,569	–
<u>Total trade and other payables</u>	<u>8,828,349</u>	<u>–</u>	<u>8,819,495</u>	<u>–</u>
(b) Borrowings				
Loans	1,033,879	6,423,236	988,781	7,457,115
Lease liabilities	101,904	97,086	108,628	65,047
Cash Advance Debenture Facility	–	12,500,000	–	–
<u>Total Borrowings</u>	<u>1,135,783</u>	<u>19,020,322</u>	<u>1,097,409</u>	<u>7,522,162</u>
(c) Provisions				
Employee entitlements (including oncosts)	3,623,717	459,562	3,871,685	288,221
<u>Total provisions</u>	<u>3,623,717</u>	<u>459,562</u>	<u>3,871,685</u>	<u>288,221</u>
(d) Liability accounted investments in Council businesses				
Highbury Landfill Authority Inc.	–	969,876	–	952,192
<u>Total liability accounted investments in Council businesses</u>	<u>–</u>	<u>969,876</u>	<u>–</u>	<u>952,192</u>

The City Of Norwood Payneham & St Peters

Notes to and forming part of the Financial Statements
for the year ended 30 June 2024

Note 9. Reserves

\$	as at 30/06/23		Transfers	Impairments	as at 30/06/24	
	Opening Balance	Increments (Decrements)			Closing Balance	
Asset revaluation reserve						
Land	218,578,981	16,108,520	–	–	234,687,501	
Buildings and other structures	64,969,669	4,241,799	–	–	69,211,468	
Infrastructure						
Stormwater Drainage	51,037,590	4,711,879	–	–	55,749,469	
Roads	78,611,803	9,309,704	–	–	87,921,507	
Kerbing	66,621,896	3,015,236	–	–	69,637,132	
Footpaths	30,714,123	(540,809)	–	–	30,173,314	
Open Space Infrastructure	7,663,170	1,467,851	–	–	9,131,021	
Traffic Control	1,922,951	356,716	–	–	2,279,667	
Off Roads Car Parks	1,823,400	182,868	–	–	2,006,268	
Linear Parks	56,769	109,673	–	–	166,442	
Footbridges	68,004	92,279	–	–	160,283	
Other assets	632,578	197,731	–	–	830,309	
Total asset revaluation reserve	522,700,934	39,253,447	–	–	561,954,381	
Comparatives	473,669,963	49,030,971	–	–	522,700,934	

Purposes of reserves

Asset revaluation reserves

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 restrictions

\$	2024	2023
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 and financial assets		
Deposits at Call	46,007	541,861
Total cash and financial assets	46,007	541,861
Total assets subject to externally imposed restrictions	46,007	541,861
The following liabilities, included in Note 8, may be discharged from restricted assets in the first instance:		
Future Open Space Trust Fund	–	411,227
Deposits and Bonds held by Council	46,007	44,003
St Peter RSL Trust Funds	–	17,569
New Tree Legislation Fund	–	69,062
Total	46,007	541,861

The City Of Norwood Payneham & St Peters

Notes to and forming part of the Financial Statements

for the year ended 30 June 2024

Note 11. Reconciliation to Statement of Cash Flows

\$	Notes	2024	2023
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(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 Statement of Financial Position as follows:

Total cash and equivalent assets	5	997,332	4,317,226
Balances per Statement of Cash Flows		<u>997,332</u>	<u>4,317,226</u>

(b) Reconciliation of change in net assets to cash from operating activities

Net surplus/(deficit)		2,059,865	1,092,168
Non-cash items in income statements			
Depreciation, amortisation and impairment		12,851,791	11,561,850
Equity movements in equity accounted investments (increase)/decrease		295,047	307,366
Grants for capital acquisitions treated as investing activity		(7,013,235)	(1,192,777)
Net (gain)/loss on disposals		4,490,540	1,502,314
Net (increase) decrease in Non-Current Council Rates Postponement Scheme		7,310	(9,406)
		<u>12,691,318</u>	<u>13,261,515</u>
Add (less): changes in net current assets			
Net (increase)/decrease in receivables		(1,347,376)	930,442
Change in allowances for under-recovery of receivables		(193,648)	-
Net increase/(decrease) in trade and other payables		(725,712)	(4,180,210)
Net increase/(decrease) in unpaid employee benefits		(76,627)	(123,976)
Net cash provided by (or used in) operations		<u>10,347,955</u>	<u>9,887,771</u>

(c) Financing arrangements

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

Corporate credit cards	75,000	75,000
Cash advance facilities	35,000,000	10,500,000

The City Of Norwood Payneham & St Peters

Notes to and forming part of the Financial Statements

for the year ended 30 June 2024

Note 12(a). Functions

Income, Expenses and Assets have been directly attributed to the following Functions / Activities.
Details of these Functions/Activities are provided in Note 12(b).

	OPERATING INCOME		OPERATING EXPENSES		OPERATING SURPLUS (DEFICIT)		GRANTS INCLUDED IN OPERATING INCOME		TOTAL ASSETS HELD (CURRENT AND NON-CURRENT)	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Functions/Activities										
Culture	772,410	688,160	3,687,320	2,804,071	(2,914,910)	(2,115,911)	107,223	138,298	13,530,792	12,442,314
Economic Development	304,291	206,076	910,227	972,084	(605,936)	(766,008)	–	–	1,230,580	1,131,587
Environment	103,125	1,045,557	9,142,098	8,507,812	(9,038,973)	(7,462,255)	27,000	974,875	84,282,053	77,502,026
Recreation	310,893	367,476	3,763,829	3,707,095	(3,452,936)	(3,339,619)	6,000	10,000	271,003,765	249,203,004
Regulatory Services	2,063,007	1,930,663	3,772,972	3,328,436	(1,709,965)	(1,397,773)	–	–	501,577	461,228
Transport & Communication	–	40,000	1,510,535	1,219,399	(1,510,535)	(1,179,399)	–	40,000	210,665,949	193,719,033
Plant Hire/Depot Indirect	19,643	48,140	938,234	819,209	(918,591)	(771,069)	–	–	3,035,291	2,791,119
Council Administration	45,261,144	42,494,678	23,146,145	21,289,460	22,114,999	21,205,218	287,631	1,831,511	40,953,413	36,728,001
Other	–	–	–	297,647	–	(297,647)	–	(552,577)	150,643	930,935
Community Services	4,100,783	3,975,483	5,955,338	5,887,017	(1,854,555)	(1,911,534)	1,215,225	1,097,654	37,118,082	34,132,137
Total Functions/Activities	52,935,296	50,796,233	52,826,698	48,832,230	108,598	1,964,003	1,643,079	3,539,761	662,472,145	609,041,384

Revenues and expenses exclude net gain (loss) on disposal or revaluation of assets, amounts received specifically for new or upgraded assets and physical resources received free of charge.

The City Of Norwood Payneham & St Peters

Notes to and forming part of the Financial Statements

for the year ended 30 June 2024

Note 12(b). 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.

Governance

Audit & Assurance, Planning and Performance, Legal Services and Major Projects.

Equity accounted Council businesses

Net Gain equity accounting Council businesses

Net Loss equity accounting Council businesses

Note 13. 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.

Terms & Conditions:

Deposits are returning fixed interest rates between 4.30% and 4.55% (2023: 1.05% and 4.30%).

Carrying Amount:

Approximates fair value due to the short term to maturity.

The City Of Norwood Payneham & St Peters

Notes to and forming part of the Financial Statements

for the year ended 30 June 2024

Note 13. Financial instruments (continued)

Receivables - rates and associated 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:

Secured over the subject land, arrears attract interest of 9.15% (2023: 9.05%). 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 and 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 and conditions:

Unsecured, and do not bear interest. 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:

Initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.

Terms and 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 - 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 and 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 & Conditions:

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 6.15% (2023: 2.40% and 6.10%).

Carrying Amount:

Approximates fair value.

The City Of Norwood Payneham & St Peters

Notes to and forming part of the Financial Statements

for the year ended 30 June 2024

Note 13. Financial instruments (continued)

Liabilities - leases

Accounting policy:

Accounted for in accordance with AASB 16 as stated in Note 17.

\$	Due < 1 year	Due > 1 year and ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
Financial assets and liabilities					
2024					
Financial assets					
Cash and cash equivalents	997,332	–	–	997,332	997,332
Receivables	3,493,457	–	–	3,493,457	3,493,457
Other financial assets	–	111,106	–	111,106	111,106
Total financial assets	4,490,789	111,106	–	4,601,895	4,601,895
Financial liabilities					
Payables	3,219,380	–	–	3,219,380	3,219,380
Current borrowings	1,279,681	–	–	1,279,681	1,033,879
Non-current borrowings	–	9,694,115	10,099,485	19,793,600	18,923,236
Total financial liabilities	4,499,061	9,694,115	10,099,485	24,292,661	23,176,495
Total financial assets and liabilities	8,989,850	9,805,221	10,099,485	28,894,556	27,778,390
2023					
Financial assets					
Cash and cash equivalents	4,317,226	–	–	4,317,226	4,317,226
Receivables	2,080,070	–	–	2,080,070	2,080,070
Other financial assets	–	103,746	–	103,746	103,746
Total financial assets	6,397,296	103,746	–	6,501,042	6,501,042
Financial liabilities					
Payables	3,832,578	–	–	3,832,578	3,832,578
Current borrowings	1,279,681	–	–	1,279,681	988,781
Non-current borrowings	–	4,406,420	4,166,861	8,573,281	7,457,115
Total financial liabilities	5,112,259	4,406,420	4,166,861	13,685,540	12,278,474
Total financial assets and liabilities	11,509,555	4,510,166	4,166,861	20,186,582	18,779,516

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

\$	2024		2023	
	Weighted Avg Interest Rate	Carrying Value	Weighted Avg Interest Rate	Carrying Value
Fixed interest rates	5.61%	20,156,105	4.77%	8,619,571
		<u>20,156,105</u>		<u>8,619,571</u>

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.

The City Of Norwood Payneham & St Peters

Notes to and forming part of the Financial Statements

for the year ended 30 June 2024

Note 13. Financial instruments (continued)

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 impairment. 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 and 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 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 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. 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. 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 averse manner.

Note 14. Capital Expenditure Commitments

\$	2024	2023
Capital commitments		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Infrastructure	52,030,746	268,100
Road & Footpath	253,275	2,770,011
Open Space	290,331	2,865,926
	52,574,352	5,904,037
These expenditures are payable:		
Not later than one year	52,574,352	5,904,037
	52,574,352	5,904,037

The City Of Norwood Payneham & St Peters

Notes to and forming part of the Financial Statements for the year ended 30 June 2024

Note 15. Financial indicators

\$	Amounts 2024	Indicator 2024	Indicators 2023 2022	
Financial Indicators overview <i>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.</i>				
1. Operating Surplus Ratio				
Operating surplus	<u>108,598</u>	0.2%	3.8%	5.5%
Total operating income	<u>52,935,296</u>			
<i>This ratio expresses the operating surplus as a percentage of total operating revenue.</i>				
Adjusted Operating Surplus Ratio				
Operating surplus	<u>1,513,771</u>	2.8%	3.2%	4.6%
Total operating income	<u>54,340,469</u>			
2. Net Financial Liabilities Ratio				
Net financial liabilities	<u>28,239,547</u>	53%	29%	28%
Total operating income	<u>52,935,296</u>			
<i>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.</i>				
Adjusted Net Financial Liabilities Ratio				
Net financial liabilities	<u>28,239,547</u>	55%	32%	28%
Total operating income	<u>51,530,123</u>			
Adjustments to Ratios				
<i>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. These Adjusted Ratios correct for the resulting distortion in key ratios for each year and provide a more accurate basis for comparison.</i>				
3. Asset Renewal Funding Ratio				
Asset renewals	<u>12,977,607</u>	106%	99%	80%
Infrastructure and Asset Management Plan required expenditure	<u>12,234,713</u>			
<i>Asset renewals expenditure is defined as capital expenditure on the renewal and replacement of existing assets relative to the optimal level planned, and excludes new capital expenditure on the acquisition of additional assets.</i>				

The City Of Norwood Payneham & St Peters

Notes to and forming part of the Financial Statements for the year ended 30 June 2024

Note 16. Uniform presentation of finances

\$	2024	2023
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		
Rates	43,667,070	39,973,871
Statutory charges	2,111,925	2,038,822
User charges	3,823,471	3,667,548
Grants, subsidies and contributions - capital	571,428	552,577
Grants, subsidies and contributions - operating	1,643,079	3,539,761
Investment income	60,848	171,292
Reimbursements	133,730	232,205
Other income	885,092	620,156
Net gain - equity accounted council businesses	38,653	49,738
Total Income	52,935,296	50,845,970
Expenses		
Employee costs	16,699,578	15,804,003
Materials, contracts and other expenses	22,331,023	20,710,498
Depreciation, amortisation and impairment	12,851,791	11,561,850
Finance costs	610,606	458,233
Net loss - equity accounted council businesses	333,700	357,104
Total Expenses	52,826,698	48,891,688
Operating surplus / (deficit)	108,598	1,954,282
Net timing adjustment for general purpose grant funding	1,405,173	(334,146)
Less: grants, subsidies and contributions - capital	(571,428)	(552,577)
Adjusted Operating surplus / (deficit)	942,343	1,067,559
Net outlays on existing assets		
Capital expenditure on renewal and replacement of existing assets	(12,994,204)	(11,193,008)
Add back depreciation, amortisation and impairment	12,851,791	11,561,850
Add back proceeds from sale of replaced assets	16,597	256
	(125,816)	369,098
Net outlays on new and upgraded assets		
Capital expenditure on new and upgraded assets (including investment property and real estate developments)	(18,961,179)	(5,167,739)
Add back grants, subsidies and contributions - capital new/upgraded	571,428	552,577
Add back amounts received specifically for new and upgraded assets	7,132,921	200,846
	(11,256,830)	(4,414,316)
Annual net impact to financing activities (surplus/(deficit))	(10,440,303)	(2,977,659)

The City Of Norwood Payneham & St Peters

Notes to and forming part of the Financial Statements

for the year ended 30 June 2024

Note 17. Leases

(i) Council as a lessee

Terms and conditions of leases

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.

Lease liabilities

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

\$	2024	2023
Balance at 1 July	173,674	156,806
Additions	141,436	116,497
Accretion of interest	6,692	8,061
Payments	(122,812)	(107,690)
Balance at 30 June	198,990	173,674
Classified as:		
Current	101,904	108,627
Non-current	97,086	65,047

The maturity analysis of lease liabilities is included in Note 13.

The following are the amounts recognised in profit or loss:

Depreciation expense of right-of-use assets	109,084	105,203
Interest expense on lease liabilities	6,691	8,061
Expense relating to short term leases	25,755	29,710
Expense relating to leases of low-value assets	52,877	54,390
Total amount recognised in profit or loss	194,407	197,364

(ii) Council as a lessor

Council owns various buildings, plant and other facilities that are available for hire or lease (on a non-cancellable basis wherever practicable) in accordance with the published revenue policy. Rentals received from such leases are disclosed as rent and hire of non-investment property in Note 2.

The City Of Norwood Payneham & St Peters

Notes to and forming part of the Financial Statements

for the year ended 30 June 2024

Note 18. Superannuation

The Council makes employer superannuation contributions in respect of its employees to Hostplus (formerly Local Government Superannuation Scheme and Statewide Super). 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 (11.00% in 2023/24; 10.50% in 2022/23). No further liability accrues to the Council 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. Council 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 2022/23) of "superannuation" salary.

In addition, Council 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), 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 Willis Towers Watson as at 30 June 2023. 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

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.

The City Of Norwood Payneham & St Peters

Notes to and forming part of the Financial Statements

for the year ended 30 June 2024

Note 19. Interests in other entities

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

\$	Council's Share of Net Income		Council's Share of Net Assets	
	2024	2023	2024	2023
Council's share of net income				
Joint ventures	(295,047)	(307,366)	2,205,070	997,150
Total Council's share of net income	(295,047)	(307,366)	2,205,070	997,150

(a)i) Joint ventures, associates and joint operations

(a) Relevant Interests

	Interest in Operating Result		Ownership Share of Equity		Proportion of Voting Power	
	2024	2023	2024	2023	2024	2023
Highbury Landfill Authority Inc.	40.36%	40.40%	40.36%	40.40%	33.33%	33.33%
Eastern Waste Management Authority Inc.	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%
Eastern Health Authority Inc.	31.65%	31.96%	31.65%	31.96%	20.00%	20.00%
ERA Water	33.33%	33.33%	33.33%	33.33%	25.00%	25.00%

(b) Movement in Investment in Joint Venture or Associate

\$	Highbury Landfill Authority Inc.		Eastern Waste Management Authority Inc.		Eastern Health Authority Inc.		ERA Water	
	2024	2023	2024	2023	2024	2023	2024	2023
Opening Balance	(952,192)	(904,105)	147,875	121,560	184,389	172,504	1,617,077	1,636,630
Share in Operating Result	(89,647)	(137,551)	(36,125)	41,625	38,653	8,112	(207,928)	(219,553)
Share in Other Comprehensive Income	–	–	–	(15,310)	(1,773)	3,773	632,777	–
New Capital Contributions	71,964	89,464	–	–	–	–	800,000	200,000
Council's equity share in the joint venture or associate	(969,875)	(952,192)	111,750	147,875	221,269	184,389	2,841,926	1,617,077

(c) Share of Joint Operations Expenditure Commitments

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

Eastern Waste Management Authority Inc.

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 \$2.082 million.

The City Of Norwood Payneham & St Peters

Notes to and forming part of the Financial Statements

for the year ended 30 June 2024

Note 20. Contingencies and assets/liabilities not recognised in the balance sheet

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but knowledge is considered relevant to the users of the financial report in making and evaluating decisions about the allocation of scarce resources.

1. Land under roads

As reported in the Financial Statements, 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 the 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, Council controlled 171 km of road reserves of average width 14 metres.

2. Potential insurance losses

Council is a multi-purpose organisation providing a large range of building, parks infrastructure, playgrounds and other facilities accessible to the public. At any time, it is likely that claims will have been made against Council that remain unsettled.

Council insures against all 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.

Council has recognised the potential losses arising from claims known at reporting date based on average historical net cost (including insurance excess) of similar types of claims. Other potential claims not reported to Council may have existed at reporting date.

3. 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 after the balance sheet date

Consistent with disclosures under AASB 110 - Events after Balance Date, there were no events subsequent to 30 June 2023 that need to be disclosed in the financial statement.

Note 22. Related party transactions

Key management personnel

Transactions with key management personnel

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.

\$	2024	2023
The compensation paid to key management personnel comprises:		
Short-term employee benefits	1,518,248	1,275,973
Post-employment benefits	157,876	93,871
Total	1,676,124	1,369,844

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.

The City Of Norwood Payneham & St Peters

General Purpose Financial Statements

for the year ended 30 June 2024

Independent Auditor's Report - Financial Statements

The City Of Norwood Payneham & St Peters

General Purpose Financial Statements

for the year ended 30 June 2024

Independent Auditor's Report - Internal Controls

The City Of Norwood Payneham & St Peters

General Purpose Financial Statements

for the year ended 30 June 2024

Certification 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 & St Peters for the year ended 30 June 2024, the Council's Auditor, Galpins 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

Robert Bria
Presiding Member, Audit Committee

Date: 28 October 2024

The City Of Norwood Payneham & St Peters

General Purpose Financial Statements

for the year ended 30 June 2024

Statement by Auditor

I confirm that, for the audit of the financial statements of The City Of Norwood Payneham & St Peters for the year ended 30 June 2024, 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*.

Mr Tim Muhlhausler

Galpins Accountants Auditors and Business Consultants

Date: 28 October 2024

6.4 REGIONAL SUBSIDIARIES – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

REPORT AUTHOR: Senior Finance Business partner
GENERAL MANAGER: Chief Executive Officer
CONTACT NUMBER: 8366 4549
FILE REFERENCE: qA98586
ATTACHMENTS: A - D

PURPOSE OF REPORT

The purpose of this report is to provide the Audit & Risk Committee with the 2023-2024 Audited Financial Statements for the Regional Subsidiaries of which this Council is a Member.

BACKGROUND

Section 216 (4) of the *Local Government (Financial Management) Regulations 1999* (the Regulations), 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.

In accordance with the Regulations, the Audited Financial Statements have been received from the following Regional Subsidiaries:

- Eastern Health Authority Inc. (refer to **Attachment A**);
- Eastern Waste Management Authority Inc. (refer to **Attachment B**);
- ERA Water (refer to **Attachment C**); and
- Highbury Landfill Authority Inc. (refer to **Attachment D**).

RELEVANT STRATEGIC DIRECTIONS & POLICIES

Not Applicable.

FINANCIAL AND BUDGET IMPLICATIONS

As required, 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 shares as detailed in Table 1), a net loss associated with its Regional Subsidiaries of \$295,047 (2022-2023: \$307,366 net loss).

EXTERNAL ECONOMIC IMPLICATIONS

Not Applicable.

SOCIAL ISSUES

Not Applicable.

CULTURAL ISSUES

Not Applicable.

ENVIRONMENTAL ISSUES

Not Applicable.

RESOURCE ISSUES

Not Applicable.

RISK MANAGEMENT

There are no risk management issues arising from the preparation this report.

CONSULTATION

- **Committee Members**
 Cr Clutterham is a Board Member of the Eastern Waste Management Authority Inc.
 Ms Sandra DiBlasio is a Board Member of the ERA Water Audit Committee.
 Cr Piggott is a Board Member of ERA Water and the Highbury Landfill Authority Inc.
- **Community**
 Not Applicable.
- **Staff**
 Not Applicable.
- **Other Agencies**
 Not Applicable.

DISCUSSION

Table 1 below, sets out the Net Surplus (Deficit) of the respective Regional Subsidiaries for the year ended 30 June 2024, together with the Council's share of the Operating Result which has been accounted for in the Council's 2023-2024 Financial Statements.

TABLE 1: REGIONAL SUBSIDIARY NET SURPLUS/ (DEFICIT)

Regional Subsidiary	Net Surplus / (Deficit)	Councils Share of Net Operating Surplus / (Deficit)	
	\$	Percentage	\$
Eastern Health Authority	122,120	31.27%	38,653
Eastern Waste Management Authority	(289,000)	12.5%	(36,125)
ERA Water	(623,784)	33.33%	(207,928)
Highbury Landfill Authority	(222,136)	40.36%	(89,647)

Important points to highlight resulting from the 2023-2024 Financial year for the respective Regional Subsidiaries are set out below:

- **Eastern Health Authority** The Eastern Health Authority Inc. reported an Operating Surplus of \$38,653. The Operating Surplus is due to the combined impact of increased income arising from an increase in the Food Inspection service and Workplace Immunisation Service Program, which the Eastern Health Authority provided during the full year. An increase in the investment income due to a higher cash balance and in line with tighter cost controls.

- **Eastern Waste Management Authority** The Operating Income Statement shows a year-end net loss of \$289,000, which is primarily attributed to two (2) key areas, these being continued unforeseen fleet maintenance expenditure and higher than anticipated employee costs, in particular, East Waste's use of Casual Agency Staff due to staff vacancies.

Unexpected fleet maintenance costs included replacements and repairs to the existing fleet. Overall, the 2023-2024 year was a challenging year in relation to fleet management and upon further review of the costs, it has been identified as an anomaly with the number of significant breakdowns, coupled with bringing the fleet replacement program back into line.

Employee costs throughout the year have been high and due to an overall increase in collection hours, higher than expected overtime and significant use of casual labour to fill operationally required positions. Casual staff backfilling roles within the Collections Team paid at a premium rate and typically taking longer to undertake the same work which resulted in a yearly overspend against the Adopted Budget of \$550k.

With respect to the overall \$289,000 shortfall, the Authority has proposed to draw down on existing cash reserves, rather than seek additional funding from the Constituent Councils. The financials, as presented, are reflective of this position (East Waste 'self-funding' the budget deficit) and highlights the benefits of East Waste maintaining a small cash reserve.

- **ERA Water** For the 2023-2024 irrigation season, South Australia has experienced a dry spring (the driest on record) and summer which led to ERA Water providing a record 316 ML of clean harvested stormwater to its Constituent Councils and external customers for irrigation purposes, thereby reducing the demand on the River Murray and the State's reservoirs. The stormwater would otherwise have gone into Gulf St Vincent.

Financially, expenses totalled \$1,765,047 against an income of \$1,153,886 resulting in an Operating Deficit of \$623,784 after asset disposal and fair value adjustment (compared to \$658,658 in the previous financial year). Expenses included \$415,533 for depreciation and \$593,710 for loan interest which, combined, equated to 57.2% of expenditure.

The focus of ERA Water is to pursue opportunities to increase revenue through further sales to achieve the Charter's object and purpose of being financially self-sufficient as far as possible.

- **Highbury Landfill Authority Inc.** The Highbury Landfill Authority Inc. reported an Operating Deficit of \$222,136. 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. An external review of the provision calculation was undertaken this year by consultants WSP Australia Pty Ltd (formerly Golders) and the cashflow assumptions were considered appropriate. The inflation rate was increased in line with the RBA projections and the interest rates revised to match future predicted Commonwealth bond rates. These revised rates in the provision calculation have not however, had a material impact on the Balance Sheet. The Highbury Landfill Authority is now 14 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 for the remaining 11 years. As a result of the review, the post-closure provision was increased by \$193,579. This adjustment has contributed to the reported Net Deficit.

OPTIONS

Not Applicable.

CONCLUSION

The Council's 2023-2024 Annual Financial Statements are reporting a Net Loss on Equity Accounted Council Businesses of \$295,047 (2022-2023: \$307,366 Net Loss).

COMMENTS

Nil

RECOMMENDATION

That the report and the Audited Financial Statements from the Eastern Health Authority Inc. (Attachment A), Eastern Waste Management Authority Inc. (Attachment B), ERA Water (Attachment C) and Highbury Landfill Authority Inc. (Attachment D), be received and noted.

Attachment A

**Regional Subsidiaries
Audited Financial Statements
for the Year Ended 30 June 2024**

Eastern Health Authority Inc.



Our Ref: D24/10482

29 August 2024

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 2024

Please find enclosed a copy of Eastern Health Authority (EHA) General Purpose Financial Reports for the year ended 30 June 2024. The reports have been audited by EHA's Auditor, Dean Newbery.

The statements were considered by EHA's Audit Committee at its meeting on 14 August 2024 and referred to the Board of Management for adoption.

The statements were subsequently adopted by the Board of Management at its meeting on 28 August 2024.

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 2024**

Eastern Health Authority
General Purpose Financial Reports
for the year ended 30 June 2024

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EASTERN HEALTH AUTHORITY

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024**

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 2024 and the results of its operations and cash flows for the financial year.
- internal controls implemented by EHA 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 EHA's accounting and other records.

Michael Livori
CHIEF EXECUTIVE OFFICER

Cr Peter Cornish
CHAIRPERSON
EHA BOARD OF MANAGEMENT

Date: 28/8/24.

Eastern Health Authority
Statement of Comprehensive Income
for the year ended 30 June 2024

	Notes	2024 \$	2023 \$
INCOME			
Council contributions	2	1,970,200	1,828,000
Statutory charges	2	152,387	136,026
User charges	2	414,731	457,619
Grants, subsidies and contributions - Operating	2	249,436	230,170
Investment income	2	37,380	15,866
Other income	2	913	7,255
Total Income		<u>2,825,047</u>	<u>2,674,936</u>
EXPENSES			
Employee costs	3	1,847,846	1,881,592
Materials, contracts & other expenses	3	636,970	571,267
Depreciation, amortisation & impairment	3	175,901	159,013
Finance costs	3	36,923	37,681
Total Expenses		<u>2,697,640</u>	<u>2,649,553</u>
OPERATING SURPLUS / (DEFICIT)		<u>127,407</u>	<u>25,383</u>
Asset disposal & fair value adjustments	4	(5,287)	-
NET SURPLUS / (DEFICIT)		<u>122,120</u>	<u>25,383</u>
transferred to Equity Statement			
Other Comprehensive Income			
Total Other Comprehensive Income		-	-
TOTAL COMPREHENSIVE INCOME		<u>122,120</u>	<u>25,383</u>

This Statement is to be read in conjunction with the attached Notes.

Eastern Health Authority
Statement of Financial Position
as at 30 June 2024

ASSETS	Notes	2024	2023
		\$	\$
Current Assets			
Cash and cash equivalents	5	954,882	644,769
Trade & other receivables	5	187,908	271,901
Total Current Assets		<u>1,142,790</u>	<u>916,670</u>
Non-current Assets			
Property, plant & equipment	6	999,746	1,104,793
Total Non-current Assets		<u>999,746</u>	<u>1,104,793</u>
Total Assets		<u>2,142,536</u>	<u>2,021,463</u>
LIABILITIES			
Current Liabilities			
Trade & other payables	7	198,870	121,916
Borrowings	7	139,565	111,865
Provisions	7	289,788	285,083
Total Current Liabilities		<u>628,223</u>	<u>518,864</u>
Non-current Liabilities			
Borrowings	7	782,210	881,032
Provisions	7	33,030	44,614
Total Non-current Liabilities		<u>815,240</u>	<u>925,646</u>
Total Liabilities		<u>1,443,463</u>	<u>1,444,510</u>
NET ASSETS		<u>699,073</u>	<u>576,953</u>
EQUITY			
Accumulated surplus		<u>699,073</u>	<u>576,953</u>
TOTAL EQUITY		<u>699,073</u>	<u>576,953</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 2024

		Acc'd Surplus	Asset Rev'n Reserve	Other Reserves	TOTAL EQUITY
2024	Notes	\$	\$	\$	\$
Balance at end of previous reporting period		576,953	-	-	576,953
Net Surplus / (Deficit) for Year		122,120	-	-	122,120
Balance at end of period		699,073	-	-	699,073
		Acc'd Surplus	Asset Rev'n Reserve	Other Reserves	TOTAL EQUITY
2023	Notes	\$	\$	\$	\$
Balance at end of previous reporting period		551,570	-	-	551,570
Net Surplus / (Deficit) for Year		25,383	-	-	25,383
Balance at end of period		576,953	-	-	576,953

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 2024

	Notes	2024 \$	2023 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Receipts:</i>			
Council Contributions		1,970,200	1,828,000
Fees & other charges		152,387	136,026
User charges		498,191	418,158
Investment receipts		35,775	14,506
Grants utilised for operating purposes		249,436	230,170
Other revenues		913	7,633
<i>Payments:</i>			
Employee costs		(1,821,964)	(1,847,155)
Materials, contracts & other expenses		(590,639)	(586,184)
Finance payments		(36,923)	(38,517)
Net Cash provided by (or used in) Operating Activities	8	<u>457,376</u>	<u>162,637</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Payments:</i>			
Expenditure on renewal/replacement of assets		-	(49,557)
Expenditure on new/upgraded assets		(14,141)	
Net Cash provided by (or used in) Investing Activities		<u>(14,141)</u>	<u>(49,557)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
<i>Payments:</i>			
Repayments of borrowings		-	(38,391)
Repayment of principal portion of lease liabilities		(133,122)	(70,803)
Net Cash provided by (or used in) Financing Activities		<u>(133,122)</u>	<u>(109,194)</u>
Net Increase (Decrease) in cash held		310,113	3,886
Cash & cash equivalents at beginning of period	8	<u>644,769</u>	640,883
Cash & cash equivalents at end of period	8	<u>954,882</u>	<u>644,769</u>

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 2024

Note 1 - Material 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 on a going concern basis using the historical cost convention 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 material to the financial statements are specifically referred to in the relevant sections of these Notes.

1.4 Rounding

All amounts in the financial statements have been rounded to the nearest dollar.

2 The Local Government Reporting Entity

EHA 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 EHA 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 EHA enters into transactions where the consideration to acquire an asset is materially 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 the EHA. In this case, the 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 2024

Note 1 - Material 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 EHA's option with an immaterial 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, except for trade receivables from a contract with a customer, which are measured at the transaction price. A detailed statement of the accounting policies applied to financial instruments also form part of Note 9.

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 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 the EHA 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 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. No capitalisation threshold is applied to the acquisition of land or interests in land.

5.3 Subsequent Recognition

All material asset classes are revalued on a regular basis such that the carrying values are not materially different from fair value. Material uncertainties exist in the estimation of fair value of a number of asset classes including land, buildings and associated structures and infrastructure.

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 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.

5.5 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).

Eastern Health Authority
Notes to and forming part of the Financial Statements
for the year ended 30 June 2024

Note 1 - Material Accounting Policies

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.

5.6 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 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 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.

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". Interest free loans are initially recognised at fair value with any difference between fair value and proceeds recognised in the profit and loss. The loan is subsequently measured at amortised cost with interest being recognised using the effective interest rate method.

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 EHA 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 EHA's involvement with the schemes are reported in Note 12.

9 Leases

The 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.

Eastern Health Authority
Notes to and forming part of the Financial Statements
for the year ended 30 June 2024
Note 1 - Material Accounting Policies

EHA as a lessee

The 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 EHA 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.

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 EHA uses its incremental borrowing rate or the interest rate implicit in the lease.

10 Goods & Services Tax

In accordance with interpretation of 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

The EHA applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023. New standards and amendments relevant to the EHA are listed below. The EHA has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Eastern Health Authority
Notes to and forming part of the Financial Statements
for the year ended 30 June 2024

Note 2 - INCOME

	2024	2023
Notes	\$	\$
COUNCIL CONTRIBUTIONS		
City of Burnside	549,526	494,233
Cambelltown City Council	485,862	453,186
City of Norwood, Payneham & St Peters	623,600	584,210
City of Prospect	222,106	214,740
Town of Walkerville	89,106	81,631
	<u>1,970,200</u>	<u>1,828,000</u>
STATUTORY CHARGES		
Inspection Fees: Food	122,913	107,990
Inspection Fees: Legionella	7,892	10,027
SRF Licences	1,587	1,630
Fines & Expiation Fees	19,995	16,379
	<u>152,387</u>	<u>136,026</u>
USER CHARGES		
Immunisation: Clinic Vaccines	92,513	86,207
Immunisation: Service Provision	121,000	152,625
Immunisation: Worksite Vaccines	78,336	96,177
Immunisation: Clinic Service Fee	2,775	1,640
Food Auditing	120,107	120,970
	<u>414,731</u>	<u>457,619</u>
INVESTMENT INCOME		
Interest on investments:		
Local Government Finance Authority	37,380	15,866
	<u>37,380</u>	<u>15,866</u>
OTHER INCOME		
Motor Vehicle Reimbursements	364	4,357
Sundry	549	2,898
	<u>913</u>	<u>7,255</u>
GRANTS, SUBSIDIES, CONTRIBUTIONS		
<i>Other grants, subsidies and contributions - Operating</i>		
Immunisation: School Programme	228,138	209,229
Immunisation: AIR	21,298	18,941
Immunisation: PHN Project	-	2,000
Total Grants all sources	<u>249,436</u>	<u>230,170</u>
Sources of grants		
<i>Other</i>	<u>249,436</u>	<u>230,170</u>
	<u>249,436</u>	<u>230,170</u>

Eastern Health Authority
Notes to and forming part of the Financial Statements
for the year ended 30 June 2024

Note 3 - EXPENSE

		2024	2023
	Notes	\$	\$
EMPLOYEE COSTS			
Salaries and Wages		1,620,120	1,580,063
Employee leave expense		23,783	54,041
Superannuation - defined contribution plan contributions	12	158,379	172,557
Superannuation - defined benefit plan contributions	12	19,884	20,103
Workers' Compensation Insurance		23,646	20,160
Other - Agency Staff and Consultant Medical Officer		2,034	34,668
Total Operating Employee Costs		1,847,846	1,881,592
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		9,500	8,800
Bad and Doubtful Debts		6,939	-
Governance expenses		10,574	16,038
Lease Expenses - short term leases	11	15,736	26,942
Subtotal - Prescribed Expenses		42,749	51,780
<u>Other Materials, Contracts & Expenses</u>			
Accounting		4,658	3,775
Contractors		31,352	28,290
Energy		18,327	7,182
Fringe benefits tax		14,480	14,480
Human resources		27,159	8,794
Income protection		29,536	31,047
Insurance		56,586	39,010
IT licensing and support		145,357	151,411
Legal Expenses		6,061	14,321
Motor vehicle expenses		19,564	25,465
Parts, accessories & consumables		136,213	105,347
Printing and stationary		20,071	24,387
Staff training		26,528	20,974
Sundry		36,984	22,759
Telephone		15,947	16,248
Work health & safety consultancy		5,398	5,997
Subtotal - Other Materials, Contracts & Expenses		594,221	519,487
		636,970	571,267

Eastern Health Authority
Notes to and forming part of the Financial Statements
for the year ended 30 June 2024

Note 3 - EXPENSE con't

		2024	2023
	Notes	\$	\$
DEPRECIATION, AMORTISATION & IMPAIRMENT			
Depreciation			
Buildings & Other Structures		23,642	27,394
Office Equipment, Furniture & Fittings		11,337	3,752
Right of use assets	11	140,922	127,867
		<u>175,901</u>	<u>159,013</u>
FINANCE COSTS			
Interest on Loans		-	(836)
Interest on Leases		36,923	38,517
		<u>36,923</u>	<u>37,681</u>

Eastern Health Authority
Notes to and forming part of the Financial Statements
for the year ended 30 June 2024

Note 4 - ASSET DISPOSALS AND FAIR VALUE ADJUSTMENTS

		2024	2023
	Notes	\$	\$
INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT			
<i>Assets renewed or directly replaced</i>			
Proceeds from disposal		-	-
Less: Carrying amount of assets sold		<u>(5,287)</u>	<u>-</u>
Gain (Loss) on disposal		<u>(5,287)</u>	<u>-</u>
NET GAIN (LOSS) ON DISPOSAL OR REVALUATION OF ASSETS		<u>(5,287)</u>	<u>-</u>

Eastern Health Authority
Notes to and forming part of the Financial Statements
for the year ended 30 June 2024

Note 5 - CURRENT ASSETS

	Notes	2024 \$	2023 \$
CASH & EQUIVALENT ASSETS			
Cash on Hand and at Bank		193,430	199,093
Deposits at Call		761,452	445,676
		<u>954,882</u>	<u>644,769</u>
TRADE & OTHER RECEIVABLES			
Accrued Revenues		3,334	1,729
Debtors - general		176,653	270,172
GST Recoupment		7,921	-
		<u>187,908</u>	<u>271,901</u>

Eastern Health Authority
Notes to and forming part of the Financial Statements
for the year ended 30 June 2024

Note 6 - PROPERTY, PLANT & EQUIPMENT (PP&E)

	2023				2024			
	\$				\$			
	Fair Value	Cost	Acc' Dep'n	Carrying Amount	Fair Value	Cost	Acc' Dep'n	Carrying Amount
Buildings & Other Structures	-	472,846	(286,648)	186,198	-	472,846	(310,290)	162,556
Office Equipment, Furniture & Fittings	-	281,287	(253,981)	27,306	-	282,183	(257,360)	24,823
Right of use assets	-	1,362,000	(470,711)	891,289	-	1,424,000	(611,633)	812,367
Total IPP&E	-	2,116,133	(1,011,340)	1,104,793	-	2,179,029	(1,179,283)	999,746
Comparatives	-	2,066,576	(852,327)	1,214,249	-	2,116,133	(1,011,340)	1,104,793

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 2024

Note 6 - PROPERTY, PLANT & EQUIPMENT

	2023	Carrying Amounts Movement During the Year							2024	
	\$	\$							\$	
	Carrying Amount	Additions		Disposals	Dep'n	Impair't	Transfers		Net Reval'n	Carrying Amount
New / Upgrade		Renewals	In				Out			
Buildings & Other Structures	186,198	-	-	-	(23,642)	-	-	-	-	162,556
Office Equipment, Furniture & Fittings	27,306	14,141	-	(5,287)	(11,337)	-	-	-	-	24,823
Right of use assets	891,289	62,000	-	-	(140,922)	-	-	-	-	812,367
Total IPP&E	1,104,793	76,141	-	(5,287)	(175,901)	-	-	-	-	999,746
<i>Comparatives</i>	1,214,249	-	49,557	-	(159,013)	-	-	-	-	1,104,793

Eastern Health Authority
Notes to and forming part of the Financial Statements
for the year ended 30 June 2024

Note 7 - LIABILITIES

	Notes	2024		2023	
		Current	Non-current	Current	Non-current
TRADE & OTHER PAYABLES					
Goods & Services		104,536	-	60,791	-
Accrued expenses - employee entitlements		91,748	-	58,987	-
Accrued expenses - other		2,586	-	-	-
GST Payable		-	-	2,138	-
		<u>198,870</u>	<u>-</u>	<u>121,916</u>	<u>-</u>
 BORROWINGS					
Leases Liabilities	11	139,565	782,210	111,865	881,032
		<u>139,565</u>	<u>782,210</u>	<u>111,865</u>	<u>881,032</u>
 PROVISIONS					
LSL Employee entitlements (including oncosts)		140,256	33,030	136,974	44,614
AL Employee entitlements (including oncosts)		149,532	-	148,109	-
		<u>289,788</u>	<u>33,030</u>	<u>285,083</u>	<u>44,614</u>
<i>Amounts included in provisions that are not expected to be settled within 12 months of reporting date.</i>		-	-	-	-

Eastern Health Authority
Notes to and forming part of the Financial Statements
for the year ended 30 June 2024

Note 8 - 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	2024	2023
		\$	\$
Total cash & equivalent assets	5	<u>954,882</u>	<u>644,769</u>
Balances per Cash Flow Statement		<u>954,882</u>	<u>644,769</u>

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

Net Surplus (Deficit)		122,120	25,383
Non-cash items in Income Statement			
Depreciation, amortisation & impairment		175,901	159,013
Net increase (decrease) in unpaid employee benefits		<u>25,882</u>	<u>34,437</u>
		329,190	218,833
Add (Less): Changes in Net Current Assets			
Net (increase) decrease in receivables		81,855	(40,443)
Net increase (decrease) in trade & other payables		<u>46,331</u>	<u>(15,753)</u>
Net Cash provided by (or used in) operations		<u>457,376</u>	<u>162,637</u>

(c) Financing Arrangements

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

Corporate Credit Cards	5,000	5,000
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The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice.

Eastern Health Authority
Notes to and forming part of the Financial Statements
for the year ended 30 June 2024

Note 9 - 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 of 4.55% (2023:4.3%).

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 EHA is not materially exposed to any individual debtor, credit risk exposure is concentrated within EHA'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 - 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 EHA.

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

Carrying amount: approximates fair value.

Liabilities - Finance Leases

Accounting Policy: accounted for in accordance with AASB 16 as stated in Note 11

Eastern Health Authority
Notes to and forming part of the Financial Statements
for the year ended 30 June 2024

Note 9 - FINANCIAL INSTRUMENTS (con't)

Liquidity Analysis

2024	Due < 1 year	Due > 1 year ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
<u>Financial Assets</u>	\$	\$	\$	\$	\$
Cash & Equivalents	954,882	-	-	954,882	954,882
Receivables	187,908	-	-	187,908	187,908
Total	1,142,790	-	-	1,142,790	1,142,790
<u>Financial Liabilities</u>					
Payables	104,536	-	-	104,536	104,536
Lease Liabilities	171,827	564,204	336,037	1,072,068	921,775
Total	276,363	564,204	336,037	1,176,604	1,026,311
2023	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
<u>Financial Assets</u>	\$	\$	\$	\$	\$
Cash & Equivalents	644,769	-	-	644,769	644,769
Receivables	273,003	-	-	273,003	271,901
Total	917,772	-	-	917,772	916,670
<u>Financial Liabilities</u>					
Payables	96,432	-	-	96,432	62,929
Lease Liabilities	111,865	464,492	576,357	1,152,714	992,897
Total	208,297	464,492	576,357	1,249,146	1,055,826

Eastern Health Authority
Notes to and forming part of the Financial Statements
for the year ended 30 June 2024

Note 9 - 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 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 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 in relation to individual classes of receivables, exposure is concentrated within 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. EHA 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 2024

Note 10 - UNIFORM PRESENTATION OF FINANCES

The following is a detailed summary of both operating and capital investment activities of EHA prepared on a modified Uniform Presentation Framework basis, adjusted for timing differences associated with prepaid Federal assistance Grants required to be recognised as revenue on receipt in accordance with Australian Accounting Standards.

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.

	2024	2023
	\$	\$
Income		
<i>Council contributions</i>	1,970,200	1,828,000
<i>Statutory charges</i>	152,387	136,026
<i>User charges</i>	414,731	457,619
<i>Grants, subsidies and contributions - Operating</i>	249,436	230,170
<i>Investment income</i>	37,380	15,866
<i>Other income</i>	913	7,255
	<u>2,825,047</u>	<u>2,674,936</u>
Expenses		
<i>Employee costs</i>	(1,847,846)	(1,881,592)
<i>Materials, contracts and other expenses</i>	(636,970)	(571,267)
<i>Depreciation, amortisation and impairment</i>	(175,901)	(159,013)
<i>Finance costs</i>	(36,923)	(37,681)
	<u>(2,697,640)</u>	<u>(2,649,553)</u>
Operating Surplus / (Deficit)	127,407	25,383
Net Outlays on Existing Assets		
Capital Expenditure on renewal and replacement of Existing Assets	-	(49,557)
Add back Depreciation, Amortisation and Impairment	175,901	159,013
	<u>175,901</u>	<u>109,456</u>
Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets <i>(including investment property & real estate developments)</i>	(14,141)	-
Finance Lease Payments for Right of Use Assets	170,043	146,329
	<u>155,902</u>	<u>146,329</u>
Adjusted Annual Net Impact to Financing Activities surplus/ (deficit)	<u>459,210</u>	<u>281,168</u>

Eastern Health Authority
Notes to and forming part of the Financial Statements
for the year ended 30 June 2024

Note 11 - LEASES

EHA as a Lessee

Right of Use Assets

Set out below are the carrying amounts (written down value) of right of use assets recognised within Infrastructure Property, Plant & Equipment and the movements during the period:

Right of Use Assets <i>(Carrying Value)</i>	Building & Other Structures	Plant, Machinery & Equipment	Office Equipment	Total
At 1 July 2023	816,000	75,289	-	891,289
Additions	-	62,000	-	62,000
Depreciation Charge	(96,000)	(44,922)	-	(140,922)
At 30 June 2024	720,000	92,367	-	812,367

Set out below are the carrying amounts of lease liabilities (including under interest bearing loans and borrowings) and the movements during the period:

	2024
Opening Balance 1 July 2023	992,897
Additions	62,000
Payments	(133,122)
Closing Balance 30 June 2024	921,775
Current	139,565
Non Current	782,210

The maturity analysis of lease liabilities is included in Note 9.

EHA and its associated entities (the group) had total cash outflows for leases of \$170,045

The following are amounts recognised on profit or loss:

Depreciation expense right of use assets	140,922
Interest expense on lease liabilities	36,923
Expenses relating to short term leases	15,736
Total amount recognised in profit and loss	193,581

Eastern Health Authority
Notes to and forming part of the Financial Statements
for the year ended 30 June 2024

Note 12 – SUPERANNUATION

The EHA makes employer superannuation contributions in respect of its employees to Hostplus (formerly Local Government Superannuation Scheme and Statewide Super). 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 (11% in 2023-24; 10.5% in 2022-23). 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 2022-23) 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 2023. 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 2024

Note 13 - CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There are no contingencies, assets or liabilities not recognised in the financial statements for the year ended 30 June 2024.

Note 14 - EVENTS OCCURRING AFTER BALANCE DATE

There are no events subsequent to 30 June 2024 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 2024

Note 15 - RELATED PARTY DISCLOSURES

KEY MANAGEMENT PERSONNEL

The Key Management Personnel of 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:

	2024	2023
	\$	\$
Salaries, allowances & other short term benefits	195,848	192,884
TOTAL	195,848	192,884

Amounts received from Related Parties during the financial year.

	2024	2023
	\$	\$
City of Burnside	549,526	494,233
Cambelltown City Council	485,862	453,186
City of Norwood, Payneham & St Peters	623,600	584,210
City of Prospect	222,106	214,740
Town of Walkerville	89,106	81,631
TOTAL	1,970,200	1,828,000

Amounts paid to Related Parties during the financial year.

	2024	2023
	\$	\$
City of Norwood, Payneham & St Peters	112,121	112,121
TOTAL	112,121	112,121

DESCRIPTION OF SERVICES

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 2024**

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 2024, 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*.

Michael Livori
CHIEF EXECUTIVE OFFICER

Madeleine Harding
**PRESIDING MEMBER
AUDIT COMMITTEE**

Date: 14/08/2024



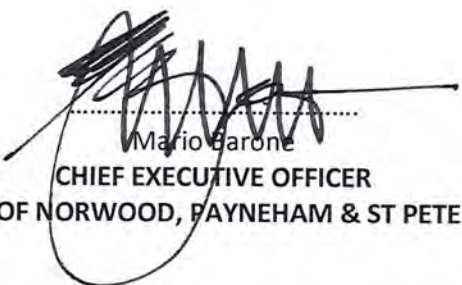
EASTERN HEALTH AUTHORITY

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024**

CERTIFICATION OF AUDITOR INDEPENDENCE

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



Mario Barone
CHIEF EXECUTIVE OFFICER
CITY OF NORWOOD, PAYNEHAM & ST PETERS

Date: 10.07.2024.



EASTERN HEALTH AUTHORITY

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024**

CERTIFICATION OF AUDITOR INDEPENDENCE

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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: 10/07/2024



EASTERN HEALTH AUTHORITY

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024**

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 2024, the 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*.

.....
Paul Di Iulio
**CHIEF EXECUTIVE OFFICER
CAMPBELLTOWN CITY COUNCIL**

Date: **23.7.24**



EASTERN HEALTH AUTHORITY

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024**

CERTIFICATION OF AUDITOR INDEPENDENCE

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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: 10/07/2024



EASTERN HEALTH AUTHORITY

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024**

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 2024, the 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*.

Andrew MacDonald
CHIEF EXECUTIVE OFFICER
CORPORATION OF THE TOWN OF WALKERVILLE

Date: 10 JULY 2024

Attachment B

**Regional Subsidiaries
Audited Financial Statements
for the Year Ended 30 June 2024**

Eastern Waste Management Authority Inc.



9.1 Audited Financial Statements for the Year Ended 30 June 2024

Report Author General Manager

Attachments A: Draft Financial Statements for the Year Ending 30 June 2024
B: Galpins 2023/24 Audit Completion Report
C: Draft Management Representation Letter

Purpose and Context

To provide the Board with an opportunity to review and comment on the prepared Financial Statements for year ending 30 June 2024.

Recommendation

That the Board:

1. *Receive and notes the draft FY2024 audited Financial Statements as presented in Attachment A and the Management Representation Letter as presented in Attachment C; and*
2. *Receives and notes the Independent Audit Completion Report as presented in Attachment B.*
3. *Authorises the Chairman and General Manager to sign the Financial Statements as presented in Attachment A and provide to Member Councils.*

Strategic Link

Objective 5. Provide Leadership

Strategy 5.4 Quality and transparent Corporate (Governance and Financial) activities.

Background

At the meeting held 22 June 2023, the East Waste Board resolved (in part):

9.1 Annual Plan and Budget Endorsement

Moved Mr Dilena that the Board:

1. *Endorses the 2023/24 Annual Business Plan and Budget as amended in Attachment A, inclusive of all projects and expenditure.*

Seconded Cr Clutterham

Carried

Discussion

The draft Financial Statements (refer Attachment A) for financial year ending 30 June 2024 have been prepared by East Waste's appointed accountancy firm Dean Newbery and Partners, in accordance with the model financial statements issued by the Local Government Association.

The statements have been reviewed by East Waste's external auditors Galpins. Galpins Audit Completion Report is provided (refer Attachment B) and a representative from Galpins will attend the meeting to answer any Board questions. For completeness and transparency, the signed Certification of the Auditor's Independence is provided for the Board in Appendix 2 of the Audit Completion Report (refer Appendix 2 of Attachment C). The Board will note that through the interim audit process, the majority of internal controls were deemed to be operating effectively, with nine controls posing a low to moderate risk, noting no high-risk matters raised. The end of year review was consistent with the interim report, with Galpins noting just three low-risk findings within the final management letter (refer pg.10 of Attachment B) relating to carry-forward grant income, management of Annual Leave balances, and a noted discrepancy in East Waste's GST accounts. Management has responded accordingly within the final management letter (Refer pg.10 of Attachment B) and are confident these risks will be further mitigated in the coming twelve months.

With respect to the outstanding note, identified on Page 4 (refer pg. 4 of Attachment B), this related to the new Ottoway Depot Lease, which at the time of the Audit Completion Report being issued, had not been finalised. A Special Meeting of the Board has since been held, endorsing a new 10-year lease and approving the document to be executed under Common Seal. The Financial Statements as per Attachment A (refer Attachment A) include the updated Note 11 to reflect this, with the updated Audit Completion Report to be presented within the upcoming Board Agenda.

The draft Financial Statements (refer Attachment A) show a year end net loss of \$289K, which is primarily attributed to two key areas, being continued unforeseen fleet maintenance expenditure in Q4, and higher than anticipated employee costs, in particular East Waste's use of Casual Agency Staff.

Unexpected fleet maintenance costs continued throughout the final quarter of the fiscal year. These included, as examples a new floor and body reweld (\$30k), 3 transmissions (\$40k) and 4 radiator re-cores (\$25k). Overall, the FY24 year was a challenging year in relation to fleet management and upon further review of the costs, it has largely been identified as an anomaly with the number of significant breakdowns, coupled with bringing the fleet replacement program back in line. Additional to this, as per Report 9.4 of this agenda, the development of a more detailed Asset Management Plan, inclusive of operating and maintenance will assist with future projections and planning.

Employee costs as detailed throughout the year have been high and due to an overall increase in collection hours higher than expected overtime and heavy use of casual labour to fulfill operationally required positions, resulted in a yearly overspend against budget of \$550k. This increase is principally associated with additional Drivers, increased overtime and additional expenditure in the Workshop due to long-term leave. FY24 saw a 5.6% increase in total collection hours compared to FY23 which translates into almost 6,000 additional person hours and just over 275,000 additional

bin lifts. Several permanent staff took unplanned personal leave which resulted in high levels of overtime for remaining staff and necessitating casual labour hire. This has a flow on effect upon the figures, with casual staff backfilling roles within the collections team paid at a premium rate and typically taking longer to undertake the same work.

The fourth quarter of the year (April – June) historically is the quietest quarter in relation to labour hours, however this did not materialise this year, further compounding the above figures.

Given the stark nature of the overrun, Management have undertaken a review of the FY25 labour budget and are confident that no material changes are required at this point in time. Members may recall a significant increase was budgeted for in the current year and with the use of labour hire, which was the key driver for the increased labour costs in FY24, currently at the lowest level for the past 5 years and well under control (largely as a result of East Waste currently being seen as a destination Organisation within the waste industry due to our culture and conditions), the budget line is well positioned.

With respect to the overall \$289K shortfall, it is proposed to draw down on existing cash reserves, rather than seek additional funding from the Member Councils. The presented financials are reflective of this position (East Waste 'self-funding' the budget deficit) and highlights the benefits of East Waste maintaining a small cash reserve.

The capital expenditure commitments of \$2.179M referred to in Note 10 of the Financials relates to the current financial year (FY25) fleet replacement order, which has already been placed, with vehicles scheduled to arrive in late November/ early December.

The cash balance at the end of the FY24 period shows a net decrease of \$2.32M, which is reflective of the inflated cash held at the end of the FY23 period. This was due to a \$2.082million loan draw down in FY23 that was not spent on truck purchases as anticipated and carried forward into the FY24 year, where it was fully spent as intended in FY24 (this was disclosed in Note 10 of the FY23 Audited Statements). Coupled with a ~\$300k increase in Debtors at the current year end compared to the FY23 closing position, the overall cash position at the end of the year is relatively stable and remains at a level Management is comfortable with.

The draft Management Representation Letter (refer Attachment C) prepared by Galpins external auditors as part of the external audit completion process has been provided to Board Members to note and to be aware of disclosures Management are making to the auditors in connection with the audit. Subject to no further changes or any adverse unforeseen events occurring before the financial statements are due to be signed off, the General Manager will sign the enclosed draft Management Representation Letter as presented in Attachment C and provide it to the auditors to enable them to issue to the Authority the auditor's report (refer pg.14 of attachment B) for the 2023/24 financial year.

The Audit & Risk Management Committee reviewed the draft Financial Statements at the September 2024 meeting and resolved:

9.1 Audited Financial Statements for the Year Ended 30 June 2024

Moved MR Di Iulio that the Audit & Risk Management Committee:

- 1. Receive the draft FY2024 audited Financial Statements as presented in Attachment A and the Management Representation Letter as presented in Attachment C, and recommend both documents for presentation to the East Waste Board; and*
- 2. Note the draft Independent Audit Completion Report as presented in Attachment B.*

Seconded Ms Di Blasio

Carried

Following Board endorsement, the Financial Statements will formally be issued to the Member Councils.

Attachment C

Regional Subsidiaries Audited Financial Statements for the Year Ended 30 June 2024

ERA Water



ANNUAL REPORT 2023-24



ERA WATER ANNUAL REPORT 2023-24

ACKNOWLEDGEMENT OF TRADITIONAL OWNERS

We acknowledge the Kurna people as the traditional custodians of this land and respect their spiritual relationship with their country. We recognise the many generations of stewardship the Kurna people have provided to this land and respect that their cultural heritage and beliefs are as important today as they were for their ancestors.

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INDEPENDENT CHAIRPERSON'S REPORT

The 2023-24 financial year enabled further consolidation and maturity for ERA Water's fourth full year of operation. An unseasonably long and dry spring (the driest on record) and summer led to ERA Water providing a record 316 ML (316,000,000 litres) of clean harvested stormwater to its Constituent Councils and external customers for irrigation purposes, reducing the demand on the River Murray and the state's reservoirs. The stormwater would otherwise have gone into Gulf St Vincent.

Projections about the impacts of climate change require that we take a long-term view in relation to water management. ERA Water is one component of a broader approach to managing water, providing fit for purpose irrigation water to our customers, in particular our Constituent Councils, to maintain green, usable and biodiversity spaces for their communities year in and year out, including under drought conditions.

We will continue to explore opportunities to further enhance the sustainable trajectory of ERA Water and maintain a focus on regularly monitoring and improving the strategic, financial, operational and environmental performance of ERA Water.

I take this opportunity to thank our three Constituent Councils as well as the other members of the Board, the Audit & Risk Committee, and our General Manager Andrew Aitken and principal contractor Mark Millington for their ongoing commitment and contribution to ERA Water.

JEFF TATE

ERA WATER INDEPENDENT CHAIRPERSON

GENERAL MANAGER'S REPORT

The capacity of the ERA Water MAR scheme, built up in recent years with significant volumes of water harvested and injected into the aquifer, has led to a plentiful supply of clean, harvested stormwater throughout a record dry 2023-24 irrigation season. Despite the volume of harvesting and injection being lower than last year, largely due to an unusually early start and late finish to the 2023-24 irrigation season, we still retained almost 600 ML of ERA water in the aquifer.

A significant project undertaken during the course of the year was the external revaluation of ERA Water's approximately \$20m worth of assets. This was an important milestone for the authority, resetting the baseline across its key asset classes as well as painting a clearer picture of the value and useful lives of its core infrastructure into the future.

Overall, 2023-24 was a year of further consolidation of ERA Water's MAR scheme and business performance. I thank the Constituent Councils, Board Members and Audit & Risk Committee Members for the unwavering support they have provided me in my time as General Manager and for their commitment to ERA Water. I remain incredibly optimistic and excited about ERA Water's future and look forward to seeing even greater success for the subsidiary in the years to come.

ANDREW AITKEN
ERA WATER 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 harvested 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 & 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 that captures, treats and delivers harvested stormwater for irrigation purposes to the Constituent Councils and other customers. By doing so, it makes a significant contribution to the protection of Adelaide's environment and reduces the reliance of Adelaide upon water from the River Murray. 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 - 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. To this end, ERA Water is forecasting sales in excess of 300 ML next financial year.

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 has recently been reviewed, with proposed changes forwarded to Constituent Councils for their consideration in July 2024.

The Charter sets the Objects and Purposes of ERA Water to:

- implement, oversee and manage the Project
- develop, implement, oversee and manage practical solutions to provide water supply diversity within and outside the Region
- 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
- manage and oversee the distribution of water captured as part of the Project
- provide strategic direction for the Project
- fund, lease or own physical infrastructure required to undertake the Project
- meet all legislative requirements for the Subsidiary
- be responsible for the ongoing maintenance, replacement and other capital requirements of all physical infrastructure owned by the Subsidiary
- utilise proven water management planning principles and technologies
- manage, operate and control the necessary infrastructure for the Project
- maximise economic, environmental and social benefits to the community by developing and implementing innovative water management principles and techniques
- identify, develop and implement water recycling and supply opportunities for the Constituent Councils
- 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
- represent the Constituent Councils and liaise with State government regarding the implementation or alteration of legislation in relation to water and licensing
- be financially self-sufficient as far as possible.

GOVERNANCE

BOARD OF MANAGEMENT

ERA Water is governed by a Board of Management comprising an Independent Chairperson and a representative from each Constituent Council. The Board held six (6) ordinary meetings and one (1) special meeting during the 2023-24 financial year. The Chairperson and Board Member attendance for all meetings at which time they each held office are outlined below.

Member

Independent Chairperson	Mr Jeff Tate	6 of 7 meetings
City of Burnside	Mr Chris Cowley (CEO)	6 of 7 meetings
City of Norwood, Payneham and St Peters	Cr Grant Piggott	6 of 7 meetings
Corporation of the Town of Walkerville	Cr Anthony Vanstone	7 of 7 meetings

Regular Meetings of the Board were held on the following dates:

20 July 2022

21 September 2023

16 November 2023

25 January 2024

28 March 2024

23 May 2024

A Special Meeting of the Board was held on the following date:

26 June 2024

CONFIDENTIALITY

During the 2023-24 financial year, the Board considered reports of a confidential nature for seven (7) separate agenda items at five (5) of its 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

Section	Description	No. times used
90(3)(d)	commercial information of a confidential nature (not being a trade secret) the disclosure of which— (i) could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party; and	
90(3)(k)	(ii) would, on balance, be contrary to the public interest; tenders for the supply of goods, the provision of services or the carrying out of works.	1
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)	commercial information of a confidential nature (not being a trade secret) the disclosure of which— (i) could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party; and (ii) would, on balance, be contrary to the public interest; as the information discussed includes details regarding possible supply and pricing required to be confidential under any subsequent contract.	5

FREEDOM OF INFORMATION

No requests were received under the *Freedom of Information Act 1991* during the 2023-24 financial year.

STAFFING STRUCTURE

Andrew Aitken occupied the role of General Manager for the entire financial year.

No additional staff were employed during the year.

SUPPORT FROM CONSTITUENT COUNCILS

The Town of Walkerville provided ERA Water with Board and Audit & Risk Committee secretarial and executive support functions and services during the 2023-24 financial year as well as meeting rooms for Board meetings and workshops and Audit & Risk Committee Meetings.

The City of Burnside contributed the premises some administrative support for the preparation of Board and Audit & Risk Committee agendas.

The City of Norwood, Payneham & St Peters provided office accommodation as well as some IT and financial/bookkeeping support.

FINANCIAL AND OPERATIONAL MATTERS

2023-24 BUDGET

The 2023-24 Budget was approved by the Constituent Councils, and subsequently adopted 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 & RISK COMMITTEE

The ERA Water Audit & Risk Committee held six (6) meetings in the 2023-24 financial year. The work of the Committee over the past financial year has included:

- reviewing ERA Water's year to date management accounts and preliminary end of financial year financial statements
- reviewing the external asset revaluation proposals and ultimately the final asset revaluation that was subsequently adopted by the Board in June 2024
- reviewing 2023-24 budget reviews
- reviewing the draft 2024-25 ERA Water Budget
- providing recommendations on relevant policy, governance and finance related matters
- reviewing the risk register.

Regular Meetings of the Audit & Risk Committee were held on the following dates:

2 August 2023

13 September 2023

8 November 2023

17 January 2024

20 March 2024

12 June 2024

Meeting attendance by the Independent Chairperson and Committee Members was as follows:

Member		
Independent Chairperson (Corporation of the Town of Walkerville nominee)	Mr Michael Parkinson	6 of 6 meetings
Independent Committee Member (City of Norwood, Payneham & St Peters)	Ms Sandra Di Blasio	6 of 6 meetings
Committee Member (City of Burnside nominee)	Cr Harvey Jones	5 of 6 meetings

FINANCIAL STATEMENTS

The Audited Financial Statements for the year ending the 30 June 2024 are provided as an attachment to the Annual Report and show an Operating Deficit of \$611,161 (2022-23 \$658,658) and Total Council Equity of \$8,525,740 (2022-23 \$4,851,192).

Total income was \$1,153,886 (2022-23 \$961,455) and total expenses \$1,765,047 (2022-23 \$1,620,113).

FINANCIAL MANAGEMENT SUPPORT

BRM Advisory and VRM Accounting continued to provide financial management support to the Board and General Manager, with in-kind support provided by the City of Norwood, Payneham & St Peters.

REGULATORY FRAMEWORK

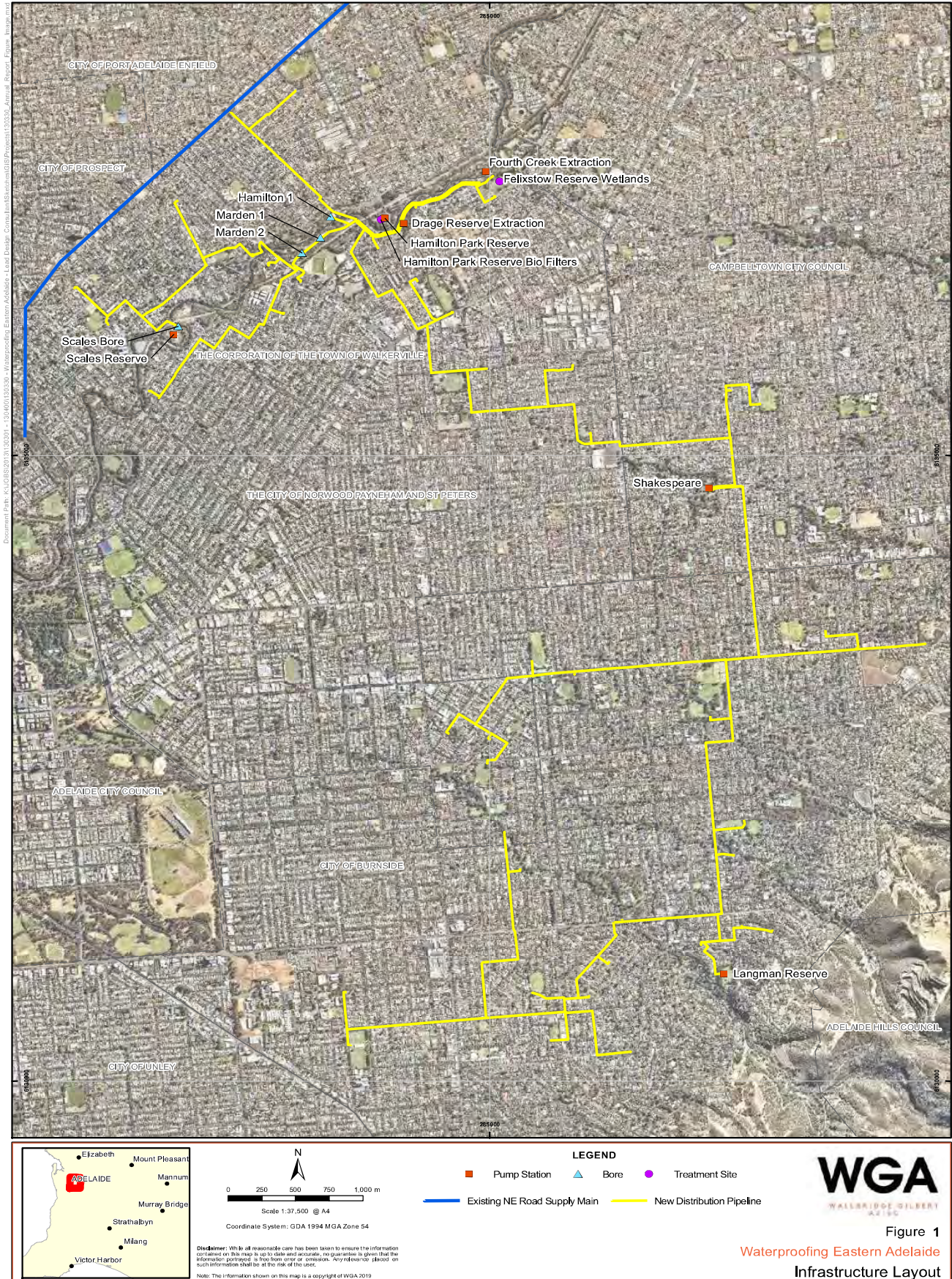
ERA Water operates within a regulated framework that require licences from the Environment Protection Agency (EPA) and from the Essential Services Commission South Australia (ESCOSA), an Authorisation from the Department for Environment and Water (DEW) and Permits from the Green Adelaide Landscape Board.

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 among other things the sampling and testing regime for water quality monitoring and reporting requirements regarding injection and extraction data as well as annual reporting requirements. The MARRMMP submitted for 2023-24 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 current 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.





ERA Water Regional Subsidiary

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2024

*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 2024

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ERA Water Regional Subsidiary

General Purpose Financial Statements
for the year ended 30 June 2024

Certification of Financial Statements

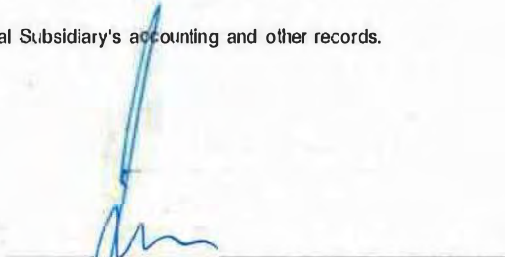
We have been authorised by ERA Water Regional Subsidiary to certify the financial statements in their final form.

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 2024 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.



Andrew Alken
General Manager



Jeff Tate
Independent Chairperson

Date: 11 SEPTEMBER 2024

19/9/2024

ERA Water Regional Subsidiary

Statement of Comprehensive Income
for the year ended 30 June 2024

\$	Notes	2024	2023
Income			
User Charges	2a	1,129,854	883,232
Investment Income	2b	24,032	34,004
Other Income	2c	-	44,218
Total Income		1,153,886	961,455
Expenses			
Employee Costs	3a	115,617	117,121
Materials, Contracts & Other Expenses	3b	640,187	589,309
Depreciation, Amortisation & Impairment	3c	415,533	470,210
Finance Costs	3d	593,710	443,473
Total Expenses		1,765,047	1,620,113
Operating Surplus / (Deficit)		(611,161)	(658,658)
Asset Disposal & Fair Value Adjustments	4	(12,623)	-
Amounts Received Specifically for New or Upgraded Assets		-	-
Net Surplus / (Deficit)		(623,784)	(658,658)
Other Comprehensive Income			
Changes in Revaluation Surplus - I,PP&E	8a	2,498,332	-
Total Other Comprehensive Income		2,498,332	-
Total Comprehensive Income		1,874,548	(658,658)

ERA Water Regional Subsidiary

Statement of Financial Position

for the year ended 30 June 2024

\$	Notes	2024	2023
ASSETS			
Current Assets			
Cash and Cash Equivalents	5a	88,752	4,284
Trade & Other Receivables	5b	41,528	82,525
Prepayments		8,624	1,662
Subtotal		138,904	88,471
Total Current Assets		138,904	88,471
Non-Current Assets			
Other Non-Current Assets	6	21,809,602	19,686,494
Total Non-Current Assets		21,809,602	19,686,494
TOTAL ASSETS		21,948,506	19,774,965
LIABILITIES			
Current Liabilities			
Trade & Other Payables	7a	214,976	205,191
Provisions	7c	12,668	2,501
Subtotal		227,644	207,692
Total Current Liabilities		227,644	207,692
Non-Current Liabilities			
Borrowings	7b	13,195,122	14,716,081
Total Non-Current Liabilities		13,195,122	14,716,081
TOTAL LIABILITIES		13,422,766	14,923,773
Net Assets		8,525,740	4,851,192
EQUITY			
Accumulated Surplus		3,627,408	4,251,192
Asset Revaluation Reserves	8a	2,498,332	-
Capital Contributed - Constituent Councils		2,400,000	600,000
Total Council Equity		8,525,740	4,851,192

ERA Water Regional Subsidiary

Statement of Changes in Equity

for the year ended 30 June 2024

\$	Notes	Accumulated Surplus	Asset Revaluation Reserve	Capital Contributed	Other Reserves	Total Equity
2024						
Balance at the end of previous reporting period		4,251,192	-	600,000	-	4,851,192
Restated Opening Balance		4,251,192	-	600,000	-	4,851,192
Contributed / (Reduction) in Equity		-	-	1,800,000	-	1,800,000
a. Net Surplus / (Deficit) for Year		(623,784)	-	-	-	(623,764)
b. Other Comprehensive Income	8a	-	2,498,332	-	-	2,498,332
Other Comprehensive Income		-	2,498,332	-	-	2,498,332
Total Comprehensive Income		(623,784)	2,498,332	-	-	1,874,548
c. Transfers between Reserves		-	-	-	-	-
Balance at the end of period		3,627,408	2,498,332	2,400,000	-	8,525,740

\$	Notes	Accumulated Surplus	Asset Revaluation Reserve	Capital Contributed	Other Reserves	Total Equity
2023						
Balance at the end of previous reporting period		4,909,850	-	-	-	4,909,850
Restated Opening Balance		4,909,850	-	-	-	4,909,850
Contributed / (Reduction) in Equity		-	-	600,000	-	600,000
a. Net Surplus / (Deficit) for Year		(658,658)	-	-	-	(658,658)
b. Other Comprehensive Income		-	-	-	-	-
Other Comprehensive Income		-	-	-	-	-
Total Comprehensive Income		(658,658)	-	-	-	(658,658)
c. Transfers between Reserves		-	-	-	-	-
Balance at the end of period		4,251,192	-	600,000	-	4,851,192

ERA Water Regional Subsidiary

Statement of Cash Flows

for the year ended 30 June 2024

\$	Notes	2024	2023
Cash Flows from Operating Activities			
<u>Receipts</u>			
User Charges		1,170,852	860,379
Investment Receipts		24,032	33,983
Reimbursements		-	-
Other Receipts		-	44,217
<u>Payments</u>			
Payments to Employees		(105,450)	(115,197)
Payments for Materials, Contracts & Other Expenses		(637,365)	(586,987)
Finance Payments		(593,710)	(407,957)
Net Cash provided by (or used in) Operating Activities	9	(141,641)	(171,562)
Cash Flows from Investing Activities			
<u>Receipts</u>			
Amounts Received Specifically for New/Upgraded Assets			
<u>Payments</u>			
Expenditure on New/Upgraded Assets		(52,931)	(15,517)
Net Cash provided by (or used in) Investing Activities		(52,931)	(15,517)
Cash Flows from Financing Activities			
<u>Receipts</u>			
Proceeds from Borrowings		-	-
Contributions from Constituent Councils		1,800,000	600,000
<u>Payments</u>			
Repayments of Borrowings		(1,520,960)	(583,919)
Net Cash provided by (or used in) Financing Activities		279,040	16,081
Net Increase (Decrease) in Cash Held		84,468	(170,998)
plus: Cash & Cash Equivalents at beginning of period	9	4,284	175,282
Cash & Cash Equivalents at end of period	9	88,752	4,284
Total Cash, Cash Equivalents & Investments	9	88,752	4,284

ERA Water Regional Subsidiary

Notes to and forming part of the Financial Statements for the year ended 30 June 2024

Contents of the Notes accompanying the Financial Statements

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ERA Water Regional Subsidiary

Notes to and forming part of the Financial Statements for the year ended 30 June 2024

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 FY2024 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 Constituent 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 10.

ERA Water Regional Subsidiary

Notes to and forming part of the Financial Statements for the year ended 30 June 2024

Note 1. Summary of Significant Accounting Policies (continued)

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 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 Subsequent Recognition

All material asset classes are revalued on a regular basis such that the carrying values are not materially different from fair value. Significant uncertainties exist in the estimation of the value of a number of asset classes including land and infrastructure. Further detail of these uncertainties and of existing valuations, methods and valuers are provided below.

The Board sought an independent valuation to be applied as at 1st July 2023, of ERA Water. The Board recognises that the ERA has unique infrastructure. The Board sought the advice from Tonkin Consulting Pty Ltd, who provided replacement cost valuation based on the actual construction contract costs, including some 'owner's costs' which would be incurred in the event of a replacement being necessary. In accordance with Account Standard (AASB)13 Fair Value Measurement the valuation was undertaken as at 1 July 2023 and recorded as a level 3 restricted asset valuation. The next Valuation is scheduled to be undertaken in 2028/2029. Fair value level 3 valuations of buildings, infrastructure and other assets - There is no known market for these assets and they are valued at depreciated current replacement cost.

The 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 entities of an industry construction guides where these are more appropriate. The calculation of the depreciation that would have accumulated since original construction using current estimates of residual value and useful life under the straight line depreciation method adopted by the Authority. The 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.

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount exceeds its recoverable amount (which is higher of the present value of future cash inflows or value in use).

5.6 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.

5.7 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.

ERA Water Regional Subsidiary

Notes to and forming part of the Financial Statements for the year ended 30 June 2024

Note 1. Summary of Significant Accounting Policies (continued)

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

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".

12 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.

13 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 annual reporting periods beginning on or after 1 January 2024:

- AASB 2020-1: Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current.

ERA Water Regional Subsidiary

Notes to and forming part of the Financial Statements for the year ended 30 June 2024

Note 1. Summary of Significant Accounting Policies (continued)

- AASB 2022-5: *Amendments to Australian Accounting Standards - Lease Liability in a Sale and Leaseback.*
- AASB 2022-10: *Amendments to Australian Accounting Standards - Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities.*

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 of Joint Venture* (amended by AASB 2015-10, AASB 2017-5 and AASB 2021-7).

The authority has assessed the impact of new and changed Australian Accounting Standards and Interpretations not yet effective and concluded that they will not have a material impact on the financial statements.

14 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.

15 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 2024

Note 2. Income

\$	Notes	2024	2023
(a). User Charges			
Water Sales including annual supply charges		1,129,854	883,232
Total User Charges		1,129,854	883,232
(b). Investment Income			
Interest Income		183	202
LGFA distribution		23,849	33,802
Total Investment Income		24,032	34,004
(c). Other Income			
Insurance Claim		-	44,219
Total Other Income		-	44,219
Note 3. Expenses			
(a). Employee Costs			
Salaries and Wages		95,000	103,069
Movement in Leave Provision		10,167	1,924
Superannuation		10,450	12,128
Total Operating Employee Costs		115,617	117,121
(b). Materials, Contracts and Other Expenses			
Auditor's Remuneration			
- Auditing the Financial Reports		-	6,825
Electricity		177,990	143,871
Insurance		55,800	51,730
Maintenance and Repairs		266,089	197,088
Professional Services		63,354	136,044
Other		76,954	53,751
Total Materials, Contracts and Other Expenses		640,187	589,309
(c). Depreciation, Amortisation and Impairment			
Depreciation		415,533	470,210
Total Depreciation, Amortisation and Impairment		415,533	470,210
(d). Finance Costs			
Interest Expense		593,710	443,473
Total Finance Costs		593,710	443,473

ERA Water Regional Subsidiary

Notes to and forming part of the Financial Statements
for the year ended 30 June 2024

Note 4. Asset Disposal & Fair Value Adjustments

\$ '000	Notes	2024	2023
Infrastructure, Property, Plant & Equipment			
(i) Assets Renewed or Directly Replaced			
Proceeds from Disposal		-	-
Less: Carrying Amount of Assets Sold		(12,623)	-
Gain (Loss) on Disposal		(12,623)	-
Net Gain (Loss) on Disposal or Revaluation of Assets		(12,623)	-

Note 5. Current Assets

(a). Cash & Cash Equivalents

Cash at Bank		88,716	2,341
Local Government Finance Authority		36	1,943
Total Cash & Cash Equivalents		88,752	4,284

(b). Trade & Other Receivables

Trade debtors		31,688	41,485
GST Receivable		9,840	41,040
Subtotal		41,528	82,525
Total Trade & Other Receivables		41,528	82,525

ERA Water Regional Subsidiary

Notes to and forming part of the Financial Statements
for the year ended 30 June 2024

Note 6. Non-Current Assets

	as at 30/6/2023			Asset Movements during the Reporting Period					as at 30/6/2024			
	Cost	Acc. Dep'n	Written Down Value	Asset Additions		Depreciation	WDV of Asset Disposals	Revaluation Increments to Equity (ARR) (Note 9)	Fair Value	Cost	Acc. Dep'n	Written Down Value
New / Upgrade				Renewals								
\$												
System Infrastructure Assets	21,810,688	2,124,194	19,686,494	33,380	19,551	415,533	(12,623)	2,498,332	24,241,010	52,931	2,484,339	21,809,602
Total Infrastructure, Property, Plant & Equipment	21,810,688	2,124,194	19,686,494	33,380	19,551	665,335	(12,623)	2,498,332	24,241,010	52,931	2,484,339	21,809,602
Comparatives	21,795,171	1,653,984	20,141,187	15,517	-	470,210	-	-	-	21,810,688	2,124,194	19,686,494

5.1 Valuation of infrastructure, property, plant and equipment

During FY2024, ERA Water undertook its first review of the fair value of its asset base and accordingly assets were revalued.

Date of Valuation: 1-Jul-23
Valuer: Tonkin

Basis of valuation: Depreciated Replacement Cost - comprised by gross replacement cost (based on estimated unit costs for which a substitute asset with similar service potential, physical characteristics, dimensions, depth and environmental parameters could be constructed) and accumulated depreciation (estimated total and remaining useful lives informed by the condition assessment of the asset, and the planned asset management strategy applicable to the asset).

ERA Water Regional Subsidiary

Notes to and forming part of the Financial Statements
for the year ended 30 June 2024

Note 7. Liabilities

\$	Notes	2024	2024	2023	2023
		Current	Non Current	Current	Non Current
(a). Trade and Other Payables					
Trade and Other Payables		66,100	-	32,123	-
Accrued Expenses - Finance Costs		145,906	-	123,178	-
Accrued Expenses - Other		-	-	18,662	-
Accrued Expenses - Employment liabilities		2,970	-	31,228	-
Total Trade and Other Payables		214,976	-	205,190	-
(b). Borrowings					
Loans		-	13,195,122	-	14,716,081
Total Borrowings		-	13,195,122	-	14,716,081

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

	2024	2023
LGFA Cash Advance Debenture Facility	13,195,122	14,716,081
Undrawn balance	2,104,878	583,919

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 \$1,800,000 from Constituent Councils to ensure that ERA Water has sufficient capital to meet its future liabilities, at least for a further 12 months.

(c). Provisions

Employee Entitlements	12,668	-	2,501	-
Total Provisions	12,668	-	2,501	-

Note 8. Reserves

\$ '000	1/7/2023	Increments (Decrements)	Transfers	Impairments	30/6/20124
(a). Asset Revaluation Reserve					
Infrastructure	-	2,498,332	-	-	2,498,332
Total Asset Revaluation Reserve	-	2,498,332	-	-	2,498,332
Comparatives	-	-	-	-	-

PURPOSES OF RESERVES

Asset Revaluation Reserves

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).

ERA Water Regional Subsidiary

Notes to and forming part of the Financial Statements
for the year ended 30 June 2024

Note 9. Reconciliation to Statement of Cash Flows

\$	2024	2023
(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 as follows:		
Total Cash & Equivalent Assets	88,752	4,284
Balances per Statement of Cash Flows	88,752	4,284
(b). Reconciliation of Change in Net Assets to Cash from Investing Activities		
Net Surplus/(Deficit)	(623,784)	(658,658)
Non-Cash Items in Income Statements		
Fair Value Adjustments	12,623	-
Depreciation, Amortisation & Impairment	415,533	470,210
Net increase (decrease) in unpaid employee benefits	10,168	1,924
	(185,461)	(186,523)
Add (Less): Changes in Net Current Assets		
Net (Increase)/Decrease in Receivables	40,997	(22,876)
Net (Increase)/Decrease in Other Current Assets	(6,962)	6,565
Net Increase/(Decrease) in Trade & Other Payables	9,785	31,273
Net Cash provided by (or used in) operations	(141,641)	(171,562)

ERA Water Regional Subsidiary

Notes to and forming part of the Financial Statements
for the year ended 30 June 2024

Note 10. 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 between 4.30% and 4.55% as at 30 June 2024 (1.05% and 4.3% as at 30 June 2023).

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 2.9% to 6.15% as at 30 June 2024 (1.66% to 6.05% as at 30 June 2023)

Carrying Amount:

Approximates fair value.

ERA Water Regional Subsidiary

Notes to and forming part of the Financial Statements
for the year ended 30 June 2024

Note 10. Financial Instruments

\$	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
2024					
Financial Assets					
Cash & Equivalents	88,752	-	-	88,752	88,752
Receivables	41,528	-	-	41,528	41,528
Total Financial Assets	130,280	-	-	130,280	130,280
Financial Liabilities					
Trade and other payables	214,976	-	-	214,976	214,976
Non-Current Borrowings	-	-	13,195,122	13,195,122	13,195,122
Total Financial Liabilities	214,976	-	13,195,122	13,410,098	13,410,098

\$	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
2023					
Financial Assets					
Cash & Equivalents	4,284	-	-	4,284	4,284
Receivables	82,525	-	-	82,525	82,525
Total Financial Assets	86,809	-	-	86,809	86,809
Financial Liabilities					
Payables	205,191	-	-	205,191	205,191
Non-Current Borrowings	-	-	14,716,081	14,716,081	14,716,081
Total Financial Liabilities	205,191	-	14,716,081	14,921,272	15,472,124

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

	30 June 2023		30 June 2022	
	Weighted Avg Interest Rate	Carrying Value	Weighted Avg Interest Rate	Carrying Value
Other Variable Rates	4.41%	13,195,122	3.49%	14,716,081
		13,195,122		14,716,081

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 2024

Note 11. Uniform Presentation of Finances

\$	2024	2023
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		
User Charges	1,129,854	883,232
Investment Income	24,032	34,004
Other Income	-	44,218
	<u>1,153,886</u>	<u>961,454</u>
Expenses		
Employee Costs	115,617	117,121
Materials, Contracts & Other Expenses	640,187	589,309
Depreciation, Amortisation & Impairment	415,533	470,210
Finance Costs	593,710	443,473
	<u>1,765,047</u>	<u>1,620,113</u>
Operating Surplus / (Deficit)	(611,161)	(658,659)
<i>less Net Outlays on Existing Assets</i>		
Capital Expenditure on Renewal and Replacement of Existing Assets	(19,551)	-
Add back Depreciation, Amortisation and Impairment	415,533	470,210
Proceeds from Sale of Replaced Assets	-	-
Subtotal	395,982	470,219
<i>less Net Outlays on New and Upgraded Assets</i>		
Capital Expenditure on New and Upgraded Assets	(33,380)	(15,517)
Amounts Received Specifically for New and Upgraded Assets	-	-
Proceeds from Sale of Surplus Assets	-	-
Subtotal	(33,380)	(15,517)
Net Lending / (Borrowing) for Financial Year	(248,560)	(203,965)

Note 12. 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 13. Events after the Balance Sheet Date

Events that occur after the reporting date of 30 June 2024, 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 27 September 2024.

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 2024

Note 14. 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 15. Related Party Transactions

Key Management Personnel

Transactions with Key Management Personnel

At the Balance Date, the Key Management Personnel of the Authority include Andrew Aitken (General Manager) and the members of the ERA Water Board including:

- Jeff Tate (Chairperson)
- Grant Piggott (Councillor - City of Norwood, Payneham and St Peters)
- Anthony Vanstone (Councillor - Corporation of the Town of Walkerville)
- Chris Cowley (CEO - City of Burnside)

General Manager

-Andrew Aitken

In all, five persons are paid a total of \$118,367 of remuneration for services provided to ERA Water.

Key Management Personal Remuneration	2024	2023
Salaries, allowances & other short term benefits	\$ 118,367	\$ 125,892
Post-employment benefits	\$ -	\$ -
Long-term benefits	\$ -	\$ -
Termination benefits	\$ -	\$ -
TOTAL	\$ 118,367.00	\$ 125,892

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 and 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.

Related Party	Sale of Water	Outstanding from Related Parties	Description of Services Provided
Town of Walkerville	\$ 86,615.87	\$ 6,078.31	Water Sales
City of Norwood, Payneham and St Peters	\$ 242,969.66	\$ 5,639.20	Water Sales
City of Burnside	\$ 419,350.81	\$ 6,823.40	Water Sales
TOTAL	\$ 748,936.34	\$ 18,540.91	



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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL REPORT

To the members of ERA Water

Opinion

We have audited the accompanying financial report of ERA Water (the Authority), which comprises the statements of financial position as at 30 June 2024, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the statement by the General Manager and the Chairperson.

In our opinion, the accompanying financial report presents fairly, in all material respects, the financial position of the Authority as at 30 June 2024, and its financial performance and its cash flow for the year then ended in accordance with the Australia Accounting Standards, the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described 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 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.

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 (including the Australian Accounting Interpretations), the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* and for such internal control as the Authority determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Authority is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to liquidate the Authority 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 Responsibility 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 misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level assurance, but is not a guarantee that an audit conducted in accordance with 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 decision of users taken on the basis of this financial report.

As part of an audit of the financial report in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risk 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, misrepresentation, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the financial report in order to design procedures that are appropriate in the circumstances, but for the purpose of expressing an opinion on the effectiveness of the Authority'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 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 Authority's ability 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.

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS



Tim Muhlhausler CA, Registered Company Auditor
Partner

Date: 27 September 2024



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INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL CONTROLS

To the members of ERA Water

Independent Assurance Report on the Internal Controls of ERA Water

Opinion

We have audited the compliance of ERA Water (the Authority) with the requirements of Section 125 of the *Local Government Act 1999* in relation only to the internal controls established by the Authority to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2023 to 30 June 2024 have been conducted properly and in accordance with the law.

In our opinion, the Authority has complied, in all material respects, with Section 125 of the *Local Government Act 1999* in relation to internal controls established by the Authority in relation to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities so as to provide reasonable assurance that the financial transactions of the Authority have been conducted properly and in accordance with law for the period 1 July 2023 to 30 June 2024.

Basis for Opinion

We conducted our engagement in accordance with applicable Australian Standards on Assurance Engagement ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and ASAE 3150 *Assurance Engagement on Controls*, issued by the Australian Auditing and Assurance Standards Board, in order to state whether, in all material respects, the Authority has complied with Section 125 of the *Local Government Act 1999* in relation only to the internal controls specified above for the period 1 July 2023 to 30 June 2024. ASAE 3000 also requires us to comply with the relevant ethical requirements of the Australian professional accounting bodies.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility for Internal Controls

The Authority is responsible for implementing and maintaining an adequate system of internal controls, in accordance with Section 125 of the *Local Government Act 1999* to ensure that the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities have been conducted properly and in accordance with law.

Our Independence and Quality Control

We have complied with the independence and other relevant ethical requirements relating to assurance engagements, and applied Auditing Standard ASQC 1 *Quality Control for Firms that Performs Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements* in undertaking this assurance engagement.

Auditor's responsibility

Our responsibility is to express an opinion on the Authority's compliance with Section 125 of the *Local Government Act 1999* in relation only to the internal controls established by the Authority to ensure that financial transactions relating to receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities have been conducted properly and in accordance with law, based on our procedures.

Our engagement has been conducted in accordance with applicable Australian Standards on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Information* and ASAE 3150 *Assurance Engagements on Controls*, issued by the Australian Auditing and Assurance Standards Board, in order to state whether, in all material respects, the Authority has complied with Section 125 of the *Local Government Act 1999* in relation only to the internal controls specified above for the period 1 July 2023 to 30 June 2024. ASAE 3000 also requires us to comply with the relevant ethical requirements for the Australian professional accounting bodies.

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.

Limitations of controls

Because of the inherent limitations of any internal control structure it is possible that, even if the controls are suitably designed and operating effectively, the control objectives may not be achieved so that fraud, error, or non-compliance with laws and regulations may occur and not be detected.

An assurance engagement on controls is not designed to detect all instances of controls operating ineffectively as it is not performed continuously throughout the period and the tests performed are on a sample basis. Any projection of the outcome of the evaluation of controls to future periods is subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

Limitation of use

This report has been prepared for the members of the Authority in accordance with Section 129 of the *Local Government Act 1999* in relation to the internal controls specified above. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the members of the Authority, or for any purpose other than that for which it was prepared.

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS

Tim Muhlhausler CA, Registered Company Auditor
Partner

Date: 27 September 2024



ERA WATER REGIONAL SUBSIDIARY

**GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2024**

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 2024, the Subsidiary's Auditor, Galpins, 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 & Risk Committee
Chairperson

Date: 8 August 2024

Andrew Aitken
ERA Water
General Manager

Date: 8 AUGUST 2024



ERA WATER REGIONAL SUBSIDIARY

**GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2024**

CERTIFICATION OF AUDITOR INDEPENDENCE

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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 "Andrew MacDonald".

Andrew MacDonald PSM
CHIEF EXECUTIVE OFFICER
CORPORATION OF THE TOWN OF WALKERVILLE

Date: 8 August 2024.



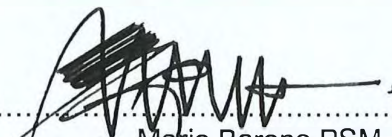
ERA WATER REGIONAL SUBSIDIARY

**GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2024**

CERTIFICATION OF AUDITOR INDEPENDENCE

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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. 08. 08. 2024.



ERA WATER REGIONAL SUBSIDIARY

**GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 2024**

CERTIFICATION OF AUDITOR INDEPENDENCE

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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', written over a horizontal dotted line.

**Chris Cowley
CHIEF EXECUTIVE OFFICER
CITY OF BURNSIDE**

Date: 8 August 2024



ERA WATER

GENERAL PURPOSE FINANCIAL STATEMENTS

For the year ended 30 June 2024

Statement by Auditor

I confirm that, for the audit of the financial statements of ERA Water for the year ended 30 June 2024, 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*.

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS

A handwritten signature in blue ink, appearing to read 'T. Muhlhausler'.

Tim Muhlhausler CA, Registered Company Auditor
Partner

Date: 27 September 2024

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Attachment D

**Regional Subsidiaries
Audited Financial Statements
for the Year Ended 30 June 2024**

Highbury Landfill Authority Inc.



HIGHBURY LANDFILL AUTHORITY

General Purpose Financial Reports for the year ended 30 June 2024

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HIGHBURY LANDFILL AUTHORITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2024

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 2024 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
Executive Officer



James Kelly
Chairperson

Date: 19 September 2024

HIGHBURY LANDFILL AUTHORITY
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2024

	Notes	2024 \$	2023 \$
INCOME			
Sundry Income	2	18,730	20,328
LGFA Investment Income	2	285	378
Highbury Closure Provision	2	-	-
Total Income		<u>19,015</u>	<u>20,706</u>
EXPENSES			
Materials, contracts & other expenses	3	3,465	3,300
Depreciation, amortisation & impairment	3	40,654	25,218
Finance Payments		3,453	4,503
Highbury Closure Provision	3	193,579	328,520
Total Expenses		<u>241,151</u>	<u>361,541</u>
OPERATING SURPLUS / (DEFICIT)		(222,136)	(340,835)
Other Comprehensive Income		-	-
Total Other Comprehensive Income		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME		<u>(222,136)</u>	<u>(340,835)</u>

This Statement is to be read in conjunction with the attached Notes.

HIGHBURY LANDFILL AUTHORITY
STATEMENT OF FINANCIAL POSITION
as at 30 June 2023

ASSETS	Notes	2024	2023
		\$	\$
Current Assets			
Cash and cash equivalents	4	38,354	141,933
Trade & other receivables	4	23,191	25,778
Total Current Assets		<u>61,545</u>	<u>167,711</u>
Non-current Assets			
Infrastructure, property, plant & equipment	5	183,179	85,859
Total Non-current Assets		<u>183,179</u>	<u>85,859</u>
Total Assets		<u>244,724</u>	<u>253,570</u>
LIABILITIES			
Current Liabilities			
Trade & other payables	6	80,704	36,138
Borrowings	6	29,677	28,597
Provisions	6	278,391	345,202
Total Current Liabilities		<u>388,772</u>	<u>409,937</u>
Non-current Liabilities			
Borrowings	6	46,638	76,317
Provisions	6	2,210,755	2,146,621
Total Non-current Liabilities		<u>2,257,393</u>	<u>2,222,938</u>
Total Liabilities		<u>2,646,165</u>	<u>2,632,875</u>
NET ASSETS		<u>(2,401,441)</u>	<u>(2,379,305)</u>
EQUITY			
Accumulated Surplus		(2,401,441)	(2,379,305)
TOTAL EQUITY		<u>(2,401,441)</u>	<u>(2,379,305)</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 2024

	Notes	Accumulated Surplus	TOTAL EQUITY
2024		\$	\$
Balance at end of previous reporting period		(2,379,305)	(2,379,305)
Net Surplus / (Deficit) for Year		(222,136)	(222,136)
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		(2,401,441)	(2,401,441)
2023			
Balance at end of previous reporting period		(2,238,470)	(2,238,470)
Net Surplus / (Deficit) for Year		(340,835)	(340,835)
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		(2,379,305)	(2,379,305)

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 2024

		2024	2023
	Notes	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
<u>Receipts</u>			
Operating Receipts		55,682	40,840
Investment receipts		285	378
<u>Payments</u>			
Operating Payments to Suppliers		(180,553)	(203,079)
Finance payments		(3,669)	(4,712)
Net Cash provided by (or used in) Operating Activities	7	(128,255)	(166,573)
CASH FLOWS FROM INVESTING ACTIVITIES			
<u>Payments</u>			
Expenditure on renewal/replacement of assets		(137,977)	-
Net Cash provided by (or used in) Investing Activities		(137,977)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
<u>Receipts</u>			
Member Council Contributions		191,250	119,286
Proceeds from borrowings		-	-
<u>Payments</u>			
Repayments of borrowings		(28,596)	(27,552)
Net Cash provided by (or used in) Financing Activities		162,653	91,734
Net Increase (Decrease) in cash held		(103,579)	(74,839)
Cash & cash equivalents at beginning of period	7	141,933	216,772
Cash & cash equivalents at end of period	7	38,354	141,933

This Statement is to be read in conjunction with the attached Notes

HIGHBURY LANDFILL AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2024

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%
4G Monitoring Stations	20%
Chimney Replacement	33%

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 2024

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.

During the financial year, the Authority has reviewed the allocation and classification of some transactions which has been updated in the comparative information presented. Changes in classification has resulted in no change to the previously report performance and position of the Authority.

(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 has been based on a 25 year period. The remaining life of the provision is 11 years. This period may be required to be longer if the site poses unacceptable environmental risks.

An independent review was performed by WSP in FY2024 on the provision for post closure with an effective date of 30th June 2024.

Highbury Landfill Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2024

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(j) Going Concern Basis

The Board of Management of HLA notes the accumulated deficit of \$2,401,441. 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 2024

Note 2 - INCOME

	Notes	2024 \$	2023 \$
OPERATING INCOME			
Sundry Income		18,730	20,328
LGFA Investment Income		285	378
		19,015	20,706

HIGHBURY LANDFILL AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2024

Note 3 - EXPENSES

	Notes	2024 \$	2023 \$
Materials, Contracts and Other Expenses			
Auditor's Remuneration			
- Auditing the financial reports		3,465	3,300
Movement in Provision	6	93,329	244,060
Finance Costs - Unwinding of Provision	6	100,250	84,460
Depreciation			
Plant & Equipment		40,654	25,218
Total Expenses		237,698	357,038

HIGHBURY LANDFILL AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2024

Note 4 - CURRENT ASSETS

	Notes	2024	2023
CASH & EQUIVALENT ASSETS			
Cash on Hand and at Bank		\$ 36,500	\$ 140,351
LGFA Investment Account		1,854	1,582
		38,354	141,933
 TRADE & OTHER RECEIVABLES			
Trade Receivables		19,325	21,717
GST Receivable		2,786	4,061
Prepayments		1,080	-
Total		23,191	25,778

HIGHBURY LANDFILL AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2024

Note 5 - PROPERTY, PLANT & EQUIPMENT

	2023	CARRYING AMOUNT MOVEMENTS DURING YEAR							2024
	\$	\$							\$
	CARRYING AMOUNT	Additions		Disposals	Depreciation	Impairment	Transfers		Net Revaluation
	New/Upgrade	Renewals	In				Out		
Land	1,800	-	-	-	-	-	-	-	1,800
Plant & Equipment	84,059	137,974	-	-	40,654	-	-	-	181,379
TOTAL PROPERTY, PLANT & EQUIPMENT	85,859	137,974	-	-	40,654	-	-	-	183,179
<i>Comparatives</i>	<i>111,077</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>25,218</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>85,859</i>

This Note continues on the following pages.

HIGBURY LANDFILL AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2024

Note 5 - PROPERTY, PLANT & EQUIPMENT

	2023				2024			
	\$				\$			
	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	(246,211)	84,059	-	467,064	(286,865)	180,199
TOTAL PROPERTY, PLANT & EQUIPMENT	-	332,070	(246,211)	85,859	1,800	467,064	(286,865)	181,999
<i>Comparatives</i>		332,070	(220,993)	111,077	-	332,070	(220,993)	111,077

HIGHBURY LANDFILL AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2024

Note 6 - LIABILITIES

	Notes	2024		2023	
		Current	Non-current	Current	Non-current
TRADE & OTHER PAYABLES					
Goods & Services		76,660	-	23,292	-
Accrued Expenses - other		4,044	-	4,095	-
Capital Contributions Received in Advance		-	-	8,751	-
		<u>80,704</u>	<u>-</u>	<u>36,138</u>	<u>-</u>

The Authority had recorded a liability to recognise that a Member Council has pre-paid their annual Member Council Contributions relating to FY2023 & FY2024 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. The remaining amount was converted to an equity contribution during FY2024.

BORROWINGS

Loans	29,677	46,638	28,597	76,317
	<u>29,677</u>	<u>46,638</u>	<u>28,597</u>	<u>76,317</u>

PROVISIONS

Provision for Highbury Post Closure	278,391	2,210,755	345,202	2,146,621
	<u>278,391</u>	<u>2,210,755</u>	<u>345,202</u>	<u>2,146,621</u>

Movements in Provisions - 2024 year only (current & non-current)

Opening Balance	2,491,823	2,489,146
(Less) Payments recorded & accrued	(196,256)	2,677
Add (Less) Remeasurement Adjustments	93,329	
Add (Less) Unwinding of Present value	100,250	
Closing Balance	<u>2,489,146</u>	

The Authority has an ongoing obligation under its EPA licence to manage the post-closure phase for 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 in accordance with its EPA licence for a 25 year period commencing 1 July 2009. The cash outflows have been escalated at an inflation forecast of 3.8% per annum (2023:3.5%) and the discount rate used is equivalent to the 10 year Commonwealth Bond rate - indicative rates as at 30 June 2024. 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. A review by WSP was undertaken of the 2024 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 2024

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	2024	2023
Total cash & equivalent assets	4	\$ 38,354	\$ 141,933
Balances per Cash Flow Statement		<u>38,354</u>	<u>141,933</u>

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

Net Surplus (Deficit)		(222,136)	(340,835)
Non-cash items in Income Statement			
Movement in Post Closure Provision		193,579	328,520
Depreciation, amortisation & impairment		40,654	25,218
		<u>12,097</u>	<u>12,903</u>
Add (Less): Changes in Net Current Assets			
Net (increase) decrease in receivables		2,587	(747)
Net increase (decrease) in trade & other payables		53,317	5,467
Net increase (decrease) in other provisions		(196,256)	(184,196)
Net Cash provided by (or used in) operations		<u>(128,255)</u>	<u>(166,573)</u>

HIGHBURY LANDFILL AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2024

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 4.55% (2023:4.3%).</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% (2023:3.75%).</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 2024

Note 8 (cont) - FINANCIAL INSTRUMENTS

Liquidity Analysis

2024	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
Financial Assets	\$	\$	\$	\$	\$
Cash & Equivalents	38,354	-	-	38,354	38,354
Receivables	23,191	-	-	23,191	23,191
Total	61,545	-	-	61,545	61,545
Financial Liabilities					
Payables	80,704	-	-	80,704	80,704
Current Borrowings	32,265	-	-	32,265	29,677
Non-Current Borrowings	-	48,398	-	48,398	46,638
Total	112,969	48,398	-	161,367	157,019

2023	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
Financial Assets	\$	\$	\$	\$	\$
Cash & Equivalents	141,933	-	-	141,933	141,933
Receivables	25,778	-	-	25,778	25,778
Total	167,711	-	-	167,711	167,711
Financial Liabilities					
Payables	36,138	-	-	36,138	36,138
Current Borrowings	32,265	-	-	32,265	28,597
Non-Current Borrowings	-	80,663	-	80,663	76,317
Total	68,403	80,663	-	149,066	141,052

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 2024

Note 9 - UNIFORM PRESENTATION OF FINANCES

	2024	2023
	\$	\$
Income		
Sundry Income	18,730	20,328
LGFA Investment Income	285	378
	19,015	20,706
Expenses		
Materials, contracts & other expenses	3,465	3,300
Depreciation, amortisation & impairment	40,654	25,218
Finance Payments	3,453	4,503
Highbury Closure Provision	193,579	328,520
	241,151	361,541
Operating Surplus / (Deficit)	(222,136)	(340,835)
Net Outlays on Existing Assets		
Add back Depreciation, Amortisation and Impairment	40,654	25,218
	40,654	25,218
Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets <i>(including investment property & real estate developments)</i>	137,974	-
Amounts received specifically for New and Upgraded Assets	-	-
	137,974	-
Annual Net Impact to Financing Activities Surplus/(Deficit)	(43,508)	(315,617)

HIGHBURY LANDFILL AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2024

Note 10 - CONTINGENCIES & ASSETS & LIABILITIES NOT RECOGNISED
IN THE STATEMENT OF FINANCIAL POSITION

There were no contingent assets or liabilities to 30 June 2024 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 2024****Note 11 - EVENTS OCCURRING AFTER REPORTING DATE**

There were no events subsequent to 30 June 2024 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 2024

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:

	2024
Contractor Payments	\$ 87,977.16
Post-employment benefits	\$ -
Long term benefits	\$ -
Termination benefits	\$ -
TOTAL	\$ 87,977.16

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	-	80,714	-	Rehabilitation of landfill site
Corporation of the Town of Walkerville	-	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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ABN: 48 007 865 081**Independent Auditor's Report****To the members of the Highbury Landfill Authority****Opinion**

We have audited the accompanying financial report of the Highbury Landfill Authority (the Authority), which comprises the statement of financial position as at 30 June 2024, statement of comprehensive income, statement 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 financial report presents fairly, in all material aspects, the financial position of the Authority as at 30 June 2024, and its financial performance and its cash flows for the year then ended in accordance with the *Local Government Act 1999* and the *Local Government (Financial Management) Regulation 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 Authority 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 (Including Independence Standards)* (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.

Authority's 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 (including the Australian Accounting Interpretations), the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* and for such internal control as the Authority determines is necessary to enable the preparation of the financial report to be 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 the Authority either intends to liquidate the Authority 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 Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Authority.
- 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 Authority'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 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
Director

25 September 2024

2 September 2024

Trevor Hockley
Executive Officer
HIGHBURY LANDFILL AUTHORITY
C/- PO Box 289
Brooklyn Park SA 5032

Via Email - trevor@tjhms.com.au

Dear Trevor,

Auditor Independence

I Chris Cowley CEO of the City of 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



**City of
Norwood
Payneham
& St Peters**

**CHIEF
EXECUTIVE'S
OFFICE**

175 The Parade,
Norwood SA 5067

PO Box 204
Kent Town SA 5071

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8366 4555

Email
townhall@npsp.sa.gov.au

Website
www.npsp.sa.gov.au

File Number: qA142553
Enquiries To: Mario Barone
Direct Telephone: 8366 4520

2 September 2024

Mr Trevor Hockley
Executive Officer
Highbury Landfill Authority
C/- PO Box 289
Brooklyn Park SA 5032

Via email to: trevor@tjhms.com.au

Dear Trevor

I, Mario Barone, Chief Executive Officer of the City of Norwood Payneham & St Peters, a 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
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Economic Prosperity
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**The Corporation of the Town of Walkerville**

ABN 49 190 949 882

66 Walkerville Terrace, Gilberton SA 5081

PO Box 55, Walkerville SA 5081

Telephone: (08) 8342 7100

Email: walkerville@walkerville.sa.gov.auwww.walkerville.sa.gov.au

5 September 2024

Mr Trevor Hockley
Executive Officer
Highbury Landfill Authority
C/- PO Box 289
Brooklyn Park SA 5032

via: trevor@tjhms.com.au

Dear Mr Hockley,

I Andrew MacDonald, Chief Executive Officer 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,

A handwritten signature in blue ink, appearing to read 'Andrew MacDonald'.

Andrew MacDonald PSM
Chief Executive Officer
Town of Walkerville

HIGHBURY LANDFILL AUTHORITY**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2024****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 2024, 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
Executive Officer

Corinne Garrett
PRESIDING MEMBER
AUDIT COMMITTEE

Date: 19 September 2024

HEAD OFFICE214 Melbourne Street
North Adelaide SA 5006PO Box 755
North Adelaide SA 5006T: (08) 8267 4777
www.deannewbery.com.auDean Newbery
ABN: 48 007 865 081**Certification of Auditor's Independence**

I confirm that, for the audit of the financial statements of the Highbury Landfill Authority for the year ended 30 June 2024, 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****Director****DEAN NEWBERY****25 September 2024**

6.5 CYBER SECURITY FRAMEWORK

REPORT AUTHOR: Manager, Information Services
GENERAL MANAGER: General Manager, Governance & Civic Affairs
CONTACT NUMBER: 83664581
FILE REFERENCE: A1014744
ATTACHMENTS: Nil

PURPOSE OF REPORT

The purpose of this report is to provide information to the Audit & Risk Committee, regarding the status of the Council's Cyber Security Framework.

BACKGROUND

Cyber Security is the practice of protecting computer systems, networks and data that is used by the Council to deliver services to the Community from unauthorised access, use, disclosure, disruption, modification or destruction. This includes financial systems and citizen records.

Reliance on technology has made organisations, including Councils, increasingly vulnerable to cyber threats. To mitigate these risks, it is essential to:

- **Protect Sensitive Data:** Personal information, financial data, and intellectual property are some examples of valuable data that needs to be protected. A breach can have severe consequences for individuals and the Council.
- **Prevent Financial Loss:** Cyber attacks can lead to financial losses through fraud, theft, and disruption of business operations.

Some of the common cyber threats include:

- **Malware:** Malicious software such as viruses, worms, and ransomware.
- **Phishing:** Attempts to trick individuals into revealing sensitive information.
- **Denial-of-service (DoS) attacks:** Attempts to overwhelm a system with traffic, making it unavailable.
- **Data breaches:** Unauthorized access to sensitive data.
- **Supply chain attacks:** Targeting third-party vendors to gain access to an organisation's systems.

The Council's Cyber Security Framework ensures that the Council is equipped with security measures to safeguard sensitive information and protect it from cyber threats.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

Not Applicable.

FINANCIAL AND BUDGET IMPLICATIONS

The Council has allocated funding as part of the 2024-2025 Budget for the provision of Information Technology services for the organisation which includes the Cyber Security Framework.

EXTERNAL ECONOMIC IMPLICATIONS

Not Applicable.

SOCIAL ISSUES

Not Applicable.

CULTURAL ISSUES

Not Applicable.

ENVIRONMENTAL ISSUES

Not Applicable.

RESOURCE ISSUES

The Council's Information Services Unit manages the Council's Cyber Security Systems.

RISK MANAGEMENT

Not Applicable.

CONSULTATION

- **Elected Members**
Not Applicable.
- **Community**
Not Applicable.
- **Staff**
Not Applicable.
- **Other Agencies**
Not Applicable.

DISCUSSION

Like all Councils, this Council faces unique challenges in the realm of cyber defence, as a result of the diverse range of services that are provided by the Council and the sensitivity of information that the Council receives and manages.

In terms of cyber security, a "*best practice*" approach includes the following:

1. Risk Assessment and Prioritisation
 - Identification of critical assets: determine which systems, data and services are most important to protect.
 - Assessment of vulnerabilities: regularly evaluate potential threats and vulnerabilities.
 - Prioritise risks: focus on mitigating the most significant risks first.
2. Governance and Policy
 - Development of a Cyber Security Policy outlining the Council's commitment to cyber security.
 - Implementation of governance structures: creation of a governance framework to oversee cybersecurity efforts.
 - Ensuring compliance: compliance with relevant regulations, standards, and frameworks (e.g., Essential Eight, ISO 27001, NIST Cybersecurity Framework).

3. Education and Awareness

- Staff Training: provision of regular training to employees on cybersecurity best practices, including phishing awareness, secure password management and incident reporting.
- Promotion of a security culture: foster a culture where employees understand the importance of cybersecurity and are empowered to report suspicious activity.

4. Technology Controls

- Implementation of strong network security: using firewalls, intrusion detection systems and other network security measures.
- Protection of endpoints: secure devices like computers, laptops, and mobile devices with antivirus software, patch management, and encryption.
- Encryption of sensitive data: use encryption to protect sensitive data both at rest and in transit.
- Implementation of multi-factor authentication (MFA): require multiple forms of authentication for access to critical systems.

5. Incident Response

- Development of an incident response plan: create a detailed plan outlining steps to be taken in the event of a cyber incident.
- Testing the plan: regularly test the incident response plan to ensure its effectiveness.
- Conducting post-incident reviews: analyse incidents to identify lessons learned and improve future preparedness.

6. Third-Party Risk Management

- Assessment of vendors: evaluate the cybersecurity practices of third-party vendors and suppliers.
- Contracts: Ensure that contracts with vendors include strong cybersecurity clauses.

7. Backup and Recovery

- Conducting regular backups: implement regular backup procedures to protect data from loss or corruption.
- Testing backups: regularly test backup procedures to ensure their effectiveness.
- Disaster Recovery plan: develop a plan to recover operations in the event of a major cyber incident.

Cyber Security is not a one-size-fits-all solution as each organisation is different. The most effective approach will depend on an organisation's specific needs, resources, and risk appetite.

In respect to the best practices set out above, staff have implemented most of the controls and is in the process of finalising the remainder, mainly in the areas of Governance and Policy. The Council has several policies that cover security, but does not have a stand-alone Cyber Security Policy.

The Council is currently aligned with the Australian Cyber Security Centre's (ACSC) *Essential Eight Framework*. The *Essential Eight* is a robust cyber security framework that has been developed by the Australian Cyber Security Centre (ACSC). It provides a prioritised list of eight mitigation strategies to assist organisations to reduce their cyber security risk.

1. patch applications;
2. user application hardening;
3. application control;
4. restrict administrative privileges;
5. patch operating systems;
6. restrict Microsoft Office macros;
7. multi-factor authentication; and
8. regular backups.

The *Essential Eight Maturity Model* supports the implementation of the *Essential Eight* and is based on ACSC's experience in producing cyber threat intelligence, responding to cyber security incidents, conducting penetration testing and assisting organisations to implement the *Essential Eight*.

To assist organisations with the implementation of the *Essential Eight*, the following four (4) maturity levels have been defined (Maturity Level Zero through to Maturity Level Three):

Maturity Level 0: Basic security hygiene is lacking. Easy targets for common attacks.

Maturity Level 1: Vulnerable to common attacks like phishing and credential theft.

Maturity Level 2: More sophisticated attacks like social engineering and targeted credential theft.

Maturity Level 3: Highly targeted attacks using custom tools and techniques.

It is important to note that while the *Essential Eight* can assist in mitigating the majority of cyber threats, it will not mitigate all cyber threats.

In terms of the Council's current posture, the Council is at various maturity levels against the framework (ie. high levels of maturity in some areas and low in others).

1. Patching of Applications:

Status: Level 0: Reliance on the manual patching process. While some applications, like Office and Chrome, are automatically patched with the operating system, most Council-specific applications are patched as required.

2. User Application hardening (making software more secure against attacks):

Status: Level 2: All applications are reviewed and unnecessary features are removed. Access to applications is restricted to approved staff.

3. Application Control:

Status: Level 2: Firewalls are configured according to industry best practices and rule sets are regularly reviewed. Upon completing a major upgrade or configuration change, Information Services engages an external party to perform a vulnerability scan.

Additionally, the Australian Signals Directorate (part of the Defence Department) has commenced performing quarterly vulnerability scans on all Government agencies as part of the Cyber Hygiene Improvement Program (CHIPs). This will provide the Council with more frequent vulnerability scans in the future.

4. Restricting administrative rights:

Status: Level 2: All Information Services administrators use a standard account for general business and an elevated administrator account to perform any system administrator. Privileges are granted based on use and roles.

5. Patching of operating systems:

Status: Level 2: All server operating systems are automatically patched monthly. The patches are installed into non-core systems two weeks prior to core systems and updates are tested before the same patches are installed onto core systems.

6. Restrict Microsoft Office macros:

Status: Level 2: Macros are blocked on all workstations, and only signed or approved scripts can run from approved locations.

7. Multi-factor Authentication (MFA):

Status: Level 2: MFA has been enabled for all external access to Council systems from non-Council devices. MFA is also enabled for internal access of core systems, such as backups and firewall access.

8. Regular backups:

Status: Between Level 2 and Level 3: All systems are backed up daily to multiple locations, and only the core corporate data is backed up to the Cloud. The Cloud copy is an immutable copy that cannot be modified or removed for three (3) months.

The current approach that has been in respect to cybersecurity is reactive, focusing on addressing threats after they occur. To elevate our maturity level, the organisation will need to transition to a more proactive or continuous approach.

By adopting a more proactive or continuous approach, the Council’s cyber resilience will be significantly enhanced and protected against emerging threats.

However, this will require significant funding for automation tools and potentially a dedicated Cyber Security staff member.

Proactive Cybersecurity requires the following:

- **Automated Vulnerability Scanning:** Implement tools to automatically identify vulnerabilities in our systems.
- **Semi-Automated Remediation:** Explore the use of semi-automated tools to address vulnerabilities.
- **Dedicated Resource:** Allocate part-time resources to oversee and manage proactive cybersecurity initiatives.

Continuous Cybersecurity:

- **Advanced Tools:** Invest in automated tools for continuous monitoring and threat detection.
- **Dedicated Staff:** Employ a dedicated cybersecurity professional to identify and respond to threats in real-time.

It is acknowledged by ACSC that *“even Maturity Level Three will not stop malicious “actors” that are willing and able to invest enough time, money and effort to compromise a target”*.

The investment therefore of significant funds and resources needs to be considered using a risk-based approach.

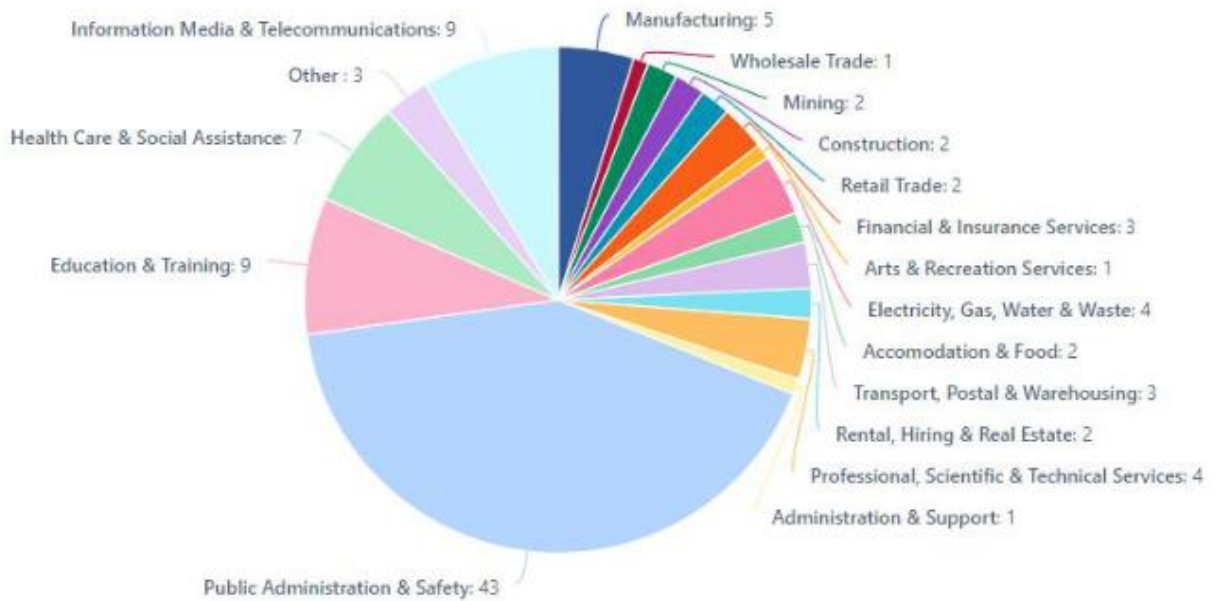
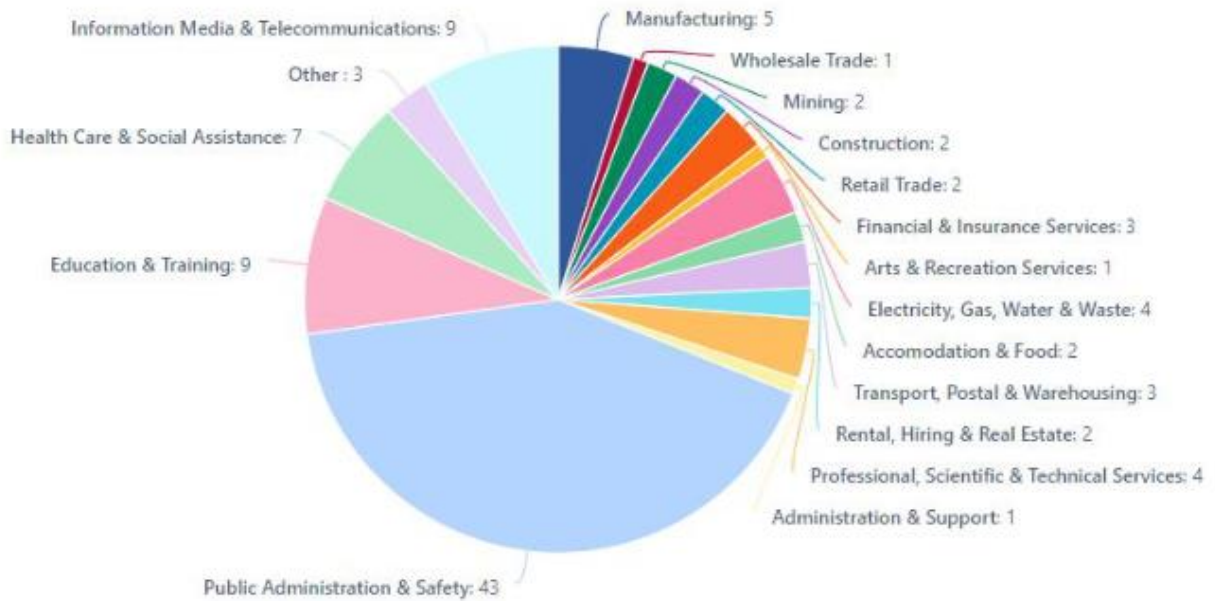
Between 1 July 2022 and 30 June 2024, the Council’s Information Services Unit tracked and reviewed two (2) Information Security incidents. Details of these incidents are set out in Table 1 below.

TABLE 1: INFORMATION SECURITY INCIDENTS 1 JULY 2022 TO 30 JUNE 2024

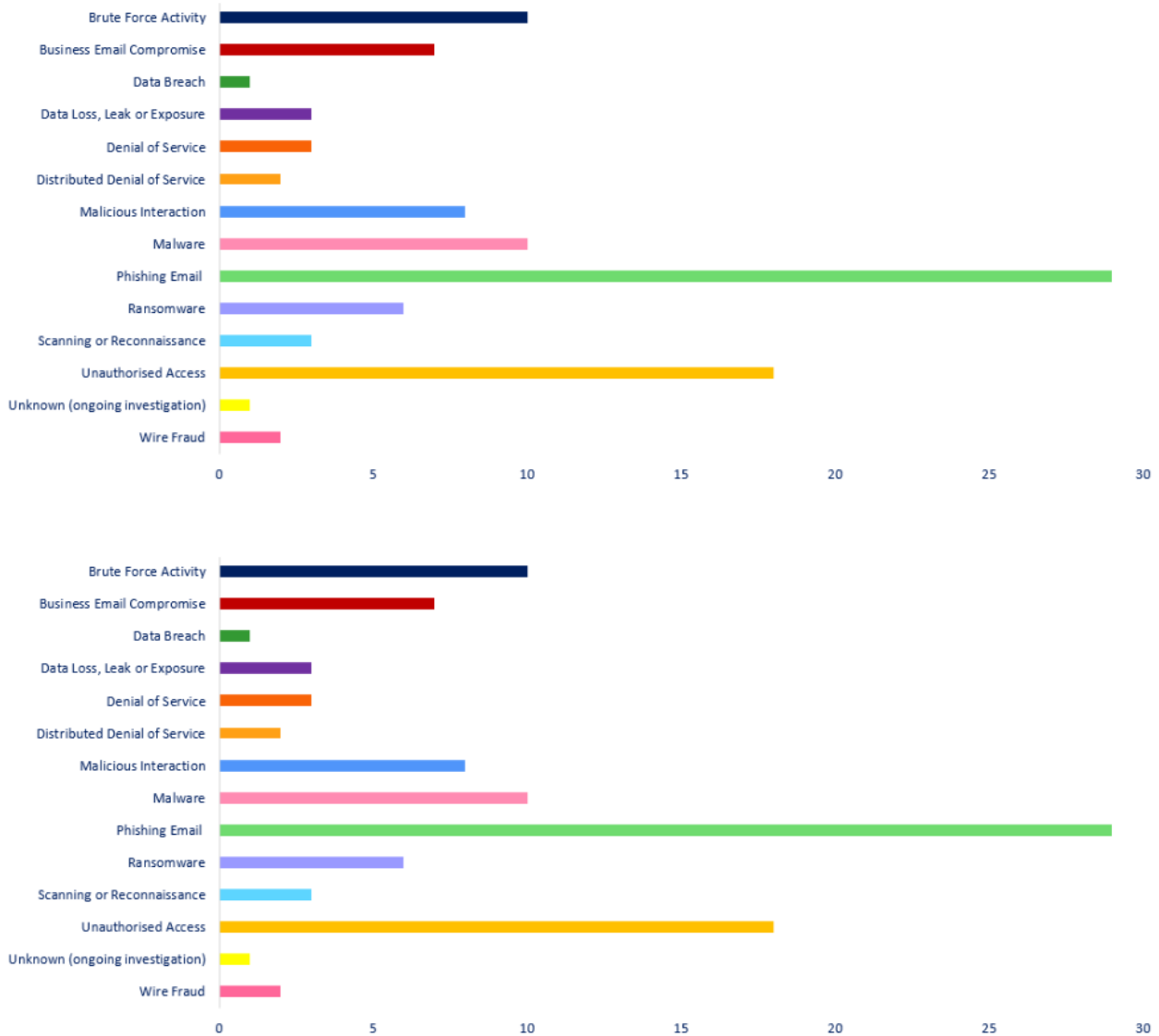
Date	Threat type	Impact	Reactive Actions	Preventative actions/Comments
31 March 2023	Credential	A staff member's bank account details were leaked.	The source of the leak was identified, and the staff member was notified.	Staff were provided additional Phishing training. The incident was reported to Cyber.gov and the SAPOL.
22 Nov 2022	Credential	Staff members were storing passwords in insecure locations.	The passwords were locked down and staff members were required to remove the passwords from the insecure locations.	Staff members were reminded of the policy regarding sharing of passwords and keeping passwords secure.

The Public Administration and Safety sector reports the highest frequency of cybersecurity incidents to the ACSC compared to other sectors.

Incidents reported to the ACSC in a month:



The major incident types are phishing, unauthorised access, and malware.



Whilst the Council has successfully implemented advanced email security and next-generation endpoint protection tools to combat phishing and malware, the focus has primarily been on external threats.

However, it is crucial to recognise the significant risk posed by internal threats originating from within the Council's network.

Implementing robust internal protections can be more complex than external defences. While restricting access is essential, it must be carefully balanced to avoid hindering staff productivity. Overly restrictive measures can impede the ability of staff to perform their duties efficiently, potentially leading to frustration and decreased productivity.

Future Priorities: Elevating the Council's Cybersecurity Posture

The Information Services Unit has been proactively implementing additional security measures as part of the Council's equipment replacement program. The current focus is on a network segmentation project to enhance internal protections.

To this end, the Information Services Unit is reviewing opportunities to invest in "Identity Threat Protection" and continuous internal and external vulnerability scanning.

OPTIONS

This report is providing for information purposes only.

CONCLUSION

Additional initiatives, (at a cost of approximately \$50,000 per annum), which significantly strengthen the Council's ability to defend against unauthorised access, malicious interactions, and brute force attacks, will be considered as part of IT Strategy that will be undertaken this financial year.

COMMENTS

Nil.

RECOMMENDATION

That the report be received and noted.

6.6 STRATEGIC RISK SERVICES PROGRAM UPDATE

REPORT AUTHOR: Manager Governance
GENERAL MANAGER: General Manager, Governance & Civic Affairs
CONTACT NUMBER: 8366 4593
FILE REFERENCE: qA162025
ATTACHMENTS: A

PURPOSE OF REPORT

The purpose of this report is to advise the Audit & Risk Committee (the Committee), of the Council's participation in the Local Government Risk Services (LGRS) Strategic Risk Services Program (the Program).

BACKGROUND

The *Statutes Amendment (Local Government Review) Act 2021* (Reform Act), contains the most significant reform to the legislative framework for Local Government since the commencement of the *Local Government Act 1999* (the Act).

Several amendments to the Act and Regulations, which were contained within the Reform Act, commenced on 30 November 2023. This suite of financial and governance accountability changes to the Act, included mandatory risk management related functions for Councils' Chief Executive Officers and Councils' Audit & Risk Committees.

Updates on the application of other legislative changes which impact upon the Committee's operations (in relation to the Committee's Terms of Reference and Work Plan), are the subject of separate items on the Agenda for this Meeting of the Committee.

A copy of the *LGRS Strategic Risk Services Program Scope of Works* is contained in **Attachment A**.

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

Supporting the Audit & Risk Committee to meet its legislated purpose, functions and activities will ensure the required independent assurance and advice to the Council.

CONSULTATION

- **Elected Members**
Elected Members will be kept informed and participate in the Program particularly regarding the application of risk management principles to strategic planning and decision-making processes.
- **Community**
Not Applicable.
- **Staff**
The implementation of the Program will involve staff from across the Council to assist with embedding effective risk management processes to support the Council, Chief Executive Officer and the Audit & Risk Committee to achieve their mandatory roles in relation to risk management.
- **Other Agencies**
Not Applicable.

DISCUSSION

Section 126 (4)(h) of the Act provides that one of the functions of a Council's Audit & Risk Committee includes:

'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'.

This requirement aligns with the other risk management function related changes to the Act which commenced on 30 November 2023. These changes mandate risk management obligations on the Council and the Chief Executive Officer as follows:

- The Council's obligation pursuant to Section 125(3) of the Act:
'A council must ensure that appropriate policies, systems and procedures relating to risk management 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, inform appropriate decision making, facilitate appropriate prioritisation of finite resources and promote appropriate mitigation of strategic, financial and operational risks relevant to the council.'
- The Chief Executive Officer's obligations in relation to Section 99(1)(ia) of the Act:
'to ensure that effective policies, systems and procedures are established and maintained for the identification, assessment, monitoring, management and annual review of strategic, financial and operational risks.'

While the Council has had a risk management framework in place for many years and risk management forms a key component in decision-making at all levels, these legislative requirements warrant a comprehensive review to ensure that the Council has current, clear, robust and effective policies, systems and procedures in place. To this end, LGRS Strategic Risk Services are well placed to assist the Council as the Program is provided to the Council at no additional cost as part of the Council's membership of the Local Government Association Mutual Liability Scheme.

In accordance with the attached Scope of Works, the Program provides a comprehensive approach to embedding effective and sustainable risk management principles and processes to assist with strategic and operational planning and decision making in the Local Government context.

It is envisaged that the Committee will be provided with regular updates on the implementation of the Program and quarterly reporting on strategic, financial and operational risks will be provided to the Committee which will support the Committee to achieve its function in relation to reviewing the effectiveness of the Council's risk management policies, systems and procedures.

OPTIONS

Not applicable as this report is provided for information purposes only.

CONCLUSION

The LGRS Strategic Risk Service Program will provide benefits across the Council and assist with both the implementation of a comprehensive and practical risk management framework, as well as building the required capability within the Council to ensure it can be sustainably maintained.

RECOMMENDATION

That the report be received and noted.

Attachment A

Strategic Risk Services Program Update



 <p>Mutual Liability Scheme Workers Compensation Scheme Local Government Association of South Australia</p>	<p>Scope – Strategic Risk Services</p>	<p>Council: City of Norwood Payneham & St Peters</p>
		<p>Date: V1.0: 08/07/2024</p>
		<p>Key Contact: Jenny McFeat: Manager, Governance</p>

Scope: Strategic Risk Service Program

<p>Background</p>	<p>The City of Norwood Payneham & St Peters are keen to review and update their risk management systems and implementation across the organisation in light of recent changes to the risk management requirements in the Local Government Act 1999. These changes have repercussions for the responsibility and function of the Council, the Chief Executive Officer (CEO) and the Audit and Risk Committee. This work will involve reviewing and updating their risk management policy and framework, the provision of Enterprise Risk Management (ERM) training to the Executive Leadership Team (ELT) and identified key staff, commencing the identification/ review of their strategic risks and the provision of ERM information to Elected Members.</p> <p>Once the above work has been completed, Council will commence the development of an organisational wide operational risk register in order to manage and monitor key risks.</p> <p>In addition to this, the City of Norwood Payneham & St Peters have also recognised the value to measure their current level of risk maturity (prior to works being undertaken) and reassessing this following the completion of the works to assist with identifying strategies for continuous improvement.</p> <p>To provide direction to the ELT and Elected Members, the City of Norwood Payneham & St Peters are also seeking to review and articulate its risk appetite, (that is, how much risk the organisation is willing to take in order to achieve its objectives).</p> <p>The City of Norwood Payneham & St Peters have looked to partner with the MLS to facilitate this requirement and the Strategic Risk Consulting Team has been engaged to create a customised program to meet Council’s needs and structure the work as a partnership between the City of Norwood Payneham & St Peters and the Scheme to evolve Council’s risk system to a point where the expectations of their Audit & Risk Committee, Council and Executive Leadership Team can be met.</p>
<p>Objectives:</p>	<ul style="list-style-type: none"> • Support the development of a customised program for the City of Norwood Payneham & St Peters risk management framework implementation • Develop an understanding of Council’s current level of risk maturity and identify appropriate strategies to support implementation of the risk management policy and framework • The Executive Leadership Team and key staff are able to apply risk management principles and processes to strategic and operational planning and decision making • Elected Members are able to understand their role in risk management and the strategic planning and decision making processes

 <p>Mutual Liability Scheme Workers Compensation Scheme Local Government Association of South Australia</p>	<h3>Scope – Strategic Risk Services</h3>	Council: City of Norwood Payneham & St Peters
		Date: V1.0: 08/07/2024
		Key Contact: Jenny McFeat: Manager, Governance

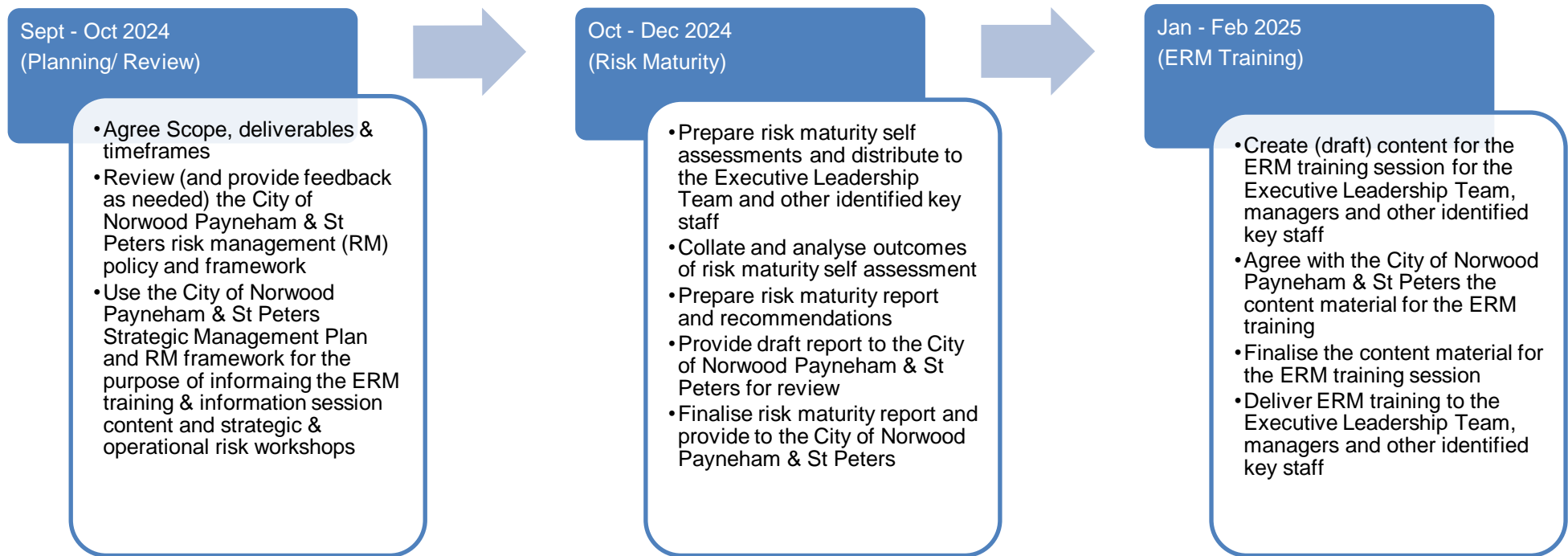
Scope of Services:	<ul style="list-style-type: none"> Support the development of risk appetite statements that are aligned to the City of Norwood Payneham & St Peters Strategic Management Plan and risk categories Review and provide feedback on the City of Norwood Payneham & St Peters risk management policy and framework, including roles and responsibilities and the monitoring and reporting processes; Provide risk maturity self-assessment questionnaires to Council's ELT and identified key staff; Collate outcomes of risk maturity self-assessment and prepare a report and recommendations for implementation of Council's risk management framework (will be undertaken at the beginning and end of works identified in this scope); Provide training to the ELT on enterprise risk management and Council's risk management framework, including applying risk management principles and processes to strategic and operational planning and decision making within Council's framework; Create training packs, including tools for workshoping strategic and operational risks and defining risk appetite; Facilitate workshops to review and/or identify and assess Council's strategic and operational risks; Provide information for the Elected Members on enterprise risk management and Council's risk management framework, including their roles and responsibilities and applying risk management principles to strategic planning and decision making processes; Deliver risk appetite awareness sessions & workshops to assist the ELT & Elected Members to articulate risk appetite statements that are aligned to the risk categories used in Council's Risk Register; Document risk appetite statements in a summary report; Provide final deliverables: training and information session materials, Council's draft strategic and operational risk register; and Provide mentoring as requested by the City of Norwood Payneham & St Peters (this will depend on capacity of resources and would require prior planning) as a part of the project and post program support.
Out of Scope:	<p>The Strategic Risk Team will not be responsible for the design and implementation of controls for each of the risks identified. Testing and assessment of controls will not be performed. This work is the function of the City of Norwood Payneham & St Peters once their risk management system is implemented.</p> <p>The Strategic Risk Team will not be responsible for ensuring that the risk appetite statements are subsequently applied to Council's decision-making process.</p>
Timelines:	<p>This project will be delivered over three phases commencing from July 2024. Key dates will be agreed with Council's Executive Leadership Team prior to the commencement of the project.</p>

 <p>Mutual Liability Scheme Workers Compensation Scheme Local Government Association of South Australia</p>	<h3>Scope – Strategic Risk Services</h3>	Council: City of Norwood Payneham & St Peters
		Date: V1.0: 08/07/2024
		Key Contact: Jenny McFeat: Manager, Governance

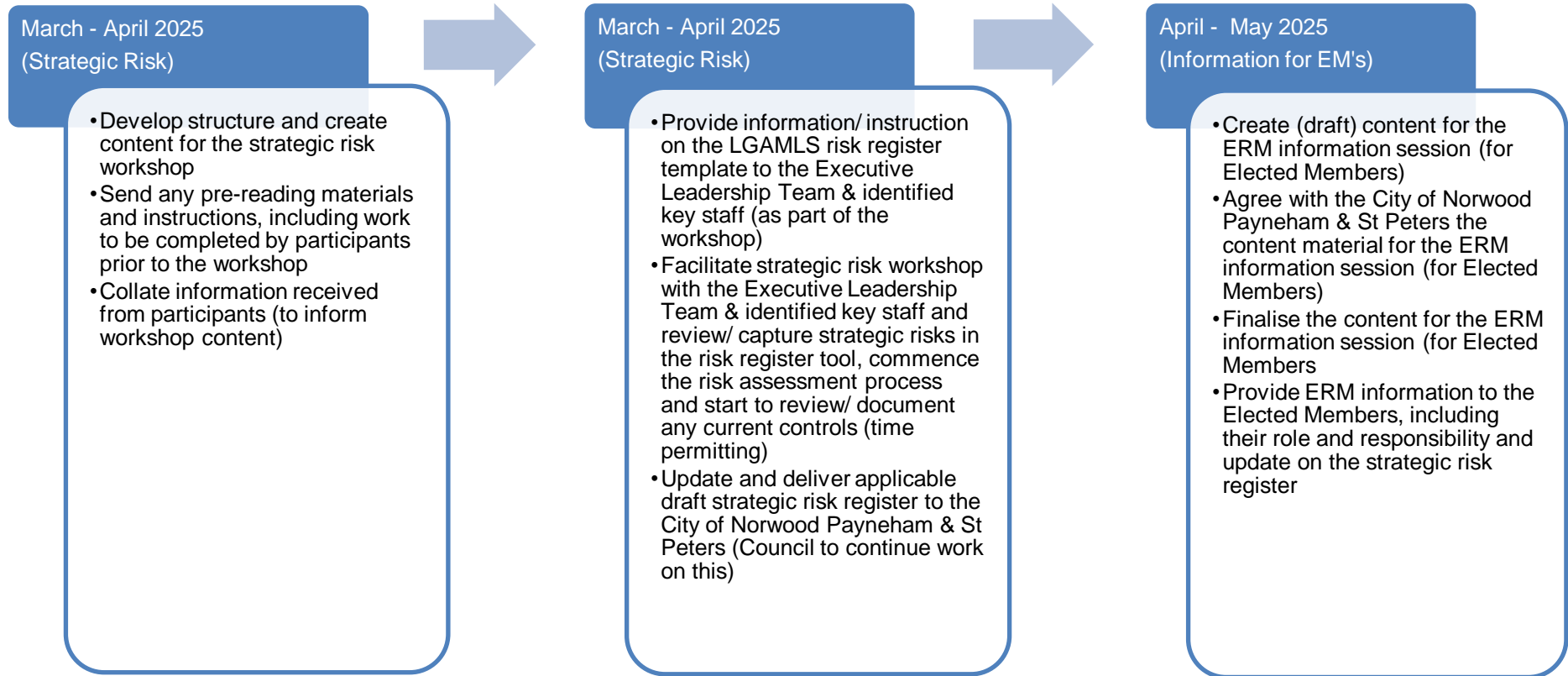
Sponsor:	<ul style="list-style-type: none"> Phase 1: September 2024 – May 2025 Phase 2: May – December 2025 (<i>indicative timeframe only</i>) Phase 3: September – November 2026 (<i>indicative timeframe only</i>)
Sponsor:	Lisa Mara: General Manager, Governance & Civic Affairs

 <p>Mutual Liability Scheme Workers Compensation Scheme Local Government Association of South Australia</p>	<h3>Scope – Strategic Risk Services</h3>	Council: City of Norwood Payneham & St Peters
		Date: V1.0: 08/07/2024
		Key Contact: Jenny McFeat: Manager, Governance

Detailed Project timeline: Phase 1 (September 2024 to May 2025)

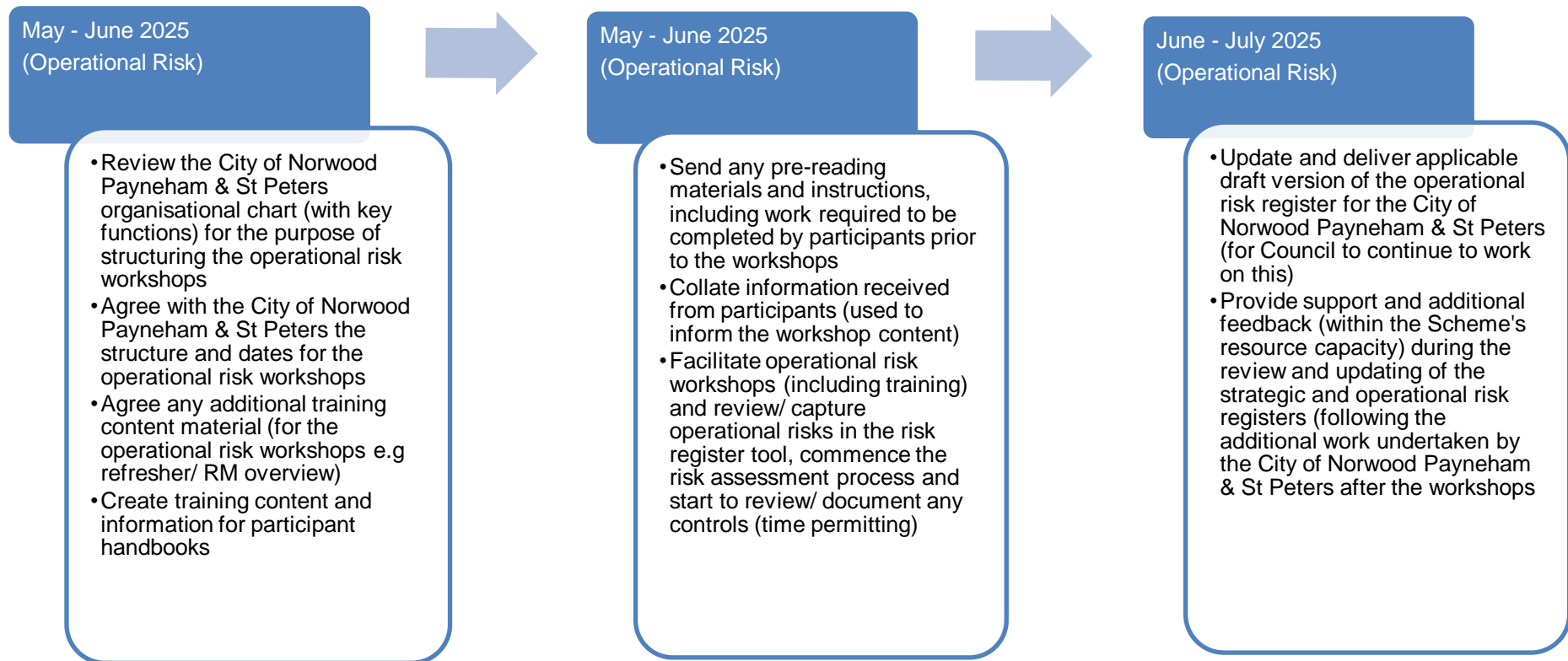


 <p>Mutual Liability Scheme Workers Compensation Scheme Local Government Association of South Australia</p>	<h3>Scope – Strategic Risk Services</h3>	Council: City of Norwood Payneham & St Peters
		Date: V1.0: 08/07/2024
		Key Contact: Jenny McFeat: Manager, Governance



 <p>Mutual Liability Scheme Workers Compensation Scheme Local Government Association of South Australia</p>	<p>Scope – Strategic Risk Services</p>	<p>Council: City of Norwood Payneham & St Peters</p>
		<p>Date: V1.0: 08/07/2024</p>
		<p>Key Contact: Jenny McFeat: Manager, Governance</p>

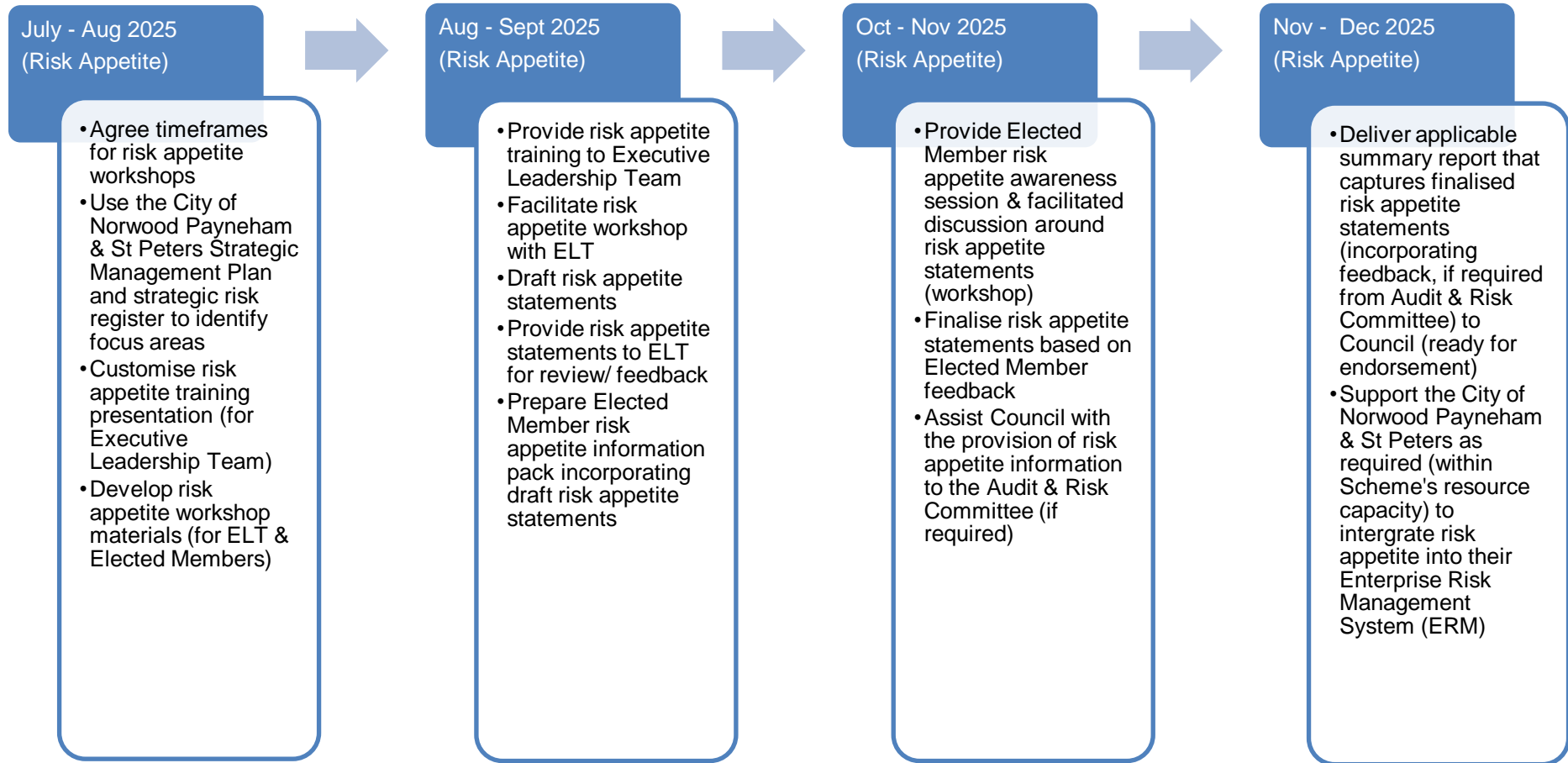
Detailed Project timeline: Phase 2 (May 2025 to December 2025) **Indicative timeframe only*





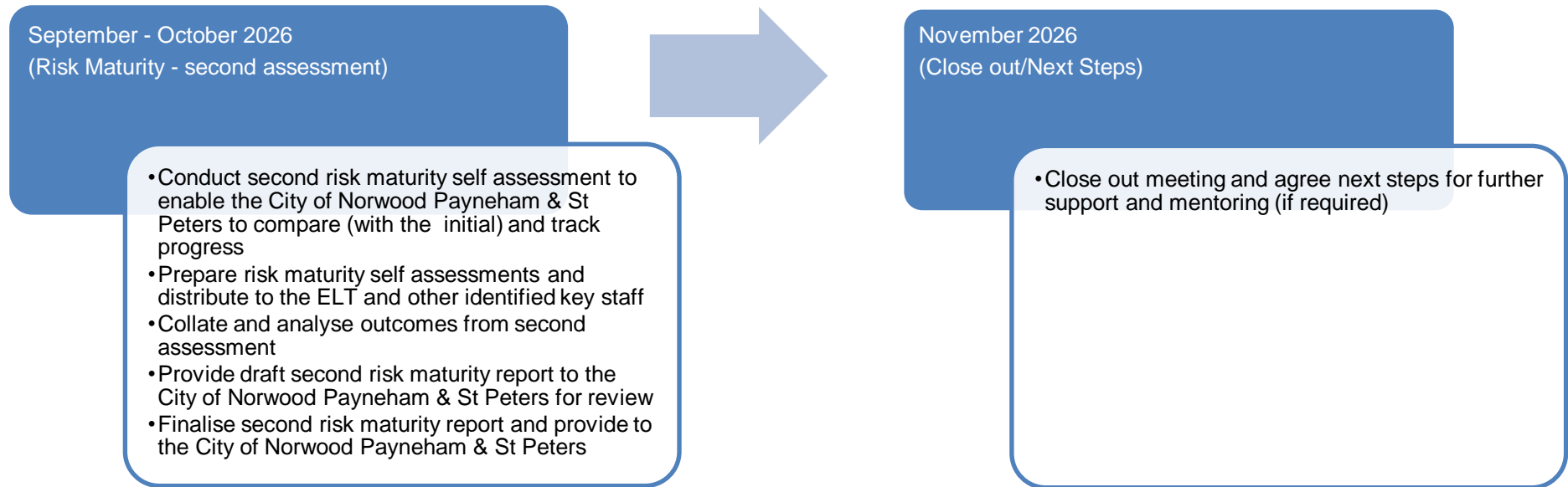
Scope – Strategic Risk Services

Council:	City of Norwood Payneham & St Peters
Date:	V1.0: 08/07/2024
Key Contact:	Jenny McFeat: Manager, Governance



 <p>Mutual Liability Scheme Workers Compensation Scheme Local Government Association of South Australia</p>	<p>Scope – Strategic Risk Services</p>	<p>Council: City of Norwood Payneham & St Peters</p>
		<p>Date: V1.0: 08/07/2024</p>
		<p>Key Contact: Jenny McFeat: Manager, Governance</p>

Detailed Project timeline: Phase 3 (September 2026 to November 2026) **Indicative timeframe only*



 <p>Mutual Liability Scheme Workers Compensation Scheme Local Government Association of South Australia</p>	<p>Scope – Strategic Risk Services</p>	<p>Council: City of Norwood Payneham & St Peters</p>
		<p>Date: V1.0: 08/07/2024</p>
		<p>Key Contact: Jenny McFeat: Manager, Governance</p>

Prepared by:	Colleen Green: Strategic Risk Consultant – LGAWCS/MLS	Date:	V1.0: 08/07/2024
Reviewed by:	Stevie Sanders: WHS & Risk Manager – LGAWCS	Date:	V1.0: 18/07/2024
Approved by:	Mario Barone – Chief Executive Officer	Date:	V1.0: 10/09/2024

6.7 AUDIT & RISK COMMITTEE TERMS OF REFERENCE

REPORT AUTHOR: Manager, Governance
GENERAL MANAGER: General Manager, Governance & Civic Affairs
CONTACT NUMBER: 8366 4593
FILE REFERENCE: qA162025
ATTACHMENTS: A

PURPOSE OF REPORT

The purpose of this report is to present the updated *Audit & Risk Committee Terms of Reference* to the Audit & Risk Committee (the Committee) for consideration prior to being presented to the Council for adoption at the Council Meeting to be held on 2 December 2024. In addition, this report highlights the required changes to the membership of the Committee which will take effect once resolved by the Council.

BACKGROUND

The *Statutes Amendment (Local Government Review) Act 2021* (Reform Act), contains the most significant reform to the Local Government system since the Local Government Act commenced in 1999.

Several amendments to the *Local Government Act 1999* (the Act) and Regulations which were contained within the Reform Act and which impact upon the accountability and governance framework within which Councils operate, commenced on 30 November 2023. A significant number of the amendments focus on the function and activities of Council Audit & Risk Committees and these changes support the legislated purpose of Audit & Risk Committees, as prescribed in Section 126(1a) of the Act, which is to provide independent assurance and advice to the Council on accounting, financial management, internal controls, risk management and governance matters.

The changes to the legislative provisions applicable to the Committee primarily relate to the following:

- function and activities;
- membership; and
- reporting

Updates on the changes to the Committee's operations in relation to its functions, activities and membership, have been the subject of previous reports to the Committee. In addition, a separate item on the Agenda for this Meeting of the Committee, provides the opportunity for the Committee to approve the 2025 Committee Meeting dates and Work Plan to support the Committee to meet the expanded legislative functions and activities.

A copy of the updated *Audit & Risk Committee Terms of Reference* is contained in **Attachment A**.

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

Supporting the Audit & Risk Committee in meeting its legislated purpose, functions and activities, will provide the required independent assurance and advice to the Council.

CONSULTATION

- **Committee Members**
Elected Members will consider the adoption of the *Audit & Risk Committee Terms of Reference* and Committee membership at the Council Meeting to be held on 2 December 2024.
- **Community**
Meetings of the Audit & Risk Committee are open to the public to attend in accordance with the Act. The Committee Meeting documents and Terms of Reference are publicly available on the Council's website.
- **Staff**
The preparation of the *Audit & Risk Committee Term of Reference* has been informed by collaboration between staff from the Council's Governance, Finance and other relevant departments.
- **Other Agencies**
Not Applicable.

DISCUSSION

Terms of Reference

The updated *Audit & Risk Committee Terms of Reference* reflect the expanded legislated functions for the Committee, changed membership and reporting requirements. Given the nature of the changes and associated format updates to the Terms of Reference a new document has been prepared rather than relying on track changes to show the changes.

Membership

Importantly, following the amendments to the Act that commenced on 30 November 2023, the membership requirements for Audit & Risk Committees has changed. In accordance with Section 126(2) of the Act, the majority of Members of the Committee must be Independent from the Council and the membership of the Committee (when taken as a whole), must have skills, knowledge and experience relevant to the functions of the Committee, which includes financial management, risk management and governance.

These changes have consequent implications on the Council's Audit & Risk Committee. Notwithstanding this, Regulation 14(a) of the *Local Government (Transitional Provisions) Regulations 2021* (the Transitional Regulations), provides that a Member of a Council's Audit & Risk Committee holding office immediately before the commencement of the changes to Section 126(2) of the Act, can continue to hold office for the remainder of their term of appointment to the Committee.

While the current membership of the Audit & Risk Committee does not have a majority of Independent Members, it is intended that the legislative membership requirements will be in place at the conclusion of the current term of the Independent Members (ie. by 31 March 2025). This is in accordance with and satisfies the Transitional Regulations.

There has been no change to the total number of Members the Committee may have. In accordance with Regulation 17(1) of the *Local Government (Financial Management) Regulations 2011*, the Committee must have between three (3) and five (5) members (inclusive). With the changes to the Act that commenced on 30 November 2023, the requirement to have a majority of Independent Members on the Committee was added to the Act and reference to the previously required at least one (1) Independent Member was removed from the *Local Government (Financial Management) Regulations 2011*. Therefore, this means that the Committee can no longer operate with three (3) Elected Members.

It is proposed that at the Council Meeting to be held on 2 December 2024, the Council will consider both the adoption of the updated *Audit & Risk Committee Terms of Reference* and the membership of the Committee to meet the legislative requirements.

OPTIONS

The Committee can choose not to endorse the Terms of Reference however this is not recommended. The updated Terms of Reference meet the legislative requirements, provide important guidance to the structure and conduct of the Meetings of the Committee and support the effective operation of the Committee.

CONCLUSION

This report is intended to keep the Committee informed of the progress in implementing legislative change which has had a significant impact on the Audit & Risk Committee. The updated draft *Audit & Risk Committee Terms of Reference* reflect these changes and are therefore recommended for endorsement.

COMMENTS

Nil

RECOMMENDATION

That the draft *Audit and Risk Terms of Reference* as contained in Attachment A are endorsed for the Council's consideration and adoption.

Attachment A

Audit & Risk Committee Terms of Reference





City of
Norwood
Payneham
& St Peters

AUDIT & RISK COMMITTEE

TERMS OF REFERENCE

1. ESTABLISHMENT

- 1.1. The City of Norwood Payneham & St Peters Audit & Risk Committee has been established as a Committee of the Council in accordance with the requirements of Sections 126 and 41 of the *Local Government Act 1999* (the Act).
- 1.2. These Terms of Reference were adopted by the Council on XXXX.

2. PURPOSE

- 2.1. The purpose of the Audit & Risk Committee (the Committee) is to provide independent assurance and advice to Council on accounting, financial management, internal controls, risk management and governance matters.¹

3. FUNCTIONS AND RESPONSIBILITIES

- 3.1. Section 126 (4) of the Act assigns the following functions to all Council Audit & Risk Committees:
 - 3.1.1. Reviewing annual financial statements to ensure that they present fairly the state of affairs of the council.
 - 3.1.2. Proposing and providing information relevant to, a review of the council's strategic management plans or annual business plan.
 - 3.1.3. 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.
 - 3.1.4. Proposing and reviewing the exercise of powers under section 130A of the Act.
 - 3.1.5. Liaising with the Council's Auditor in accordance with any requirements prescribed by the Regulations.
 - 3.1.6. Reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the Council on a regular basis.
 - 3.1.7. Providing oversight of the planning and scoping of the internal audit work plan and reviewing / commenting on reports provided by the person primarily responsible for the internal audit function on at least a quarterly basis.
 - 3.1.8. 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.
 - 3.1.9. Reviewing any Prudential Report that is obtained by the Council under Section 48(1) of the Act.
 - 3.1.10. Making recommendations to the Council on the appointment of the Auditor pursuant to Section 128 of the Act.
 - 3.1.11. Performing any other function referred to it by the Council, another Council Committee or prescribed by the Regulations.

¹ *Local Government Act*, Section 126(1a)

- 3.2. The Chief Executive Officer shall provide sufficient administration resources to the Committee to enable it to adequately carry out its functions.
- 3.3. A Work Plan will be approved by the Committee each year to assist with the scheduling of items for Committee Meetings and will form the basis of the report to the Council required after each Meeting and annually.²

4. DELEGATED AUTHORITY

- 4.1 The Committee does not have any delegated powers, functions or duties of the Council and only acts in accordance with its legislated functions, these Terms of Reference, and any direction from Council.

5. MEMBERSHIP AND CONDITIONS OF APPOINTMENT

- 5.1 In complying with the requirements of Regulation 17(1) of the *Local Government (Financial Management) Regulations 2011*, the Committee will comprise five (5) members appointed by the Council, with three (3) being Independent Members and two being (2) Elected Members, one of whom will be the Mayor. At all times the majority of the Committee Members must be persons who are not Elected Members of the Council.³
- 5.2 When considered as a whole, the Committee must have the skills, knowledge and experience relevant to the functions of the Committee, including in financial management, risk management, governance and any other prescribed matter.⁴ In appointing either an Independent Member or an Elected Member to the Committee, the appointment process may be informed by the use of a Skills Matrix or similar to assist in assessing the available skills and any gaps that need to be filled.
- 5.3 The term of appointment for Independent Members will be as determined by the Council at the time of appointment with the appointment timing managed to provide for the continuity of Committee membership across Council terms and avoid alignment with the Council elections.
- 5.4 The Council may resolve to re-appoint an Independent Member of the Committee for consecutive terms up to a combined maximum of eight (8) years.
- 5.5 The term of appointment for Elected Members will be as determined by the Council and will generally be for a two (2) year period. The Council may re-appoint an Elected Member at the expiry of their term, if the term of appointment does not extend beyond the end of the current Council term.
- 5.6 Where a vacancy for an Independent Member exists, an Expression of Interest for potential candidates will be made by way of a public advertisement.
- 5.7 Prior to Council appointing Independent Members to the Committee, a Selection Panel comprising the Mayor, two (2) Councillors and the Chief Executive Officer will evaluate potential candidates with consideration given to the requirements of Clause 5.2 of these Terms of Reference and Section 126(2)(b) of the Act, before making a recommendation to the Council.
- 5.8 The appointment of Independent Members will be subject to the endorsement of the Selection Panel's recommendation by the Council.
- 5.9 Remuneration will be paid to each Independent Member of the Committee (based on a set fee per meeting attended) as determined by the Council.

² As required by the *Local Government Act 1999*, Section 126(8)

³ *Local Government Act 1999*, Section 126(2)(a)

⁴ *Local Government Act 1999*, Section 126(2)(b)

6. PRESIDING MEMBER

- 6.1 The Council will appoint the Presiding Member of the Committee.
- 6.2 The role of the Presiding Member of the Committee is to:
 - 6.2.1 oversee the orderly conduct of Committee Meetings in accordance with the Act and *Local Government (Procedures at Meetings) Regulations 2013* and other procedures relevant to the Committee;
 - 6.2.2 ensure that the Guiding Principles set out in Regulation 4 of the *Local Government (Procedures at Meetings) Regulations 2013*, are observed during Committee Meetings and that all Committee Members have an opportunity to participate in discussions in an open and responsible manner; and
 - 6.2.3 to certify, together with the Chief Executive Officer, in accordance with Regulation 22 of the *Local Government (Financial Management) Regulations 2011*, the 'Independence of External Auditor' as part of the end-of financial-year audit process.

7. MEETINGS

- 7.1 In accordance with Section 126(5) of the Act, the Committee will meet at least quarterly and Special Meetings may be convened in accordance with Section 87 of the Act.
- 7.2 The Committee will approve a schedule of Meetings for each year and as an indicative guide, meetings will be arranged to coincide with the 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.
- 7.3 Meetings will be held in the Mayor's Parlour, Norwood Town Hall, unless otherwise notified.
- 7.4 Notice of each Committee Meeting confirming the venue, time, and date, together with an Agenda of items to be discussed, shall be forwarded to each Member of the Committee, no later than three (3) clear business days before the Meeting.
- 7.5 Subject to the operation of Section 90 of the Act and in accordance with the requirement of Section 132 of the Act, the Agenda and Minutes of the Committee Meeting will be published on a website as determined by the Chief Executive Officer.
- 7.6 In accordance with Section 88 of the Act, Notice of Meetings of the Committee must be displayed at the Principal Office of the Council and on a website determined by the Chief Executive Officer, and must continue to be published and kept on display until the completion of the relevant Meeting.
- 7.7 The quorum for a Meeting of the Committee shall be three (3) Members of the Committee, and must comprise a majority of Independent Members.
- 7.8 The Chief Executive Officer may adjourn a scheduled meeting of the Committee, in circumstances where sufficient apologies have been received to indicate a quorum will not be achieved for the scheduled Meeting.⁵
- 7.9 Meetings of the Committee must be conducted at all times in accordance with the *Local Government Act 1999* and Parts 1, 3 and 4 of the *Local Government (Procedures at Meetings) Regulations 2013*.
- 7.10 If the Presiding Member of the Committee is absent from a meeting, then the Members present will determine by resolution who will preside at the meeting.
- 7.11 All decisions of the Committee shall be made based on a majority decision of the Members present.
- 7.12 Each Member of the Committee at a Meeting will have one vote. The Presiding Member will have a deliberative vote and does not, in the event of an equality of votes, have a casting vote.

⁵ *Local Government (Procedures at Meetings) Regulations 2013*, Regulation 7(1)

7.13 There must be at least one occasion each year where a Meeting is held with the external Auditor on a confidential basis, ensuring that the majority of Committee Members are present for the Meeting and that no Elected Members or employees of the Council are present (other than those Elected Members who are Committee Members).⁶

7.14 Minutes of the Committee Meetings shall be circulated within five (5) days after a meeting to all Committee Members and to all Members of the Council.

8. REPORTING

- 8.1. The Committee will provide a report to the Council after each Meeting, that summarises the work of the Committee during the period preceding the Meeting and the outcomes of the Meeting.⁷
- 8.2. The Committee will provide an Annual Report to the Council on the work that has been undertaken by the Committee and the Council must include this report in its Annual Report.⁸
- 8.3. As part of the preparation of the Annual Report, the Committee will evaluate its performance, which may include consideration of these Terms of Reference, to ensure the Committee is operating at maximum effectiveness with recommendations for any changes presented to the Council for their consideration.
- 8.4. The Chief Executive Officer will provide an Annual Report to the Committee on the Council's internal audit processes.⁹

⁶ Local Government (Financial Management) Regulations 2011, Regulation 17B(a)

⁷ Local Government Act 1999, Section 126(8)(a)

⁸ Local Government Act 1999, Section 126(8)(b)

⁹ Local Government Act 1999, Section 99(1)(ib)

6.8 AUDIT & RISK COMMITTEE 2025 WORK PLAN, MEETINGS AND REPORTING

REPORT AUTHOR: Manager Governance
GENERAL MANAGER: General Manager, Governance & Civic Affairs
CONTACT NUMBER: 8366 4593
FILE REFERENCE: qA162025
ATTACHMENTS: A

PURPOSE OF REPORT

The purpose of this report is to seek the Audit & Risk Committee's (the Committee), approval of the proposed 2025 Schedule of Meetings and the draft *2025 Audit & Risk Committee Work Plan*. In addition, this report provides an update on how the activities of the Committee will be reported to the Council following each Committee Meeting.

BACKGROUND

The *Statutes Amendment (Local Government Review) Act 2021* (Reform Act) contains the most significant reform to Local Government since the Local Government Act commenced in 1999.

Several amendments to the *Local Government Act 1999* (the Act) and Regulations which were contained within the Reform Act, and which impact the accountability and governance framework within which Councils operate, commenced on 30 November 2023. A significant number of the amendments focus on the function and activities of Council Audit & Risk Committees with these changes supporting the legislated purpose of Audit & Risk Committees, as prescribed in Section 126(1a) of the Act, which is to provide independent assurance and advice to the Council on accounting, financial management, internal controls, risk management and governance matters.

The changes to the legislative provisions applicable to the Committee primarily relate to the following:

- function and activities;
- membership; and
- reporting.

The proposed 2025 Schedule of Meetings meet the requirements of Section 126(5) of the Act, which requires that the Committee must meet at least once in every quarter.

To support the Committee to achieve its expanded function and activities the *2025 Audit & Risk Committee Work Plan* (the Work Plan) has been prepared and is contained in **Attachment A**.

A separate item on the Agenda for this Meeting of the Committee provides updated Terms of Reference for the Committee which reflect the changes to the legislative requirements and expanded functions of the Committee.

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

Supporting the Audit & Risk Committee to meet its legislated purpose, functions and activities will provide the required independent assurance and advice to the Council.

CONSULTATION

- **Elected Members**
Elected Members will consider the adoption of the updated Audit & Risk Committee Terms of Reference at the Council Meeting to be held on 2 December 2024. Following the first Meeting of the Committee in 2025, the Council will receive a report following each meeting of the Committee at the subsequent Council Meeting. This is in addition to the Minutes from each meeting of the Committee.
- **Community**
Meetings of the Council's Audit & Risk Committee are open to the public to attend in accordance with the relevant legislative provisions. The Meeting documents and Terms of Reference of the Committee, are publicly available on the Council's website.
- **Staff**
The preparation of the Work Plan is informed by collaboration between staff from the relevant Departments within the Council.
- **Other Agencies**
Not Applicable.

DISCUSSION

Meetings and Work Plan

The Meeting dates for 2025 are based on the mandatory requirement for the Committee to meet at least once in every quarter and support the Council receiving the recommendations from the Committee to inform the consideration of key matters as the primary decision-maker.

It is therefore proposed that the Audit & Risk Committee meet in the third week of the month, on a quarterly basis. Meetings will continue to be held on a Monday evening at 7:00pm in the Mayor's Parlour except when the Council Assessment Panel meeting is convened on the same night in which case the Committee Meeting will be held in Meeting Room 3 of the Norwood Town Hall, unless otherwise advised.

The proposed dates for the 2025 meetings of the Committee are:

- Monday 10 February 2025;
- Monday 14 April 2025;
- Monday 14 July 2025; and
- Monday 13 October 2025.

The *2025 Audit & Risk Committee Work Plan* (the Work Plan) has been prepared on the basis of the proposed quarterly Meetings of the Committee and the updated *Audit & Risk Committee Terms of Reference*, which are also being presented to the Committee in a separate Agenda item at this meeting. The updated Terms of Reference reflect the expanded role and function of the Committee, which in turn has been used to structure the scheduling of items to the Committee meetings over the 2025 calendar year.

The Work Plan can be varied as needed should the timing of matters to be presented to the Council for consideration need to change, or new items are added as resolved by the Council or the Committee (within the overall function of the Committee). Any changes to the Work Plan will be discussed with the Committee as required.

It is envisaged that the Work Plan will be used as the basis for reporting to the Council after each meeting of the Committee (the *Audit & Risk Committee General Report to the Council*) and the Annual Report to the Council on the work of the Committee, both of which are required by Section 126(8) of the Act.

Report to the Council after each meeting of the Committee

Section 126(8)(a) of the Act provides that the Audit & Risk Committee must '*provide a report to the council after each meeting summarising the work of the committee during the period preceding the meeting and the outcomes of the meeting*'.

It is proposed to use the Work Plan to inform the *Audit & Risk Committee General Report to the Council* (the General Report) required by Section 126(8)(a) of the Act. Given the Annual Report of the Committee for the 2023-2024 Financial Year was received by the Council at the Council Meeting held on 2 September 2024, and the updated *Audit & Risk Committee Terms of Reference* have not yet been adopted by the Council, the Minutes of the Committee meeting held on 28 October 2024, will suffice until the General Report process commences from the first meeting of the Committee in 2025.

To implement the requirements of Section 126(8)(a) of the Act effectively and efficiently, it is proposed that the Council's Governance Unit will prepare the *Audit and Risk Committee General Report to the Council* following each meeting of the Committee. The Committee's Work Plan and the discussions, resolutions and proceedings of the Committee Meeting will inform the preparation of the report. This report will briefly summarise the matters considered by the Committee.

While the Minutes of the Audit & Risk Committee Meetings have always been presented to the Council following each meeting of the Committee, the General Report is an additional requirement and provides a summary of the activities of the Committee rather than just the resolutions that are made by the Committee. The Minutes of the respective Committee Meeting will be attached to the General Report and the Council will note the General Report and receive the Committee Meeting Minutes as attached.

In terms of the Council's decision-making on matters where the Committee has made recommendations to the Council, or where the Council must take into consideration the recommendation of the Committee, these matters will be the subject of separate reports to the Council depending on the nature of the matter. This ensures the functions of the Audit & Risk Committee are clearly separated from the primary decision-making role of the Council.

OPTIONS

The Committee needs to approve the 2025 Meeting dates to ensure the appropriate scheduling of items and meet the legislative quarterly reporting requirement.

While the Committee can choose not to approve the Work Plan it is strongly recommended that the Work Plan as presented be adopted to ensure that the Committee continues to meet its legislative obligations.

The Work Plan and the General Reports will inform the preparation of the *Annual Report of the Audit & Risk Committee*, which will be approved by the Committee prior to being presented to the Council and included in the Council's Annual Report.

CONCLUSION

This report is intended to assist the Committee meet its legislative functions and reporting obligations, and as such, it is therefore recommended the attached proposed meeting dates for 2025 and the *2025 Audit and Risk Committee Work Plan* are approved for this purpose.

RECOMMENDATION

That the Audit and Risk Committee:

1. Approves the following Meeting dates for 2025:
 - Monday 10 February 2025;
 - Monday 14 April 2025;
 - Monday 14 July 2025; and
 - Monday 13 October 2025.
2. Approves the *2025 Audit and Risk Committee Work Plan* as contained in Attachment A.
3. Notes the *Audit & Risk Committee Work Plan* will form the basis of scheduling items for Meetings of the Committee and the required *Audit & Risk Committee General Report to the Council* following each Meeting of the Committee.

Attachment A

Audit & Risk Committee 2025 Work Plan, Meetings and Reporting



AUDIT AND RISK COMMITTEE WORK PLAN 2024-2025							
Function and activity	LG Act Reference	Responsibility for agenda item	Supporting documents	Meetings			
				Feb-25	Apr-25	Jul-25	Oct-25
Annual Financial Statements and External Audit							
Review Annual Financial Statements to ensure that they present fairly the state of affairs of the Council	126(4)(a)	Finance	Audited Financial Statements				✓
Subsidiary Financial Statements		Finance	Subsidiary Audited Financial Statements				✓
Liaise with the Council's Auditor in accordance with legislated requirements and Terms of Reference	126(4)(e) & Regulation 17B, LG (Financial Management) Regulations	Finance	Meet with Council's Auditor at least once in confidence.				✓
Recommend appointment of Council's Auditor to Council	128(2)	Finance	Timing TBC - current contract ends 2027				
Monitor responsiveness to recommendations for improvement based on previous External Audits and matters raised by the External Auditor	126(4)(c)	Finance	Report on actions arising	✓			✓
Strategic Management and Business Plans - 126(4)(b)							
Review of City Plan against legislated requirements - <i>Council to review every 4 years (within 2 years of Local Government Election)</i>		TBD	City Plan Review - as required				
Review of Long Term Financial Plan (LTFP) against legislated requirements - <i>annual review required by Council (Section 122(4)(a))</i>		Finance	LTFP		✓		
Review of Annual Business Plan against legislated requirements - <i>reviewed prior to Council endorsement for consultation; budget attached based on draft ABP</i>		Finance	Draft Annual Business Plan and Budget		✓		
Review of Infrastructure and Asset Management Plan(s) (IAMPs) against legislated requirements		Infrastructure	Draft IAMPs		✓		✓

AUDIT AND RISK COMMITTEE WORK PLAN 2024-2025							
Function and activity	LG Act Reference	Responsibility for agenda item	Supporting documents	Meetings			
				Feb-25	Apr-25	Jul-25	Oct-25
Adequacy of Financial Management Systems							
Review the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the Council on a regular basis							
• Internal Financial Controls report	126(4)(f)	Finance				✓	
• Report following Budget Review reports / Actual v Budget report	126(4)(f)	Finance		✓			✓
• Review of relevant Council policies prior to Council adoption	126(4)(f)	Governance	As required				
Risk Management							
Review and evaluate the effectiveness of strategic, financial and operational risks	126(4)(h)	Governance	Based on Council's RM framework (in development)	✓	✓	✓	✓
Monitor responsiveness to recommendations for improvement based on previous risk assessments.	126(4)(c)	Governance	Incorporated into regular reporting on strategic, financial and operation risks	✓	✓	✓	✓
Internal Audit							
Oversight of planning and scoping of Internal Audit Work Plan	126(4)(g)(i)(A)	Office of CEO	Draft Internal Audit Work Plan - timing TBC				
Review Economic Development Strategy Internal Audit Report	126(4)(g)(i)(B)	Office of CEO	Internal Audit reports - timing TBC				
Annual Report of CEO on internal audit processes 99(1)(b)	99(1)(b)					✓	
Monitor responsiveness to recommendations for improvement based on previous Internal Audits	126(4)(c)	Office of CEO	Report on actions arising	✓		✓	
Audit & Risk Committee Performance							
Report to Council after each meeting	126(8)(a)	Governance	Draft report to Council	✓	✓	✓	✓
Report annually to Council	128(8)(b)	Governance	Draft report			✓	
Development/review of Annual Work Plan (based on calendar year)		Governance	Draft Work Plan				✓

AUDIT AND RISK COMMITTEE WORK PLAN 2024-2025							
Function and activity	LG Act Reference	Responsibility for agenda item	Supporting documents	Meetings			
				Feb-25	Apr-25	Jul-25	Oct-25
Review of Terms of Reference / self-assessment		Governance		✓			
Meeting Dates for upcoming calendar year		Governance					✓
Other Matters							
Service Reviews		Office of CEO	As scheduled, timing TBC				
Review any report obtained by Council under Section 48(1) of the LG Act	126(4)(i)	Finance	As required				
Project status updates		Infrastructure	Twice per year - presentation based on information provided to Elected Members		✓		✓
Review any reports prepared due to section 130A examinations (investigations)	126(4)(d)	TBD	As required				

7. CONFIDENTIAL REPORTS
Nil

8. OTHER BUSINESS
(Of an urgent nature only)

9. NEXT MEETING
To be advised.

10. CLOSURE