Audit & Governance Minutes

MINUTES

Minutes of the Audit & Governance Committee
Held Wednesday 15 February 2017 – 6.35pm
Council Chambers
181 Unley Road Unley

MEMBERS PRESENT

Mr J Rawson, Presiding Member
Mr Ed Parker
Mr Sean Tu
Councillor Michael Rabbitt
Councillor Rob Sangster

OFFICERS PRESENT

General Manager Business Support & Improvement, Ms N Tinning
Manager Finance, Mr M Carey
Executive Assistant to CEO & Mayor, Ms C Gowland

OBSERVERS

Councillor Don Palmer
Manager Governance & Risk, Ms R Wilson
Strategic Risk Management Project Officer, Ms J Lister

WELCOME

The Presiding Member welcomed Members to the Audit and Governance Committee Meeting.

APOLOGIES

Nil

**Denotes Change

ITEM 46
CONFLICT OF INTEREST

Nil

CONFIRMATION OF MINUTES

MOVED Councillor Rabbitt
SECONDED Councillor Sangster

That:

1. The minutes of the Audit and Governance Committee Meeting held on Monday 19 December 2016, as printed and circulated, be taken as read and signed as a correct record.

CARRIED UNANIMOUSLY

ITEM 48
2016-17 EXTERNAL AUDIT PLAN AND CERTIFICATION OF ANNUAL FINANCIAL STATEMENTS

MOVED Ed Parker
SECONDED Councillor Rabbitt

That it be recommended to Council, that:

1. The report and attachments be received.

2. The Audit and Governance Committee recommends to Council that:

    2.1 Council note the Annual Audit Plan (Attachment 1 to Item 27) is consistent with the scope of the External Audit engagement and relevant legislation.

    2.2 Authorisation be given to the Mayor and the Chief Executive Officer to sign the certification of the statements in their final form once the annual audited financial statements have been completed.

CARRIED UNANIMOUSLY

**Denotes Change

ITEM 49
REVISED RATE REBATE POLICY

MOVED Sean Tu
SECONDED Ed Parker

That it be recommended to Council, that:

1. The report be received.

2. The revised Rate Rebate Policy be provided to Council for adoption.

CARRIED UNANIMOUSLY

ITEM 50
QUARTERLY REPORTING OF REGISTER FOR RECORDING DISPENSATION FOR COUNCIL'S PROCUREMENT POLICY

MOVED Councillor Rabbitt
SECONDED Sean Tu

That it be recommended to Council that:

1. The report be received.

CARRIED UNANIMOUSLY

ITEM 51
CORRESPONDENCE

MOVED Ed Parker
SECONDED Councillor Sangster

That it be recommended to Council, that the

> Minutes of the Centennial Park Cemetery Authority Audit and Risk Management Committee – 14 November 2016

be received.

CARRIED UNANIMOUSLY

ITEM 52**
PRESENTATIONS

Mr M Carey, Manager Finance, gave a presentation on the Long Term Financial Plan Budget Parameters and Indicators. A copy of the presentation is attached as Item 52/1.

ITEM 53**
MOTIONS WITHOUT NOTICE

MOVED Councillor Rabbitt
SECONDED Councillor Sangster

That it be recommended to Council that:

1. The presentation be received.

2. The following financial indicators of the Long Term Financial Plan be recommended to Council for adoption:

    - an Operating Surplus Ratio of the greater of 5% or 100% of fixed term principal repayments
    - the Net Financial Liabilities Ratio does not exceed 80% of the Total Operating Revenue
    - the Asset Sustainability Ratio target of a 100% average over a 10 year period be calculated using both infrastructure and asset management plan required expenditure and annual depreciation expense.

CARRIED UNANIMOUSLY

**Denotes Change

NEXT MEETING

Wednesday 10 May 2017 – 6.30pm

CLOSURE

The Presiding Member closed the meeting at 7.45pm.

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PRESIDING MEMBER

……..

**Denotes Change

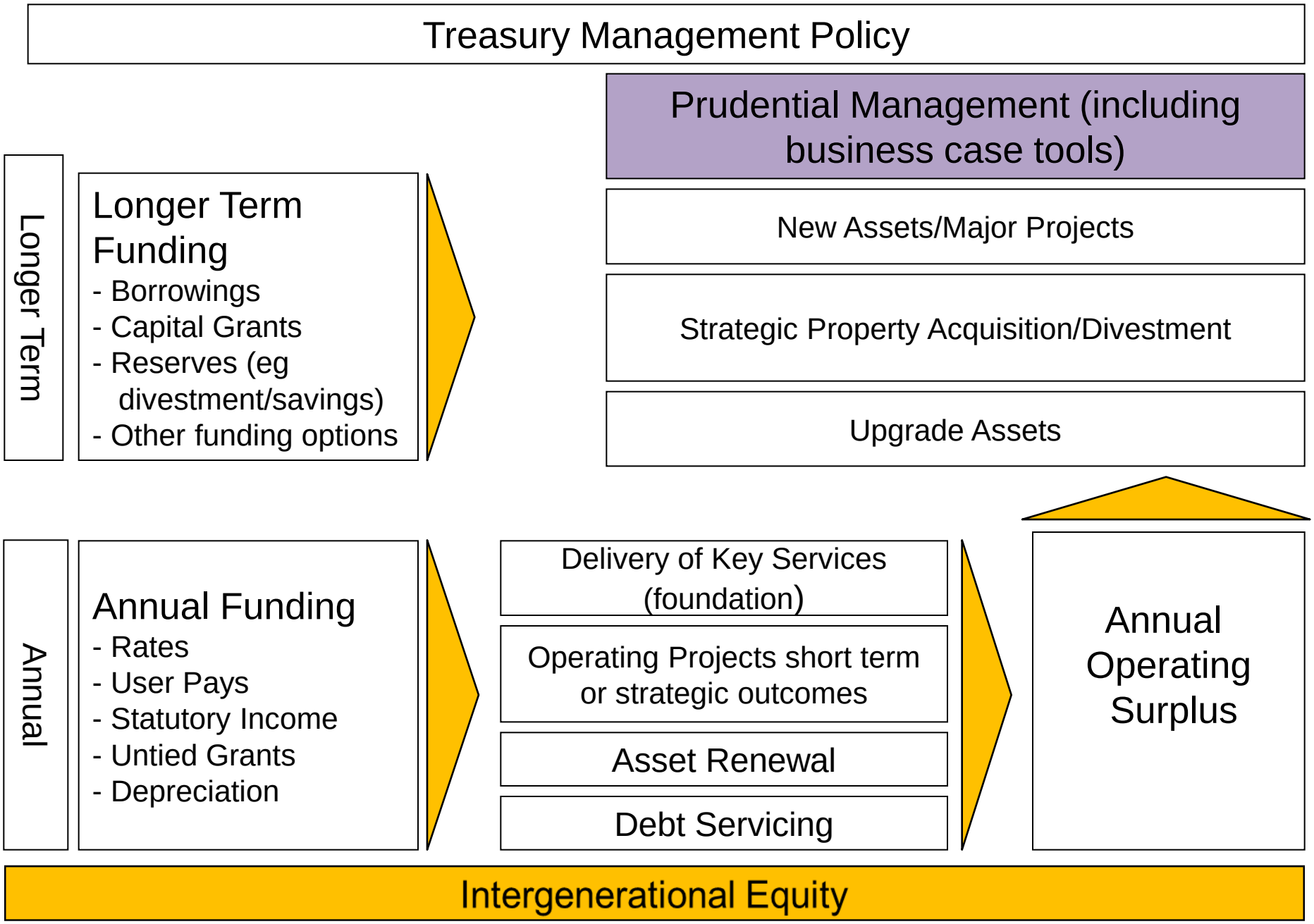
Audit & Governance Committee Presentation

15 February 2017

Objective

- Inform the Committee of the Strategic Financial Planning Framework that is being used
- Advise parameters of the 2017-18 Target Budget
- Review and recommend change to the Operating Surplus Ratio
- Advise the 2017-18 Annual Business Plan and Budget milestones

Strategic Financial Planning Framework



Economic Indicators

- Latest CPI (Dec 2016) is 1.3% (recent significant electricity prices increases not factored into this CPI)
- Reserve Bank and NAB predict CPI between 1.5% & 2.5% by June 2017

Draft 2017-18 Budget is being developed with the following targets

	% Target Increase
INCOME	
Rates	3.0%
User Charges	2.0%
Statutory Charges	2.0%
Other Income	2.0%
EXPENDITURE	
Employee Costs - Salaries	2.0%
Employee Costs - Wages	2.8%
Other Expenses	2.0%
Finance Charges	4.5%
New Assets	$100k

Updated LTFP Summary

SUMMARY	2015/16 Audited $'000	2016/17 Adopted Budget $'000	2017/18 Year 1 $'000
Rates Increase (excluding Growth) based on LGPI + 1%	3.5%	2.2%	3.0%
Rates Growth	1.2%	0.6%	0.4%
Increase in Rates Revenue	4.5%	3.0%	3.4%
General Rates Income	36,040	37,122	38,379
Rates Other	335	313	313
All Other Income	8,428	8,284	8,275
Total Operating Income (TOI)	44,803	45,720	46,968
Finance Costs	433	716	656
Depreciation	6,897	6,912	7,122
All Other Expenditure	34,812	34,415	35,140
Operating Projects	-	1,397	1,182
Total Expenditure	42,142	43,440	44,099
Operating Surplus/(Deficit) before Cent Park	2,661	2,281	2,870
Operating Surplus Ratio - Target 5% *	**5.9%**	**5.0%**	**6.1%**
$amount > 5% Operating Surplus	1,570	(5)	521
Asset Sustainability Ratio - Depn to Replacement	**93%**	**129%**	**112%**
Capital Replacement less income to be received	6,448	8,923	7,953
Capital New excluding BHKC less funding	640	5,645	3,468
New Capital BHKC	-	250	1,260
Total New Capital	640	5,895	4,728
(Borrowing Required) / Borrowing Repayment or Improvement in cash position	**2,167**	**(6,633)**	**(5,214)**
Net Financial Liabilities Ratio Target <80%	**29.1%**	**40.7%**	**45.3%**
Borrowings End of Year	7,633	11,428	14,044
Additional Capacity to Borrow up to 80% of TOI	**22,852**	**25,148**	**23,530**

- Operating Surplus between 5% & 6%
- Net Financial Liabilities well below 80% target
- Asset Sustainability Ratio between 93% and 130%

Recommended Change to Financial Indicators

Financial Indicator	Current Target	Proposed Target
Operating Surplus Ratio	Minimum of 3% of Total Operating Revenue or 100% of principal repayments, whichever is higher	Minimum of 5% of Total Operating Revenue or 100% of fixed term principal repayments, whichever is higher
Net Financial Liabilities Ratio	<= 80% of Total Operating Revenue	No Change
Asset Sustainability Ratio	100% over a 10 year average calculated using both: • infrastructure and asset management plan required expenditure and • annual depreciation expense	No Change

2017-18 Annual Business Plan and Budget Key milestones

15 Feb	Advised Audit & Governance Committee of Budget Parameters
3-26 May	Consultation 24 May - Public Meeting
10 May	Audit and Governance Meeting Draft Business Plan Report will be presented for review and feedback
26 June	Council Meeting to adopt Business Plan and Budget, Fees and Charges, and Rates Declaration