

# COMMITTEE AGENDA

## **Audit and Risk Committee**

Notice is hereby given pursuant to the provisions of the Local Government Act, 1999, that the next Meeting of the Audit Committee will be held in the Council Chambers, 181 Unley Road Unley on

***Tuesday 13 February 2024 6:30pm***

for the purpose of considering the items included on the Agenda.

**Chief Executive Officer**



## **MEMBERS**

Presiding Member M Davies  
Independent Member A Martin  
Independent Member P Lee  
Councillor M Broniecki  
Councillor J Gaffey

## **ACKNOWLEDGEMENT**

*Ngadlurlu tampinhi, ngadlu Kurna yartangka inparrinhi. Ngadlurlu parnuku tuwila yartangka tampinhi.*

*Ngadlurlu Kurna Miyurna yaiya yarta-mathanya Wama Tarntanyaku tampinhi. Parnuku yailtya, parnuku tapa purruna yalarra puru purruna.\**

We would like to acknowledge this land that we meet on today is the traditional lands for the Kurna people and that we respect their spiritual relationship with their country.

We also acknowledge the Kurna people as the traditional custodians of the Adelaide region and that their cultural and heritage beliefs are still as important to the living Kurna people today.

\*Kurna Translation provided by Kurna Warra Karrpanthi

## **ORDER OF BUSINESS**

<b>ITEM</b>	<b>PAGE NO</b>
<b>1. ADMINISTRATIVE MATTERS</b>	
<b>1.1 APOLOGIES</b>	
Nil	
<b>1.2 LEAVE OF ABSENCE</b>	
Nil	
<b>1.3 CONFLICT OF INTEREST</b>	
<i>Members to advise if they have any material, actual or perceived conflict of interest in any Items in this Agenda and a Conflict of Interest Disclosure Form (attached) is to be submitted.</i>	
<b>1.4 MINUTES</b>	
1.4.1 Minutes of the Ordinary Audit and Risk Committee Meeting held Tuesday, 14 November 2023 were received and recommendations contained therein were adopted by Council at its meeting held Monday, 11 December 2023.	
	<b><i>Resolution No. C1181/23</i></b>
<b>1.5 DEFERRED / ADJOURNED ITEMS</b>	
Nil	
<b>1.6 EAST WASTE PRESENTATION</b>	
<b>2. REPORTS</b>	
2.1 Draft Long Term Financial Plan 2024-2034 for Community Consultation	7
2.2 Internal Audit Report Payroll - Overtime and TOIL (February 2024)	46
2.3 Quarterly Risk Report (February 2024)	55
2.4 2024 Internal Audit Plan (February 2024)	65
2.5 Proposed 2024 Audit and Risk Committee Workplan (February 2024)	70

### **3. OTHER BUSINESS**

#### **NEXT MEETING**

Tuesday 14 May 2024 - 6:30pm

Council Chambers, 181 Unley Road Unley



## DECISION REPORT

<b>REPORT TITLE:</b>	DRAFT LONG TERM FINANCIAL PLAN 2024-2034 FOR COMMUNITY CONSULTATION
<b>ITEM NUMBER:</b>	2.1
<b>DATE OF MEETING:</b>	13 FEBRUARY 2024
<b>AUTHOR:</b>	ALEX BROWN, MANAGER FINANCE AND PROCUREMENT
<b>DIRECTORATE:</b>	BUSINESS SUPPORT AND IMPROVEMENT
<b>ATTACHMENTS:</b>	1. DRAFT 2024-25 TO 2033-34 LONG-TERM FINANCIAL PLAN

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### 1. PURPOSE

This report presents the Draft 2024-25 to 2033-34 Long-Term Financial Plan (the Draft LTFP), which has been prepared for the purposes of community consultation. Following consideration by the Audit and Risk Committee, the Draft LTFP will be presented to Council for consideration and approval for community consultation.

### 2. RECOMMENDATION

That:

1. The report be received.
  2. The Draft 2024-25 to 2033-34 Long-Term Financial Plan, as set out in Attachment 1 to this report (Item 2.1, Audit and Risk Committee Meeting 13/02/2024), be recommended to Council for community consultation.
  3. The key financial targets, as set out below, for the 2024-2034 Long-Term Financial Plan be recommended to Council for adoption.
    - The *Operating Surplus Ratio* target be set at ..... (excluding equity accounted businesses).
    - The *Net Financial Liabilities Ratio* target be set at .....
    - The *Asset Renewal Funding Ratio* target be set at .....
    - The Audit and Risk Committee advise the following: .....
  4. The Chief Executive Officer be authorised to make minor editorial and formatting changes as required to finalise the document.
-

### **3. RELEVANT CORE STRATEGIES – FOUR YEAR DELIVERY PLAN**

#### 4. Civic Leadership

4.1 We have strong leadership and governance.

4.2 Council provides the best value services to the community.

### **4. BACKGROUND**

Council is required to develop and adopt a Long-Term Financial Plan as a component of its suite of Strategic Management Plans in order to ensure its long-term financial sustainability. The LTFP also provides the financial parameters to guide the development of Council's Annual Business Plan and Budget.

#### **Requirements to prepare a Long-Term Financial Plan**

Section 122 of the *Local Government Act (1999)* (the Act) requires a council to:

- Develop and adopt a long-term financial plan for a period of at least 10 years;
- Undertake a comprehensive review of the long-term financial plan within two years of a general election; and
- Undertake an annual review of the long-term financial plan incorporating the previous year's financial results.

The Act also provides that a council, in order to promote wider community engagement, is to undertake community consultation on a draft LTFP following a comprehensive review, prior to final consideration and adoption.

#### **The Audit and Risk Committee's requirement to review the LTFP**

Section 126(4)(2) of the Act requires the Audit and Risk Committee to review the council's strategic management plans, which includes a council's LTFP. Furthermore, the Audit and Risk Committee's Terms of Reference requires the Committee to:

*Review and make recommendations to the Council regarding the assumptions, financial indicators and targets in the Long Term Financial Plan, including financial sustainability of the Council and any risks in relation to the adoption of the Long Term Financial Plan and Annual Budget.*

#### **Previous Report and Presentation**

A report was presented to the Audit Committee in November 2023 with the proposed financial targets and assumptions following an annual review of the LTFP incorporating:

- the 2022-23 financial year results;
- the latest economic forecasts and revenue and expenditure projections; and
- the proposed capital renewal expenditure from the revised Draft Asset Management Plans 2023.



The report sought the Audit and Risk Committee's views on the suitability of key assumptions contained within the report and the proposed financial targets. The Audit and Risk Committee requested to review the LTFP again at its next meeting to further consider the financial targets over the life of the plan.

## **5. DISCUSSION**

The proposed Draft 2024-25 to 2033-34 Long-Term Financial Plan (Draft LTFP) is presented in Attachment 1 to this report.

*Attachment 1*

The Executive Management Team reviewed and endorsed the Draft LTFP on 11 December 2023.

The Draft LTFP has been prepared by Council's Administration based upon information available from a range of sources including:

- The City of Unley Community Plan 2033;
- Council's 4 Delivery Year Plan 2021-2025;
- Council's Asset Management Plans;
- current and future levels of service;
- projected rating strategies; and
- economic forecasts.

In preparing the Draft LTFP, consideration has been given to:

- what services are to be provided;
- the level of those services;
- the rating impost to avoid unexpected rate shocks;
- income from other sources;
- potential new assets and service demands;
- the level of funding required from borrowings; and
- the ability to service those borrowings.

The key assumptions forming the proposed Draft LTFP are detailed within the LTFP document (see Attachment 1) and are consistent with those presented to Audit Committee in November 2023. A full explanation of the assumptions is included in Appendix 1 of the Draft LTFP.

*Attachment 1*

A review of the Community Plan will be undertaken in 2024. Any changes arising from the review will be incorporated in the next iteration of the LTFP.

## Financial Sustainability and Risks

The Draft LTFP is key to managing Council's financial sustainability and incorporates the CEO Statement of Financial Sustainability.

The three key principles that underly financial sustainability within local government: *program stability*, *rate stability*, and *intergenerational equity*, are explained and discussed within the Draft LTFP.

The Draft LTFP addresses Council's approach to maintaining financial sustainability, including:

- the principal policy positions;
- monitoring the economic and political environment;
- established policies and initiatives that support financial sustainability;
- key assumptions; and
- risk management.

The Draft LTFP document explains the forecasts contained in the Plan have been developed based on the best available information and assumptions at the time. However, it highlights to readers that this information has a level of uncertainty the further out the forecast extends.

To assist in understanding the relative uncertainty and to manage expectations, the LTFP has been divided into three phases of time. These are relative to the level of confidence in future forecasts diminishes the future the forecast stretch:

- Years 1-3: 2024-25 to 2026-27 – Higher confidence in forecasts
- Years 4-6: 2027-28 to 2029-30 – Moderate confidence in forecasts
- Years 7-10: 2030-31 to 2033-34 – Lower level of confidence

A further explanation of these phases is contained within the Draft LTFP.

## Proposed Targets

The following key financial targets are proposed for the Draft LTFP:

Indicator	Existing Target	Proposed Target
Operating Surplus Ratio (excluding equity accounts businesses)	5%	Between 3% and 6%
Net Financial Liabilities Ratio	Less than 80%	Less than 80%
Asset Renewal Funding Ratio 10 Year average based on the Asset Management Plans	Equal to 100%	Equal to 100%

The proposed Operating Surplus Ratio, previously 5%, was revised, with the suggested range incorporating feedback from the Audit Committee in November 2023.

Further explanation of the financial ratios and targets, and the basis of Council's financial sustainability, is contained within the Draft LTFP.

The Asset Sustainability Ratio, which measures capital renewal expenditure to depreciation, is also monitored, with a proposed target of 100%.

## **Long-Term Financial Plan Commentary**

### Operating Surplus

The 10 Year Financial Summary for the Draft LTFP, as contained in the introduction of the Draft LTFP (Attachment 1), indicates that Council will achieve an average operating surplus of \$4 Million per annum, or ratio of 5.5%, over the life of the LTFP. Council is forecast to achieve a 5.0% operating surplus ratio for Years 1-3 of the LTFP, steadily increasing to 6.3% in 2033-34.

Although the ratio is forecast to exceed the proposed target in the Years 9 and 10 of the LTFP, for the reasons explained in the Plan, it is more challenging to reliably forecast Years 7-10 of the LTFP. The ratio will be monitored, and assumptions for the LTFP reviewed as those years draw nearer.

### Forecast General Rate Increase

The General Rate increase has been initially aligned to forecast Adelaide CPI from SA Treasury before returning to a longer term assumption of 2.5%. This has resulted in a forecast average General Rate increase of 2.7% per annum across the 10 years of the LTFP. In addition, Council will also attribute growth from new developments, and capital additions to existing properties, of 0.5% per annum. This results in a forecast average increase in General Rate revenue of 3.2% (2.5% + 0.5% for growth) per annum.

### Capital Expenditure

Total net capital expenditure for all asset classes, including infrastructure, buildings, and major and minor plant and equipment, is forecast to total \$131M for Capital Renewal, and \$40M for New and Upgraded Assets, across the 10 Years of the LTFP.

The following items have been considered as part of the Plan:

- Capital contributions to the Brownhill Keswick Creek Stormwater Project;
- The delivery of endorsed strategies such as the Climate and Energy Plan, and Walking and Cycling Plan;
- The progressive delivery of upgraded infrastructure, including stormwater, as identified in the Draft Asset Management Plans; and
- A staged approach to the delivery of the existing, Council endorsed Master Plans, including the Ridge Park Master Plan. However, any specific future redevelopments have not been included.

The Draft Asset Management Plans (Draft AMPs), which were presented to the Audit Committee in November 2023 and approved by Council for community consultation in December 2023, have been incorporated within the Draft LTFP. The recommended expenditure in the Draft AMPs has been 'smoothed' to meet the asset renewal funding requirements, whilst considering associated risks and ensuring that the assets are managed in a sustainable manner and planned approach over the long term.

### Infrastructure and Asset Sustainability

The Draft LTFP forecasts an Asset Renewal Funding Ratio (funding relative to the Draft AMPs) of 100% for the duration of the LTFP, as expenditure in the LTFP is in line with the proposed funding in the Asset Management Plans.

Capital Renewal Expenditure relative to depreciation, as measured by the Asset Sustainability Ratio, is forecast to average 95%. A large proportion of Council's infrastructure assets have useful lives in excess of 50 years and are in good condition, and the Asset Management Plans do not require proposed capital renewal expenditure to match depreciation.

### Forecast Borrowings and Net Financial Liabilities

The LTFP forecasts Council's capital commitments can be met from existing resources without the need to borrow externally. Council's existing borrowings are forecast to be fully paid during the 2029-30 financial year.

Council is forecasting an average net financial liabilities ratio of 5% for the LTFP, commencing at 9% and reducing to 4%, which is well within the target range of less than 80%. Although the ratio is forecast to dip below 0% in Years 9 and 10 of the LTFP, as with the Operating Surplus Ratio, it is more challenging to reliably forecast Years 7-10 of the LTFP. The ratio will be monitored and assumptions for the LTFP will be reviewed as those years draw nearer.

This indicates that should the need arise to undertake a more extensive capital program, the Council has the capacity to do so.

### **Summary**

The Draft LTFP indicates that the City of Unley will remain financially sustainable across the 10 years of the LTFP. In particular:

- Current service levels can be maintained with rate stability, and the minimum target operating surplus ratio will be achieved.
- The Asset Management Plans are fully funded to undertake the asset renewals required by the Plans. Sufficient funding capacity has also been provided to progressively deliver new and upgraded infrastructure.
- Council has the borrowing capacity to respond should unforeseen circumstances or opportunities arise.

The LTFP is reviewed regularly and updated to reflect the most current information available.

### **Community Consultation**

Community consultation is planned to be conducted in April 2024. A report, summarising community consultation feedback will be presented to Council for consideration as part of the endorsement of the final 2024-25 to 2033-34 Long-Term Financial Plan by Council.

## **6. POLICY IMPLICATIONS**

Section 122 of the *Local Government Act (1999)* (the Act) requires a council to:

- Develop and adopt a long-term financial plan for a period of at least 10 years;
- Undertake a comprehensive review of the long-term financial plan within two years of a general election; and
- Undertake an annual review of the long-term financial plan on an annual basis.

The Act also provides that a council, in order to promote wider community engagement, is to undertake community consultation on a draft LTFP prior to final consideration and adoption.

### **6.1 Financial/budget implications**

- As presented, the Draft LTFP concludes that the Council will remain financially sustainable over the 10 year period, and has the capacity to continue to invest in its operational activities and meet its infrastructure requirements without unplanned increases in rates.
- The Draft LTFP forecasts the following:
  - An Operating Surplus Ratio average of 5.5%
  - Net Financial Liabilities Ratio average of 5%
  - Asset Renewal Funding Ratio of 100%

These are all within the proposed minimum targets of the Draft LTFP. Furthermore, all capital commitments can be met from existing resources without the need to borrow externally. Council's borrowings are forecast to be fully paid during the 2029-30 financial year.

### **6.2 Risk Management**

- Council will continue to be proactive in monitoring and managing its financial sustainability. The forecast ratios are continually monitored and reported quarterly, with the final results reported in the annual financial statements.
- The LTFP will be reviewed at least annually to ensure that the plan is timely and relevant to Council forecasts, and aligned to updates to Council's strategic plans and objectives, including updated iterations of the Asset Management Plans.

## 7. **ANALYSIS OF OPTIONS**

Option 1 – The Draft 2024-25 to 2033-34 Long-Term Financial Plan be recommended to Council for the purposes of community consultation.

1. The report be received.
2. The Draft 2024-25 to 2033-34 Long-Term Financial Plan, as set out in Attachment 1 to this report (Item 2.1, Audit and Risk Committee Meeting 13/02/2024), be recommended to Council for community consultation.
3. The key financial targets, as set out below, for the 2024-2034 Long-Term Financial Plan be recommended to Council for adoption.
  - The *Operating Surplus Ratio* target be set at ..... (excluding equity accounted businesses).
  - The *Net Financial Liabilities Ratio* target be set at .....
  - The *Asset Renewal Funding Ratio* target be set at .....
4. The Chief Executive Officer be authorised to make minor editorial and formatting changes as required to finalise the document.

Under this option, the Audit and Risk Committee would recommend the Draft 2024-25 to 2033-34 Long-Term Financial Plan, as presented, to Council for the purpose of Council undertaking community consultation.

Should Council endorse the recommendation made by the Committee, community consultation will be undertaken in April. A report, summarising community consultation feedback will be presented to Council for consideration prior to the endorsement of the final 2024-25 to 2033-34 Long-Term Financial Plan by Council.

Option 2 – The Draft 2024-25 to 2033-34 Long-Term Financial Plan be recommended to Council, for the purposes of community consultation, subject to amendments:

1. The report be received.
2. The Draft 2024-25 to 2033-34 Long-Term Financial Plan, as set out in Attachment 1 to this report (Item 2.1, Audit and Risk Committee Meeting 13/02/2024), be recommended to Council for community consultation subject to the following amendments being made:
  - The *Audit and Risk Committee to advise*.....
  - .....

3. The key financial targets, as set out below, for the 2024-2034 Long-Term Financial Plan be recommended to Council for adoption.
  - The Operating Surplus Ratio target be set at ..... (excluding equity accounted businesses).
  - The Net Financial Liabilities Ratio target be set at .....
  - The Asset Renewal Funding Ratio target be set at .....
4. The Chief Executive Officer be authorised to make minor editorial and formatting changes as required to finalise the document.

Under this option, the Audit and Risk Committee would request changes be made to the Draft 2024-25 to 2033-34 Long-Term Financial Plan, as presented, prior to it being presented to Council for the purposes of community consultation.

Should the Audit and Risk Committee decide on this option, the Administration will implement the requested amendments to the documents prior to presenting the Draft LTFP to Council for its consideration.

Option 3 – The Draft 2024-25 to 2033-34 Long-Term Financial Plan be amended and returned to the Audit and Risk Committee for further consideration:

1. The report be received.
2. The Draft 2024-25 to 2033-34 Long-Term Financial Plan, as set out in Attachment 1 to this report (Item 2.1, Audit and Risk Committee Meeting 13/02/2024), is not recommended to Council for endorsement for community consultation, and for the following amendments to be made:
  - The Audit and Risk Committee to advise .....
  - .....
3. A further report be presented to the Audit and Risk Committee outlining the amended draft Asset Management Plan 2023, as resolved above.

Under this option, the Audit and Risk Committee would not recommend the Draft 2024-25 to 2033-34 Long-Term Financial Plan to Council, as presented, for the purposes of community consultation.

The Committee would request that significant amendments be made to the draft LTFP (as advised by the Committee) prior to further consideration by the Committee.

Should the Audit and Risk Committee decide on this option, the Administration will amend the Draft LTFP and present a further report to the Committee for its consideration.

8. **RECOMMENDED OPTION**

Option 1 is the recommended option.

9. **REPORT AUTHORISERS**

<b>Name</b>	<b>Title</b>
Nicola Tinning	General Manager, Business Support & Improvement



Draft 2024-25 to 2033-34 Long -Term Financial Plan

# City of Unley

## 2024 - 2034 Long-Term Financial Plan

**Draft for Public Consultation**

Draft 2024-25 to 2033-34 Long -Term Financial Plan

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Draft 2024-25 to 2033-34 Long -Term Financial Plan

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## Draft 2024-25 to 2033-34 Long -Term Financial Plan

### Chief Executive Officer's Introduction

The City of Unley spans 14 square kilometres, has a population of nearly 40,000 and over 19,600 rateable properties. The City contains five vibrant shopping precincts nestled in character residential settings with infrastructure and assets worth in excess of \$700M.

In accordance with Section 122(1)(a) of the *Local Government Act 1999*, (the Act), Council is required to develop and adopt a Long Term Financial Plan (LTFP) for a period of at least 10 years, which forms part of its suite of Strategic Management Plans.

Council uses the Long-Term Financial Plan (LTFP) to guide its financial decisions to ensure its financial sustainability.

The LTFP is underpinned by Council's Financial Planning Framework, Local Government financial sustainability principles, and Council's Treasury Management Policy.

The LTFP for 2024-25 to 2033-34 is based on a series of assumptions and the best information available at the time. These include:

- The City of Unley Community Plan 2033,
- Council's 4 Delivery Year Plan 2021-2025,
- Council's Asset Management Plans (AMP),
- current and future levels of service,
- projected rating strategies, and
- economic forecasts.

In preparing the LTFP, consideration has been given to:

- what services are to be provided,
- the level of those services,
- the rating impost to avoid unexpected rate shocks,
- income from other sources,
- potential new assets and service demands,
- the level of funding required from borrowings, and
- the ability to service those borrowings.

The LTFP has been divided into three phases relative to the level of confidence in future forecasts may diminish over the period of the Plan:

- Years 1-3: 2024-25 to 2026-27 – Higher confidence in forecasts
- Years 4-6: 2027-28 to 2029-30 – Moderate confidence in forecasts
- Years 7-10: 2030-31 to 2033-24 – Lower level of confidence

A further explanation of these phases is contained within this Plan.

The following table provides a financial overview of the Long-term Financial Plan from 2024-25 to 2033-34, with a full summary of the LTFP on page 24.

## Draft 2024-25 to 2033-34 Long -Term Financial Plan

**LTFP Averages over the life of the Plan**

General Rate Increase	2.7%
General Rates Growth	0.5%
Total Increase in Revenue from Rates	3.2%

General Rates	\$56.3M
Other Operating Income	\$11.9M
	\$68.2M
less Operating Expenses	\$64.5M
Net Operating Surplus	\$3.7M

Operating Surplus Ratio	5.5%
Net Financial Liabilities Ratio	5%
Asset Renewal Funding Ratio (relative to IAMPs)	100%
Asset Sustainability Ratio (relative to depreciation)	95%

**LTFP Totals**

General Rates	\$563M
Other Operating Income	\$119M
	\$682M
less Operating Expenses	\$645M
Net Operating Surplus	\$37M

Net Capital Replacement Expenditure	\$131M
Net New Capital Expenditure	\$40M
Total Capital Expenditure	\$171M

Depreciation	\$141M
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**At Year 10 (2023-34)**

Total Borrowings	Nil
Cash investments	\$4.4M

*This LTFP has been prepared excluding the equity accounted businesses of Council, namely the Centennial Park Cemetery Authority, the Brown Hill Keswick Creek Stormwater Project, and Eastern Waste Management Authority.*

**In summary, the LTFP forecasts the City of Unley will remain financially sustainable.**

Current service levels can be maintained with rate stability and the minimum target operating surplus ratio will be achieved.

The Asset Management Plans are fully funded to undertake the asset renewals required. Sufficient funding capacity has also been provided to progressively deliver new and upgraded infrastructure.

Council has the borrowing capacity to respond should unforeseen circumstances or opportunities arise.

## Draft 2024-25 to 2033-34 Long -Term Financial Plan

The LTFP is reviewed regularly (at least annually) and updated to reflect the most current information available. Further explanation of the financial ratios and targets, and the basis of Council's financial sustainability, are contained within this Plan on pages 17 to 22.

## Draft 2024-25 to 2033-34 Long -Term Financial Plan

### Council's Community Plan 2033 and Long Term Objectives

Our City is recognised for its enviable lifestyle, environment, business strength and civic leadership. Our plans are broken into four key themes that describe the future for the City together with strategic directions and strategies required to deliver key outcomes. The themes are as follows:



#### **Community Living**

People value our City with its enviable lifestyle, activities, facilities and services



#### **Environmental Stewardship**

We will maintain and enhance our urban environment, and strengthen our City's resilience to climate change by providing leadership to our Community



#### **Economic Prosperity**

Our businesses are valued because of the range of goods, services and facilities they provide, and new businesses are supported, not burdened with bureaucracy



#### **Civic Leadership**

Council will listen to the community and make transparent decisions for the long term benefit of the City

Council is about to commence a review of its Community Plan. The next iteration of the LTFP will be updated to reflect this.

Council uses the LTFP to guide the development of its Annual Business Plan and Budget by setting the high level parameters and targets that will assist Council in maintaining the current level of services, without unplanned or significant increases to the rates paid by ratepayers or unplanned cuts to services. Council also aims to achieve 'intergenerational equity' as explained on the following page.

## Draft 2024-25 to 2033-34 Long -Term Financial Plan

### What is Financial Sustainability

The three key principles that underly financial sustainability within local government are:

- Program Stability
- Rate Stability
- Intergenerational Equity

In simple terms, it means delivering consistent levels of service over the long term, avoiding unnecessary fluctuations in annual rate increases, and ensuring each generation “pays their way” for the services and assets they utilised.

Where a council records operating deficits, it means that future generations will be subsidising the current costs of services and will be responsible for addressing the issue of funding the replacement of worn out assets. On the flip side, where a council records significant operating surpluses, the current generation may be contributing more than required to fund the services they use, and the assets they consume.

#### Program stability

*This relates to the provision of reliable quality services over time, and requires a stable and consistent set of actions, from the perspective of day-to-day operations and infrastructure management.*

#### Rate stability

*This relates to charging ratepayers reasonably to fund the services, underpinned by the program of works noted previously (program stability). Rates should be stable, noting that stable does not mean fixed, but rather the absence of large or unplanned year-on-year variances.*

#### Intergenerational equity

*This relates to fairly sharing services and the associated cost between current and future ratepayers. It requires adopting sound long-term financial management principles, particularly in relation to the balance between debt and cash in financing service delivery.*



## Draft 2024-25 to 2033-34 Long -Term Financial Plan

### Considerations in preparing the Plan

In preparing the LTFP, consideration has been given to:

- what services are to be provided,
- the level of those services,
- the rating impost to avoid unexpected rate shocks,
- income from other sources,
- potential new assets and changes to service demands,
- the level of funding required from borrowings, and
- the ability to service those borrowings.

The key objective of Council's LTFP is to help ensure financial sustainability in the medium to long term, while still achieving the objectives detailed in the Council's Community Plan.

Council uses the LTFP to guide the development of its Annual Business Plan and Budget as a base by setting the high level parameters and targets that will assist Council in maintaining the current level of services, without unplanned or significant increases to the rates paid by ratepayers or unplanned cuts to services.

#### **Growth in Rates**

Rate growth above 0.5% is not included. When growth above 0.5% is received, a review of expenditure relating to programs is undertaken and adjusted where necessary. The impact on the life of infrastructure assets is considered and a proportion is set aside for the future purchase of land for useable green open space.

#### **Equity Accounted Businesses**

This LTFP has been prepared excluding the equity accounted businesses of Council, namely the Centennial Park Cemetery Authority, the Brown Hill Keswick Creek Stormwater Project, and Eastern Waste Management Authority. The financial management and long term sustainability of these businesses is monitored through reports to Council, and in the case of Centennial Park Cemetery Authority, their Owners Executive Committee and Audit and Risk Committee.

## Draft 2024-25 to 2033-34 Long -Term Financial Plan

### Chief Executive Officer's Report on Financial Sustainability

The City of Unley's Long-term Financial Plan indicates that the Council will maintain financial sustainability over the next 10 years, while balancing the principles of program stability, rate stability and intergenerational equity.

The LTFP is informed by the assumptions and objectives within Council's strategic plans:

- City of Unley Community Plan 2033,
- Council's 4 Year Plan 2021-2025,
- Council's Strategic Infrastructure & Asset Management Plan (IAMP),

### Program Stability and Rate Stability

The LTFP assumes existing service levels are maintained, and the existing capacity for operating projects and initiatives continues. General rate increases are in line with forecast CPI for the next three years (2024-25 to 2026-27), and a longer term forecast of 2.5% for 2027-28 onwards.

On this basis, the operating surplus ratio is forecast to range between 4.4% and 7.5%, with an average of 5.8% across the life of the plan, in line with Council's current target of 5%. This indicates that Council's existing services levels are financially sustainable.

### Asset Sustainability

The Draft Asset Management Plans have proposed a significant investment in capital renewal. Approximately \$130M is proposed to be spent on capital renewal across the next 10 years, with the Asset Management Plans fully funded.

### New/Upgraded Capital and Intergenerational Equity

Capacity has been provided for New Capital Projects, with approximately \$40m allocated of the life of the LTFP. The new and significantly upgraded infrastructure includes:

- Capital contributions to the Brownhill Keswick Creek Stormwater Project;
- The delivery of endorsed strategies such as the Climate and Energy Plan and the Walking and Cycling Plan;
- The progressive delivery of upgraded infrastructure, including stormwater, as identified in the Draft Asset Management Plans; and
- a staged approach to the delivery of the existing, Council endorsed Master Plans.

This capacity is achieved without additional borrowings, or sale of property. However, should the Council decide to embark on major projects, or fast-track significant infrastructure upgrades, capacity exists to utilised borrowings to ensure the cost of the investment is spread across the users of those assets over time.

### Risks

The LTFP has been developed based on the best information and assumptions available at the time of development. However, users of this information should be aware that there is

### Draft 2024-25 to 2033-34 Long -Term Financial Plan

uncertainty associated with using forecasts of economic indicators such as CPI. While current demographics such as population growth and age can assist in modelling community need, these also have limitations. As with any forecast, the further out a forecast extends, the level of confidence in the forecast reduces.

To assist in understanding the relative level of uncertainty, and to manage expectations, the LTFP has been divided into three phases of time.

- Years 1-3: 2024-25 to 2026-27
- Years 4-6: 2027-28 to 2029-30
- Years 7-10: 2030-31 to 2033-34

These phases have been given a confidence rating of between 1 and 5, with 5 representing a high level of confidence, and 1 representing the lower level of confidence as demonstrated below:

Confidence Level	Highest				Lowest
Rating	5	4	3	2	1

The basis of the confidence levels for each phase of the LTFP is explained below:

Phases	Years 1-3 2024-25 to 2026-27	Years 4-6 2027-28 to 2029-30	Years 7-10 2030-31 to 2033-34
Confidence Level	4	3	2
Economic indicators	Based on published forecasts	Based on generic long term forecasts	
Operational income and expenditure	Based on existing service levels or known changes (where applicable), CPI forecasts and Enterprise agreements	Assumed services levels, noting forecast changes in community expectations and population demographics	Assumed services levels, noting changes in community expectations, population demographics and technology will shift over time
Operating Projects and New Capital	Based on <b>identified</b> priorities and endorsed strategies/plans	Based on a mixture of identified and anticipated priorities, strategies and plans  More confidence due to as strategies/plans extend 3-5 years out. Proposed developments and changing demographics inform medium term priorities.	Lower confidence as beyond most current detailed plans/strategies. Changes in community need, demographics and technology less known.
Capital Renewal Program	3 Year Program informed by Asset Management Plans	Forecasts based on Asset Management Plans utilising current condition and forecast renewal costs	

A high degree of confidence lies in the forecast for the first three years of the LTFP, 2024-25 to 2026-27. However, the economic environment, future needs of the community, and

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influence of technological change are more difficult to predict, especially in the outer years, Years 7-10, of the LTFP.

Council also recognises the increasing challenges in delivering services at a local level, and over time, changes in community expectations regarding service levels. To mitigate some this risk, the LTFP is reviewed at least annually.

### Summary

The LTFP indicates the City of Unley will remain financially sustainable.

- The current service levels can be maintained with rate stability and the target operating surplus ratio achieved;
- The Asset Management Plans are fully funded to deliver the required levels of asset renewals, and sufficient capacity has also been provided to progressively deliver new and upgraded infrastructure; and
- Council has the borrowing capacity to respond should unforeseen circumstances or opportunities arise.

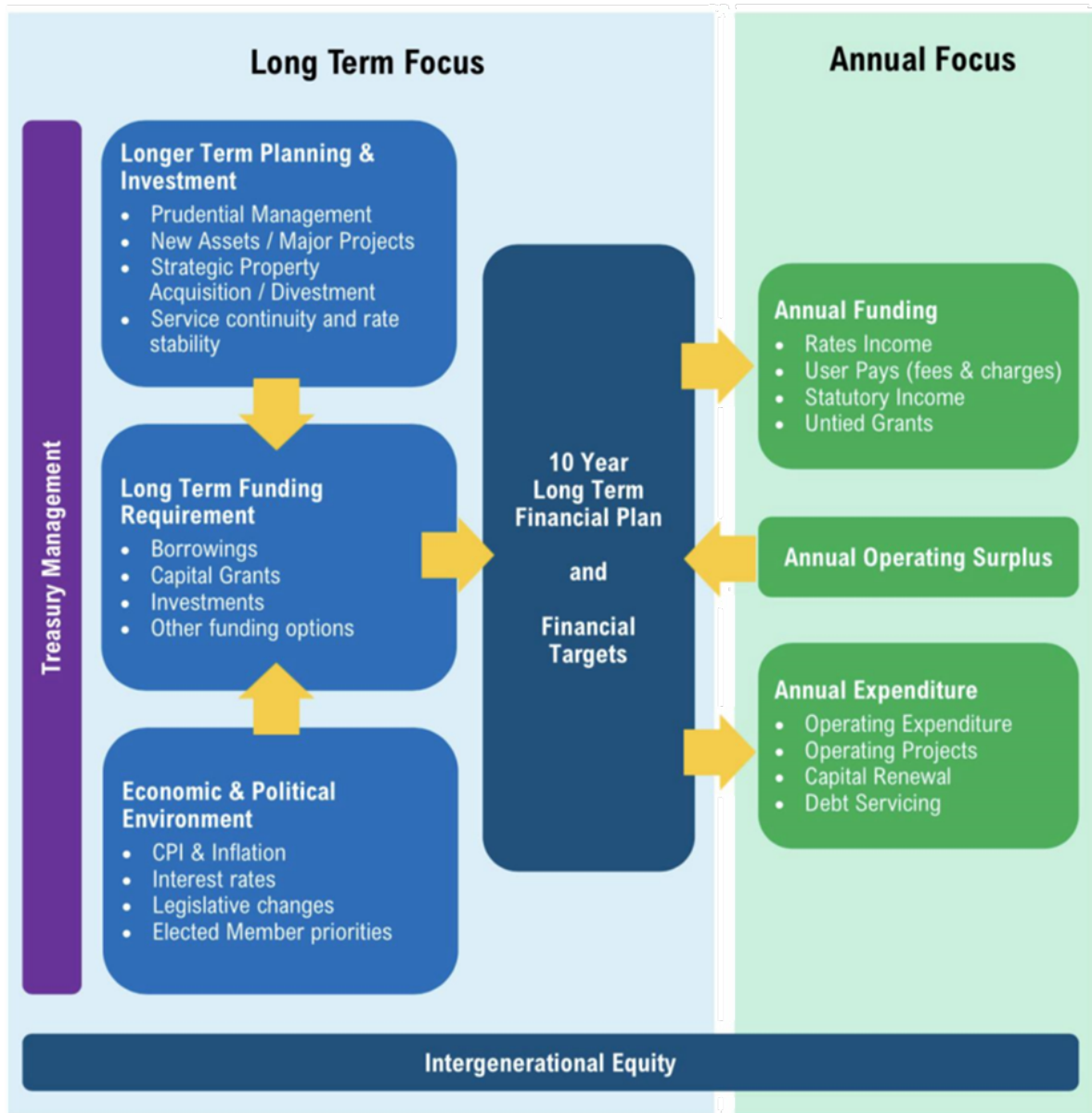
Council will continue to be proactive in monitoring and managing its financial sustainability. The forecast ratios are continually monitored and reported quarterly (in the quarterly budget review reports), with the final results reported in the annual financial statements.

The LTFP will be reviewed at least annually to ensure the plan is timely and relevant to Council forecasts, and aligned to updates to Council's strategic plans and objectives, including updated iterations of the Asset Management Plans.

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## Financial Planning Framework

To ensure financial sustainability whilst delivering the of Council’s Community Plan, a Financial Planning Framework has been developed. An overview is illustrated below.



Overall, the planning framework is guided by the principle of **Intergenerational Equity**, as explained earlier in this document (Page 8) and the Treasury Management Policy as adopted by Council.

Council’s financial sustainability plans for the long-term investment in new assets and major projects, the potential of strategic property acquisitions while intentionally providing for service/ program and rating stability. Planning for such investment’s consideration is given to the different funding mechanisms available to Council. This includes property divestment, borrowings, external grant opportunities or other funding opportunities like

## Draft 2024-25 to 2033-34 Long -Term Financial Plan

partnerships and alternative income generating initiatives.

Unfortunately, Council is not immune to the affects to changes in the economic and political environment, including shifts in CPI, interest rates and imposed changes through legislation. Combined, these inform the long term projections within the LTFP and financial targets within the plan.

Council uses the LTFP to inform the annual planning focus. Specifically, the LTFP guides the annual funding required, through rates, user pays charges and other sources, to fund the **annual services/ programs delivered by Council**. This includes operational expenditure, projects, capital renewal and the servicing cost of debt. Council uses the target Operating Surplus to first offset any additional funding for renewal capital and any remaining to offset future required borrowings. (Hence projected operating surpluses are fed back into the LTFP for future years)

Council's Treasury Management Policy is available on Council's website.

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# Approach to Maintaining Financial Sustainability

## Principal Policy Positions

The plan considers the following 'policy positions':

- Existing service levels are maintained,
- New services may only be introduced through a service review incorporated as part of the annual business planning process,
- New capital assets may only be considered if they form part of an adopted council strategy, and
- Capital renewal will be in accordance with Council's Asset Management Plans.

## Monitoring the Economic and Political Environment

The plan considers economic data from the following sources:

- South Australian Government Department of Treasury and Finance,
- Reserve Bank of Australia,
- Local Government Finance Authority,
- Consumer Price Index (CPI), and
- Local Government Price Index (LGPI).

## Policies and Initiatives to Support Financial Sustainability

Council has various mechanisms it uses to manage financial, asset and service sustainability. These include:

- Treasury Management Policy,
- Risk Management Policy and Framework,
- Prudential Management Policy,
- Enterprise Finance System,
- Project Management Framework,
- Enterprise Asset Management System and Geographic Information System,
- Service Improvement Reviews, and
- Shared Service and Fee for Service opportunities.

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### Key Assumptions

The following assumptions have been used as part of the framework to develop the LTFP:

- Consistency with Council's Strategic Plans,
- Consideration of Council's financial targets,
- No changes to recurrent service levels provided by Council,
- Stability and predictability in determining future rate increases,
- Allocation of funding for Operating Projects (based on Council's 4 Year Delivery Plan, endorsed strategies and Council decisions),
- Use of CPI forecasts,
- The use of borrowings to fund New Capital projects as necessary, and
- Consideration of legislative and regulated requirements of Council.

Further information details of the assumptions informing the LTFP are included later in this document.

### Risk Management

Council maintains and regularly reviews its Strategic Risk and Operational Risk Registers as part of its Risk Management Policy and Framework. Council also has a Business Continuity Plan to ensure the continuity of critical services and functions should unforeseen events arise.



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# Financial Ratios and Targets

## Financial Ratios

The *Local Government (Financial Management) Regulations 2011* requires the following three key financial ratios to be monitored:

- **Operating Surplus Ratio**
- **Net Financial Liability Ratio**
- **Asset Funding Renewal Ratio**

A fourth ratio, the **Asset Sustainability Ratio**, is also monitored.

These indicators are presented in a manner consistent with *South Australia Model Financial Statements* and Local Government Association's *Financial Indicators Financial Sustainability Information Paper*.

## Key Financial Targets

Council proposes financial targets for the Operating Surplus Ratio, Net Financial Liabilities Ratio, and Asset Renewal Funding Ratio to guide the direction of the LTFP, while also monitoring the Asset Sustainability Ratio.

Financial Indicator	Adopted Target	Proposed Target	LTFP Average
<b>Operating Surplus Ratio</b>	≥ 5.0%	3% - 6%	5.5%
<b>Net Financial Liabilities Ratio</b>	< 80%	< 80%	5%
<b>Asset Renewal Funding Ratio (10 Year average)</b>	= 100%	= 100%	100%
<b>Asset Sustainability Ratio (10 Year average)</b>	= 100%	= 100%	95%

When assessing Council's financial sustainability, the financial ratios and targets should be considered together, rather than each in isolation.

Council monitors these ratios on a quarterly basis through its financial performance reporting.

Draft 2024-25 to 2033-34 Long -Term Financial Plan

**Operating Surplus Ratio**

*Operating surplus as a percentage of operating income.*

This ratio measures the Council’s ability to cover annual operational costs and have revenues available for capital funding, repayment of debt or the introduction of new services.

The operating surplus ratio reflects Council’s capacity to fund capital works (New Assets) and repay its borrowings, of fund new services.

**How it is calculated:**

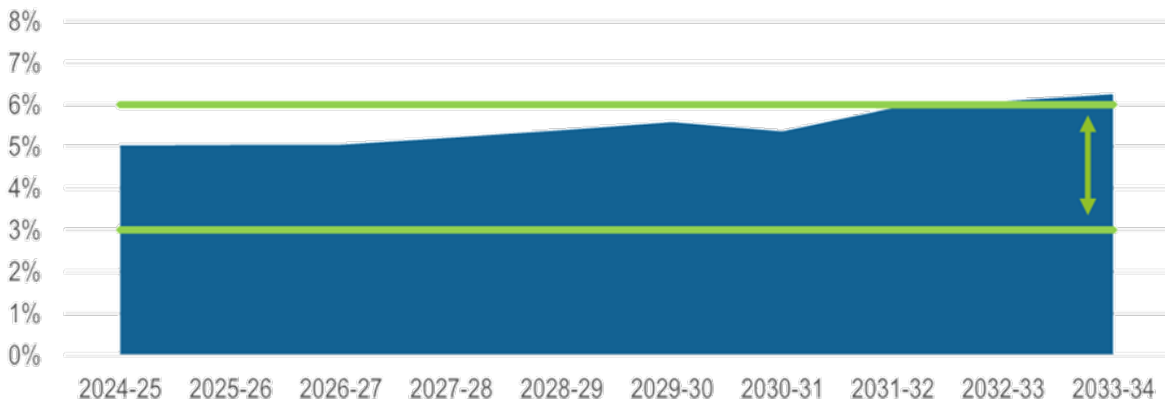
$$\text{Operating Surplus Ratio} = \frac{\text{Operating Surplus}}{\text{Total Operating Income}}$$

Council is forecasting an average operating surplus ratio of 5.5% for the LTFP, ranging from 5.0% to 6.3%. The ratio is within the proposed range of 3%-6% for years 1-8 of the LTFP.

Although the ratio is forecast to exceed the proposed target range in the Years 9 and 10 of the LTFP, for the reasons previously stated, it is more challenging to reliably forecast Years 7-10 of the LTFP. The ratio will be monitored and assumptions for the LTFP reviewed as those years draw closer.

Years 1-3			Years 4-6			Years 7-10			
2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34
5.0%	5.0%	5.0%	5.2%	5.4%	5.6%	5.4%	5.9%	6.1%	6.3%

**Operating Surplus Ratio**



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**Net Financial Liabilities Ratio**

*Net financial liabilities as a percentage of operating surplus.*

This ratio measures Council's net debt relative to its operating income, and Council's ability to repay what is owes (debt, creditors etc) at the end of a financial year compared with its income for the year.

An increase in this ratio indicates that Council requires more of its operating income to fund its financial obligations. A drop in this ratio indicates that Council's capacity to meet its financial obligations from operating income is strengthening.

**How it is calculated:**

$$\text{Net Financial Liabilities Ratio} = \frac{\text{Net Financial Liabilities}^*}{\text{Total Operating Income}}$$

\* *Net Financial Liabilities = Total Liabilities less Current cash and cash equivalents, Current trade & other receivables, Current other financial assets, and Non-current financial assets (from Statement of Financial Position)*

Council is forecasting an average net financial liabilities ratio of 5% for the LTFP, commencing at 9% and reducing to (4%), which is well within the target of less than 80%.

Council's borrowings, which are mostly cash advance debentures with the Local Government Financing Authority, are forecast to be fully paid during the 2029-30 financial year.

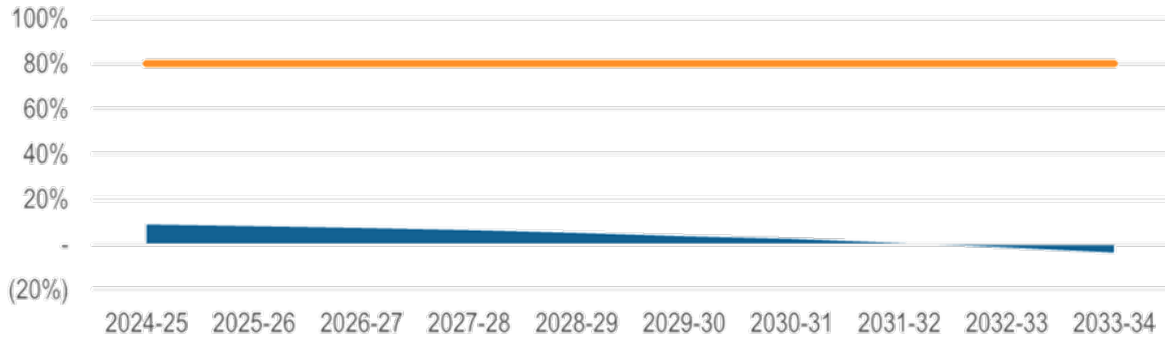
Council has borrowing capacity to respond should unforeseen circumstances or opportunities arise.

Although the ratio is forecast to dip below 0% in Years 9 and 10 of the LTFP, for the reasons previously stated, it is more challenging to reliably forecast Years 7-10 of the LTFP. The ratio will be monitored and assumptions for the LTFP reviewed as those years draw closer.

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Years 1-3			Years 4-6			Years 7-10			
2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34
9%	8%	7%	6%	5%	4%	2%	0%	(2%)	(4%)

**Net Financial Liabilities**



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**Asset Renewal Funding Ratio**

*Capital renewal expenditure as a percentage of recommended expenditure in the Asset Management Plans.*

The Asset Renewal Funding Ratio represents the level of capital expenditure on the renewal of assets relative to the level of such expenditure identified as warranted in Council's Asset Management Plans.

The recommended expenditure by the Asset Management Plans has been ‘smoothed’ over the 10 years to assist in managing resources. Associated risks have been considered to ensure the assets are managed in a sustainable manner.

**How it is calculated:**

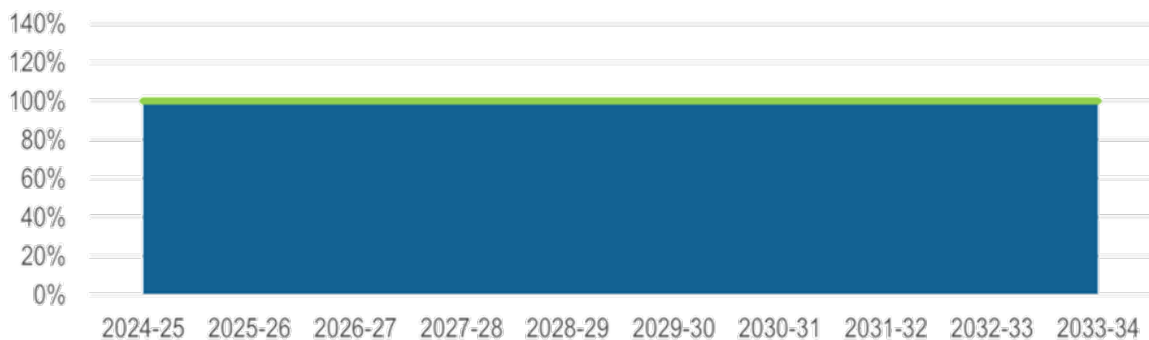
$$\text{Asset Renewal Funding Ratio} = \frac{\text{Capital Renewal Expenditure}}{\text{Asset Management Plan Expenditure}}$$

Council is forecasting an Asset Renewal Funding Ratio of 100% for the duration of the LTFP, as the expenditure in the LTFP is in line with the proposed funding required in the Asset Management Plans.

While the expenditure has been smoothed within the Asset Management Plans, condition inspections may impact the actual spend in each year over the 10 year life of the LTFP.

Years 1-3			Years 4-6			Years 7-10			
2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34
100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

**Asset Renewal Funding Ratio**



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**Asset Sustainability Ratio**

*Capital renewal expenditure as a percentage of depreciation.*

This ratio compares capital renewal expenditure relative to the consumption of the asset over its life.

The Essential Services Commission of South Australia (ESCOSA) monitor the Asset Sustainability Ratio as council rates are used to fund depreciation.

Council uses this ratio to monitor that the life of an asset is appropriate to its physical use.

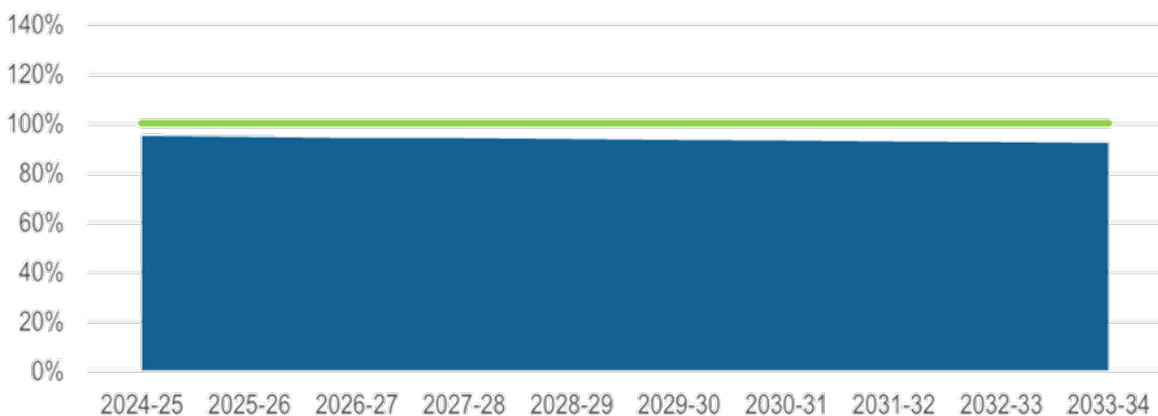
**How it is calculated:**

$$\text{Asset Sustainability Ratio} = \frac{\text{Capital Renewal Expenditure}}{\text{Total Depreciation}}$$

Council is forecasting an average Asset Sustainability Ratio of 95%. As a large proportion of Council's infrastructure assets have useful lives in excess of 50 years, and are in good condition, the Asset Management Plans do not require proposed capital renewal expenditure to match depreciation over the life of this Plan.

Years 1-3			Years 4-6			Years 7-10			
2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34
94%	94%	93%	93%	93%	93%	92%	92%	92%	91%

**Asset Sustainability Ratio**



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**Key Assumptions**

The key assumptions are summarised in the table below:

\$'000	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Adelaide CPI Forecast (SA Treasury)*</b>	3.75%	3.25%	2.75%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
<b>Rates Assumptions</b>										
Rates Increase based on CPI	3.75%	3.25%	2.75%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Increase in rates from new developments	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
Total Increase in Rates Revenue	4.25%	3.75%	3.25%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
<b>Non-Rate Income Assumptions (based on CPI)</b>	3.75%	3.25%	2.75%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
<b>Employee Costs (EBA/Ave Weekly Earnings)</b>	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
<b>Non-employee Expenditure (based on CPI)</b>	3.75%	3.25%	2.75%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
<b>Interest Rate Assumptions</b>										
RBA interest rate assumption (NAB Forecast)	4.35%	3.10%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Interest Rates - Fixed (Existing)	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Interest Rates - Fixed (potential future borrowings)	6.58%	5.33%	5.23%	5.23%	5.23%	5.23%	5.23%	5.23%	5.23%	5.23%
Interest Rate - Variable	7.35%	6.10%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Interest Income	3.85%	2.60%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%

\* Forecast at 30 June of the preceding year used to inform Budget

## Draft 2024-25 to 2033-34 Long -Term Financial Plan

**Long-Term Financial Plan Summary**

\$'000	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Income</b>										
General Rates Income	48,709	50,535	52,178	53,743	55,355	57,016	58,726	60,488	62,303	64,172
Other Rates and Levies	2,233	2,305	2,364	2,424	2,480	2,542	2,601	2,667	2,729	2,798
Statutory Charges	1,818	1,877	1,928	1,977	2,026	2,077	2,129	2,182	2,236	2,292
User Charges	2,337	2,413	2,480	2,542	2,605	2,671	2,737	2,806	2,876	2,948
Grants, subsidies & contributions	3,158	3,260	3,148	3,227	3,308	3,391	3,475	3,562	3,651	3,743
Investment Income	15	15	15	15	15	15	27	54	90	132
Reimbursements	192	198	204	209	214	219	225	230	236	242
Other Income	960	991	1,018	1,044	1,070	1,096	1,124	1,152	1,181	1,210
<b>Total Income</b>	<b>59,421</b>	<b>61,595</b>	<b>63,335</b>	<b>65,180</b>	<b>67,073</b>	<b>69,027</b>	<b>71,045</b>	<b>73,142</b>	<b>75,302</b>	<b>77,537</b>
<b>Expenditure</b>										
Employee Costs	21,355	22,091	22,754	23,436	24,140	24,864	25,610	26,378	27,169	27,984
Materials, Contracts & Other Expenses	21,377	22,071	22,678	23,245	23,826	24,422	25,033	25,658	26,300	26,957
Depreciation, Amortisation & Impairment	12,247	12,693	13,091	13,469	13,858	14,258	14,669	15,092	15,527	15,974
Finance Costs	208	150	129	105	70	22	-	-	-	-
Operating Projects	1,271	1,500	1,500	1,538	1,576	1,615	1,936	1,697	1,740	1,783
<b>Total Expenditure</b>	<b>56,457</b>	<b>58,505</b>	<b>60,153</b>	<b>61,793</b>	<b>63,470</b>	<b>65,181</b>	<b>67,247</b>	<b>68,825</b>	<b>70,735</b>	<b>72,698</b>
<b>Operating Surplus/(Deficit)</b>	<b>2,964</b>	<b>3,090</b>	<b>3,182</b>	<b>3,386</b>	<b>3,603</b>	<b>3,845</b>	<b>3,798</b>	<b>4,316</b>	<b>4,567</b>	<b>4,838</b>
Principal Repayment of Borrowings	288	-	-	-	-	-	-	-	-	-
<b>Cash surplus/(deficiency) after repayments</b>	<b>2,676</b>	<b>3,090</b>	<b>3,182</b>	<b>3,386</b>	<b>3,603</b>	<b>3,845</b>	<b>3,798</b>	<b>4,316</b>	<b>4,567</b>	<b>4,838</b>
<b>Capital Renewal Expenditure (net)</b>	<b>11,544</b>	<b>11,900</b>	<b>12,217</b>	<b>12,576</b>	<b>12,875</b>	<b>13,203</b>	<b>13,540</b>	<b>13,884</b>	<b>14,238</b>	<b>14,600</b>
<b>New Capital Expenditure (net)</b>	<b>3,500</b>	<b>3,614</b>	<b>3,713</b>	<b>3,806</b>	<b>3,901</b>	<b>3,999</b>	<b>4,099</b>	<b>4,201</b>	<b>4,306</b>	<b>4,414</b>
<b>Total Capital Expenditure (net)</b>	<b>15,044</b>	<b>15,514</b>	<b>15,931</b>	<b>16,382</b>	<b>16,776</b>	<b>17,202</b>	<b>17,638</b>	<b>18,085</b>	<b>18,544</b>	<b>19,014</b>
Add back Depreciation	12,247	12,693	13,091	13,469	13,858	14,258	14,669	15,092	15,527	15,974
<b>Operating Surplus/(Deficit) less capital expenditure*</b>	<b>167</b>	<b>269</b>	<b>343</b>	<b>474</b>	<b>685</b>	<b>902</b>	<b>829</b>	<b>1,323</b>	<b>1,550</b>	<b>1,798</b>
<b>Fixed Term Borrowings</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash Advance Debenture (CAD Borrowings)</b>	<b>2,591</b>	<b>2,322</b>	<b>1,979</b>	<b>1,505</b>	<b>820</b>	<b>(81)</b>	<b>(910)</b>	<b>(2,233)</b>	<b>(3,782)</b>	<b>(5,581)</b>
<b>Total Borrowings</b>	<b>2,591</b>	<b>2,322</b>	<b>1,979</b>	<b>1,505</b>	<b>820</b>	<b>(81)</b>	<b>(910)</b>	<b>(2,233)</b>	<b>(3,782)</b>	<b>(5,581)</b>

\* The operating surplus less capital is used to reduce the level of borrowings each year.



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# Appendix 1: Explanation of Assumptions

## Operating Revenue

### General Rates

General Rate revenue is the Council's primary income source contributing about 85% of operating income.

When determining the level of rates, the current costs of service delivery is determined. Council will raise enough income to come its operating expenses.

### Rating Method

Council intends to continue with three differential rates and the application of a minimum rate, applied against the capital improved value of properties. This is a fair and equitable method of rating.

### Forecast General Rate Increase

The average general rate increase per annum are:

- in line with forecast CPI for the next three years (2024-25 to 2026-27), and
- a longer term forecast of 2.5% for 2027-28 onwards, in line with anticipated CPI.

### Growth from New Developments & Capital Additions

The increase in general rate revenue from new developments and capital improvements has been assumed to be 0.5% for the duration of the LTFP.

Council has recently adopted an Open Space Fund Policy, where a third of any increased revenue from growth above 0.5% will be contributed to an Open Space Fund. For example, if growth is 0.8%, 0.1% (a third of the differential

between 0.8% and 0.5%) of the rates will be allocated to the fund for the procurement of open usable space.

### Potential Changes in rebates

Council has approximately 470 SA Housing Trust properties within its boundaries. No adjustment has been made for any transfer of these properties to housing associations. Future transfers will decrease rate revenue as they will attract a considerable rate rebate.

### Other Rates and Levies

#### Separate Rates in the Dollar

Council proposes to continue to raise a separate rate for the promotion of businesses and traders for Unley Road, King William Road, Fullarton Road and Goodwood Road.

Council collects the separate rate and contracts with the Main Street Trader Associations for the provision of marketing, street beautification and minor value-added infrastructure projects.

#### Landscape Levy

Council collects the Landscape Levy on behalf of the Green Adelaide Board, and transfers the funds to the Board. Council does not retain this revenue, nor determine how the revenue is spent.

For the purposes of the LTFP, the Levy and corresponding payment to the Board is assumed to be in line with CPI.

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### Statutory Charges

Statutory charges, such as fees associated with services regulated under the *Road Traffic Act 1961*, the *Planning, Development and Infrastructure Act 2016*, the *South Australian Public Health Act 2011*, the *Food Act 2001* and the *Dog & Cat Management Act 1995*, are specified by the respective statute and not determined by Council. However an annual increase in line with CPI has been included.

From time to time, legislative reform can change the revenue received from statutory charges under a specific statute. The impact of any future reform will be reflected in future updates to the LTFP, if and when changes in service levels are confirmed, and the impact on statutory charges revenue is quantified.

### User Charges

User charges are fees collected for the use of Council facilities or services in a fee for use type arrangement.

Council reviews its fees and charges annually in conjunction with the development of the Annual Business Plan and Budget to ensure the proposed fees:

- Reflect (or move progressively toward) the cost of the services given;
- Are comparable with market rates, where appropriate;
- Consider the benefit derived by users;
- Are consistent with Council directions;
- Achieve consistency across functional areas of Council.

Although there may be specific variations from year to year, for the purposes of the

LTFP it is assumed the fees reflect CPI based on the assumption the fees reflect the cost of the services provide, and are comparable to market rates.

### Grants, Subsidies and Contributions

Grants, Subsidies and Contributions have been based on identifiable and confirmed grants, including subsidies and contributions from all sources, but excludes amounts received specifically for new and upgraded assets.

The Grants includes the Financial Assistant Grants which include the General Purpose Grant and Identified Local Roads Grant.

Funding levels with a projected increase of CPI, where applicable.

### Investment Income

In accordance with Council's *Treasury Management Policy*, Council funds that are not immediately required for operations and that cannot be applied to either reduce existing borrowings or avoid the arising of new borrowings, will be invested in one of the following ways:

- Deposits with the Local Government Finance Authority,
- Bank interest bearing deposits,
- Bank accepted/ endorsed bank bills,
- Bank negotiable Certificate Deposits, or
- State / Commonwealth Government Bonds.

Interest income is forecast based on the estimated cash held for the financial year multiplied by the forecast interest rate for deposits.

The forecast interest rate for cash deposit is 0.5% lower than the forecast Reserve

## Draft 2024-25 to 2033-34 Long -Term Financial Plan

Bank Cash Rate.

### Reimbursements and Other Income

Reimbursements and other revenue increases have been assumed to increase in line with forecast CPI.

### Operating Expenditure

#### Employee Costs

Employee costs include all labour related expenses such as wages and salaries, and on-costs such as allowances, leave entitlements and employer superannuation.

The base budget for employee costs is linked to the current Enterprise Bargaining Agreements. At the end of the agreements employee costs are based on predicted Average Weekly Earnings.

Actual increases will be dependent upon future enterprise agreement negotiations. New agreements will be reflected in the LTFP.

Increases in the Superannuation Guarantee are consistent with advice from the Australian Taxation Office.

#### Materials, Contractual & Other Expenses

Materials, Contractual Services and Other Expenses are generally expected to increase in line with forecast CPI. Where there are variations of a material value due to contractual commitments (eg. hard waste levy, electricity contract) or changes in service levels, an adjustment will be made to future updates to the LTFP as they are identified, quantified and agreed.

#### Depreciation

Depreciation recognises the use of assets across their useful life. All assets are depreciated on a straight line basis.

Forecast depreciation incorporates:

1. Annual indexation in line with forecast CPI to reflect an increase in valuation; and
2. An annual allowance for the construction of new and upgraded asset based on an average estimated useful life of 50 years.

The Asset Management Plans cost calculations are reviewed annually any material variations to be reflected in future updates of the LTFP.

#### Finance Costs

In accordance with Council's Treasury Management Policy, Council will generally only borrow funds to support long-term cash flow to fund new and upgraded assets (including strategic land purchases) identified in Council endorsed strategies.

Council has Cash Advance Debentures and a Credit Foncier Loan in place with the Local Government Financing Authority (LGFA). There are therefore two components to finance costs:

- Interest incurred when drawing down on Council's Cash Advance facilities; and
- Interest on existing credit foncier loans (fixed term and fixed repayment basis) and this is obtained from the current loan schedule.

The finance costs in the LTFP are based Council's forecast borrowing requirement (when not in a cash lending position),

## Draft 2024-25 to 2033-34 Long -Term Financial Plan

multiplied by the forecast weighted average interest rate. Any variable component of the weighted average interest rate is estimated to be 3.0% above the Reserve Bank's forecast cash rate.

### Operating Projects / Initiatives

Operating Projects (and Initiatives) are:

- Projects or distinct one-off initiatives to deliver an outcome in line with Council's endorsed strategies,
- Discretionary expenditure that has been regularly budgeted in recent years (eg. events such as the Tour Down Under Stage Start); and
- Short-term increases to current services levels that are longer than one year.

The level of Operating Project Expenditure has been based on the 2023-24 allocation and indexed in line with forecast CPI. Additional funding has been allocated in 2026 and 2030 for the Local Government Elections.

### New Capital

New Capital Projects are capital works to create new infrastructure and assets, or significant upgrades to existing infrastructure and assets.

New Capital Projects include (but is not limited to) capital works associated with the following:

- Council's Asset Management Plans, such as new and upgraded stormwater infrastructure;
- Council endorsed strategies and plans, such as the *Climate and Energy Plan*, *Walking and Cycling Plan*, and *Local Area Traffic*

*Management Plan*;

- Council's capital contribution to the Brown Hill Keswick Creek Stormwater Project (BHKC Project).

Council endorsed Master Plans may also incorporate significant components of new capital expenditure.

### New Capital Expenditure

New capital expenditure forecast in the LTFP are based on two components:

1. An annual allocation to fund the Council's capital contributions to BHKC Project, Council endorsed strategies and plans, and council led projects/capital works (including detailed design).
2. Specific funding, where required, for the delivery of major projects or significant new/upgraded infrastructure identified in the Asset Management Plans.

The forecasts in the LTFP for New Capital Expenditure will be reviewed annually in line with the review of the Asset Management Plans.

### Grants and Contributions

Capital Grants and Contributions have been based on confirmed external agency funding levels. As a result, no capital grants have been assumed in the LTFP beyond those incorporated in the 2023-24 forecast.

## Draft 2024-25 to 2033-34 Long -Term Financial Plan

### Capital Renewal

Capital Renewal Programs are capital programs to renew Council's infrastructure and assets. The programs are based on Council's Asset Management Plans which are developed based on condition audits and agreed levels of service.

### Capital Renewal Expenditure

Capital Renewal expenditure forecast in the LTFP is in line with the recommended expenditure from the Asset Management Plans.

The LTFP forecasts for Capital Renewal Expenditure will be reviewed annually as part of the annual review of the Asset Management Plans.

### Capital Receipts

These are amounts received for the sale of plant, fleet and equipment that are due to be replaced or surplus to current and future requirements. An estimate of trade-ins (disposed through auctions) have been incorporated in the net expenditure.

### Loans & Borrowings

Repayment of existing loans has been extracted from the current loan schedule. The LTFP assumption indicates that no additional funding through borrowings is presently required. However this will be reviewed on an annual basis.

The LGFA Cash Advance Debenture (CAD) Facility will continue to be held until maturity to provide capacity to fund emerging priorities in line with Council's strategic objectives.

### Interests in Other Entities

No provision for the effect of Council's interest in other entities have been made in the plan. Council has an equity interest in the following regional subsidiaries:

- Centennial Park Cemetery Authority,
- Brown Hill Keswick Creek Stormwater Project, and
- Eastern Region Waste Management.

### Monitoring Assumptions

The key assumptions within the LTFP are reviewed at least annually to ensure they reflect the latest economic forecasts and are aligned to any updates to Council's strategic plans and objectives, including updated iterations of the Asset Management Plans.

The Audit Committee review the key assumptions and financial targets prior to the commencement of the budget process.

## INFORMATION REPORT

<b>REPORT TITLE:</b>	INTERNAL AUDIT REPORT PAYROLL - OVERTIME AND TOIL (FEBRUARY 2024)
<b>ITEM NUMBER:</b>	2.2
<b>DATE OF MEETING:</b>	13 FEBRUARY 2024
<b>AUTHOR:</b>	JIM PHILLIPS, PRINCIPAL RISK MANAGEMENT OFFICER
<b>DIVISION:</b>	BUSINESS SUPPORT AND IMPROVEMENT
<b>ATTACHMENTS:</b>	1. INTERNAL AUDIT PAYROLL - OVERTIME AND TOIL

---

### 1. **PURPOSE**

This report provides the Committee with the Internal Audit Report of the Payroll system and processes as it relates to Overtime and Time Off in Lieu (TOIL).

### 2. **RECOMMENDATION**

That:

1. The report be received.
- 

### 3. **RELEVANT CORE STRATEGIES – FOUR YEAR DELIVERY PLAN**

4. Civic Leadership
- 4.3 Our business systems are effective and transparent.

### 4. **BACKGROUND**

This review was undertaken as part of the internal audit plan approved by the Audit Committee in March 2023.

The objective of this internal audit was to assess the adequacy and effectiveness of key processes, procedures, and controls in relation to payroll functions for administration and payment of overtime and the approval of TOIL.

## 5. **DISCUSSION**

The project records reviewed were chosen from pay run PRN 1185 - 27 March 2023 up to and including pay run PRN 1210 – 24 September 2023. Records were categorised by overtime and TOIL by staff member by employment award.

In the period reviewed, there were 134 instances of overtime and 323 instances of TOIL. It was judged as adequate that 10% of these records would be randomly selected for review. Two reports were provided by the Payroll Officer (overtime/TOIL), and starting at the first record on the list, every tenth record was chosen to be reviewed. A total of 46 records were reviewed, 14 overtime and 32 TOIL.

### Findings and Observations

The City of Unley operate under three industrial awards and three enterprise agreements under these awards.

Some staff at the Swimming Centre are also covered under *South Australian Municipal Salaried Officers Award* (SAMSO) and some by the Local Government Award depending on their roles and functions.

It is these pre-eminent documents that guide the City of Unley's employment practices, procedures, and guidelines.

There are appropriate data input and integrity controls in the payroll system. All of the records reviewed demonstrated that the correct rate of pay was made under the appropriate enterprise bargaining agreement at the time of the pay, and all of the overtime records were approved by the appropriate authority.

This was determined by performing a manual calculation with hourly rate (x1.5 or x 2.0 whichever was relevant) and reconciling this with the data on the system.

Of the 14 overtime records reviewed, 11 (78.5%) were approved by management at the Depot. This ratio of overtime across the City of Unley is to be expected due to the different awards, as well as the need for Depot staff to be on-call and required to respond to various work related matters outside the band of normal business hours.

The payroll system, CHRIS 21, does not allow the processing of overtime or TOIL without supervisor approval. If an employee fails to nominate their supervisor on their timesheet, the timesheet automatically defaults to the manager nominated in the system. Either the supervisor or manager must approve the TOIL or overtime within the system in order for it to be processed.

There were two instances where staff at the Depot recorded a sick day and six hours of overtime during the same pay period (fortnight). Further investigation revealed that these were one-off events and the Manager, Depot has clear procedures in place to ensure that staff are not working outside of the approved practices.

Excessive TOIL was being accrued by two staff members, however, management demonstrated that they are managing this excess by ensuring staff were planning to take time off to reduce their TOIL and maintain appropriate work/life balance.

Based on the testing undertaken, and the evidence collated and reviewed, this audit can provide a good level of assurance that the policies, procedures, and arrangements are adequate and effective in the management of overtime and TOIL in the payroll system. A significant level of comfort can be drawn from the fact that the control environment provides effective protection against fraud and corruption.

A full report is provided in Attachment 1.

*Attachment 1*

**6. REPORT AUTHORISERS**

<b>Name</b>	<b>Title</b>
Alex Brown	Manager Finance and Procurement
Nicola Tinning	General Manager, Business Support & Improvement





## **Internal Audit Scope**

### **Payroll – Overtime and TOIL**

#### **Audit Background and Authority**

People and Culture are responsible for oversight of the payroll functions of the City of Unley and in particular monitoring of processes for the administration and payment of overtime and TOIL (time off in-lieu), ensuring it is appropriate and effectively managed.

This planned audit was approved by the Audit Committee at its meeting on 28 March 2023.

#### **Scope and Objectives**

The objective of this internal audit project was to assess the adequacy and effectiveness of key processes, procedures, and controls in relation to payroll functions for administering and payment of overtime and the approval of TOIL.

The specific scope of this review included assessing:

- Adequacy and effectiveness of policies and procedures for approving overtime and agreeing to TOIL,
- Compliance with legislation/regulations and the appropriate industrial instruments City of Unley's Enterprise agreements and awards,
- Consistency and effectiveness of the process for the approval of overtime and TOIL in accordance with existing policies and procedures,
- Accuracy of payment and record keeping surrounding TOIL and overtime
- Whether the control environment provides effective protection against fraud and corruption.

#### **Risk and Operational Context**

The basis of this audit was an assessment of the adequacy and effectiveness of controls and arrangements in place to manage the following strategic risk:

*"Inability to manage legislative and regulatory compliance obligations."*

#### **Methodology**

The internal audit included:

- Desktop review of the City of Unley's policies, procedures, and other relevant documentation to identify current requirements and key controls,
- Interviewed key staff to gain an understanding of current operational practices in relation to the approval processes, management and administration of Payroll practices including any challenges they face,
- Reviewing the allocation of any overtime or TOIL,
- Identifying control gaps and control design improvement opportunities,

- Selection of a 6-month sample of records from Council's payroll system CHRIS 21, and
- Interviewing of senior staff in relation to any anomalies.

### **Findings and Observations**

The records reviewed were chosen from pay run PRN 1185 - 27 March 2023 up to and including pay run PRN 1210 – 24 September 2023. Records were categorised by overtime and TOIL by staff member by employment award.

In the period reviewed, there were 134 instances of overtime and 323 instances of TOIL. It was judged as adequate that 10% of these records would be randomly selected for review. Two reports were provided by the Payroll Officer (overtime/TOIL) and starting at the first record, on the list, every tenth record was chosen to be reviewed. A total of 46 records were reviewed, 14 overtime and 32 TOIL.

### Good Practice Identified

The City of Unley operate under three industrial awards and three enterprise agreements under these awards.

Indoor

South Australian Municipal Salaried Officers Award (SAMSO Award)  
*MOA Enterprise Bargaining Agreement 2023*

Outdoor

Local Government Employees Award (LG Award)  
*AWU Enterprise Bargaining Agreement 2021*

Swimming Centre

Local Government Tourism, Hospitality and Retail Award  
*City of Unley Swimming Centre Enterprise Bargaining Agreement 2021*

Some staff at the Swimming Centre are also covered under SAMSO Award and some the LG Award depending on their roles and functions.

Modern day awards are designed to cover a whole industry and provide a safety net of minimum pay rates and employment conditions. Enterprise bargaining are a collective agreement made at an enterprise level between employers and employees about the terms and conditions of employment. The agreements are tailored to meet the needs of the enterprise. There are processes in place which enable the City of Unley to comply with the requirements of the respective enterprise bargaining agreements with the relevant directive and guidance documentation available to staff.

It is these pre-eminent documents that guide the City of Unley's employment practices, procedures, and guidelines.

There are appropriate data input and integrity controls in the payroll system. All of the records reviewed, demonstrated that the correct rate of pay was made under the appropriate enterprise bargaining agreement at the time of the pay, and all of the

overtime records were approved by the appropriate authority. This was determined by performing a manual calculation with hourly rate (x1.5 or x 2.0 whichever was relevant) and reconciling this with the data on the system.

Of the 14 overtime records reviewed, 11 (78.5%) were approved by management at the Depot. This ratio of overtime across the City of Unley is to be expected due to the different awards, as well as the need for Depot staff to be on-call and required to respond to various incidents outside office hours.

The payroll system, CHRIS 21, does not allow the processing of overtime or TOIL without supervisor approval. If an employee fails to nominate their supervisor on their timesheet, the timesheet automatically defaults to the manager nominated in the system. They must approve the TOIL or overtime for it to be processed.

### Observations

There were two instances (different employees) where, in the same pay period (fortnight), individuals recorded a sick day and worked 6 hours overtime. On investigation these appear to be isolated instances and not indicative of a systemic practice or issue.

Discussions with the manager at the Depot indicates that this practice has been of concern in the past but rigorous controls are now in place to mitigate the likelihood of this practice occurring.

In relation to TOIL employees can accrue time off at the same rate as penalty rates paid for overtime, that is time and half and double time as determined by their award. The accuracy of TOIL balance is determined by the employee accurately recording the correct hours and penalty rates on their timesheet. The system does not calculate this for them. Therefore, it is likely that the recording of TOIL is an underestimation. The Payroll Officer, where they know of the circumstance or where a note is made on the system by the employee, makes an adjustment to correctly reflect TOIL allotted.

In relation to TOIL, City of Unley Swimming Centre Enterprise Bargaining Agreement 2021 allows staff to accrue TOIL which is required to be taken during the off-season when the swim centre is closed to the public. The following table highlights the top accruals of TOIL across the organisation. These TOIL balances are on 7 November 2023.

Staff Member	Business Unit	TOIL Balance in Days	TOIL Days Booked
00646	Swimming Centre	34.64	0
00891	Swimming Centre	26.25	0
00565	Swimming Centre	25.06	0
00089*	Fullerton Community Centre	22.63	13.00
00526	Swimming Centre	20.49	0
00033	Swimming Centre	17.45	0
00695	Swimming Centre	16.60	0
00862	Swimming Centre	14.41	0

00089 is an outlier and this has been picked up in Appendix A

**Summary of Findings**

The review has identified two findings that are related and combined into one overall improvement opportunity. The improvement opportunity has also been assessed against the City of Unley Risk Matrix, based on Internal Audit’s assessment of the likelihood and consequence of remedial action not being taken, and is summarised in the following table. Details of the findings are included in Appendix A:

	Likelihood Ratings				
Consequence	Rare	Unlikely	Possible	Likely	Almost Certain
Catastrophic	Medium	Medium	High	High	Extreme
Major	Medium	Medium	High	High	Extreme
Moderate	Low	Medium	Medium	High	High
Minor	Low	Low	#1	Medium	High
Insignificant	Low	Low	Low	Medium	Medium

**Conclusion**

Based on the testing undertaken, and evidence collated and reviewed, this audit can provide a good level of assurance that the policies, procedures, and arrangements are adequate and effective in the management of overtime and TOIL in the payroll system. A significant level of comfort can be drawn from the fact that the control environment provides effective protection against fraud and corruption.

This audit activity was undertaken by Jim Phillips, Principal Risk Management Officer and the assistance and cooperation of business staff, particularly the Manager, People and Culture and the Payroll Officer during the performance of this audit, is both acknowledged and appreciated.

**Jim Phillips**  
**Principal Risk Management Officer**  
 12 December 2023

## Appendix A: Audit Findings and Improvement Opportunities

<b>Payroll – Overtime and Time Off In Lieu</b>		ECM# ref																																														
Finding/Improvement opportunity No:		1.0																																														
<b>Control Description</b>																																																
<b>Responsibilities Defined:</b> Staff with management and leadership responsibilities are responsible approving and monitoring the taking of TOIL.																																																
<b>Control Reference:</b>	Job and Person Specification	<b>Control Effectiveness Assessment:</b>																																														
		<b>Mostly effective</b>																																														
<b>Finding / Improvement Opportunity Description</b>																																																
<p>There was a total of TOIL 323 records from which 32 records were randomly chosen for review.</p> <p>Of the records reviewed there were 10 instances where TOIL was recorded on a timesheet, but a manager had not been nominated by the employee. Of the 10 not identifying a manager, 6 instances apply to one employee.</p> <p><b>Table 1</b></p> <table border="1"> <thead> <tr> <th>Staff Number</th> <th>Manager not Recorded</th> </tr> </thead> <tbody> <tr> <td>Employee 1</td> <td>6</td> </tr> <tr> <td>Employee 2</td> <td>2</td> </tr> <tr> <td>Employee 3</td> <td>1</td> </tr> <tr> <td>Employee 4</td> <td>1</td> </tr> </tbody> </table> <p>Of the list of TOIL records there were five employees who had two or more instances of TOIL during the period reviewed.</p> <p><b>Table 2</b></p> <table border="1"> <thead> <tr> <th>No TOIL</th> <th>Staff Number</th> <th>Position</th> </tr> </thead> <tbody> <tr> <td>6</td> <td>Employee 1</td> <td>Coordinator (Community Services)</td> </tr> <tr> <td>3</td> <td>Employee 5</td> <td>Team Leader (Community Services)</td> </tr> <tr> <td>3</td> <td>Employee 6</td> <td>Senior Team Member (Depot)</td> </tr> <tr> <td>6</td> <td>Employee 7</td> <td>Team Member (Regulatory)</td> </tr> <tr> <td>2</td> <td>Employee 2</td> <td>Team Member (Regulatory)</td> </tr> </tbody> </table> <p>As these employees were most prevalent their current TOIL balances were reviewed. The following table provides their balances as of 7 November 2023.</p> <p><b>Table 3</b></p> <table border="1"> <thead> <tr> <th>Staff Number</th> <th>TOIL Balance in days</th> <th>TOIL Days Booked</th> </tr> </thead> <tbody> <tr> <td>Employee 1</td> <td>22.65</td> <td>13.0</td> </tr> <tr> <td>Employee 5</td> <td>0.11</td> <td>0</td> </tr> <tr> <td>Employee 6</td> <td>5.06</td> <td>0</td> </tr> <tr> <td>Employee 7</td> <td>1.14</td> <td>0</td> </tr> <tr> <td>Employee 2</td> <td>11.55</td> <td>5.55</td> </tr> </tbody> </table>			Staff Number	Manager not Recorded	Employee 1	6	Employee 2	2	Employee 3	1	Employee 4	1	No TOIL	Staff Number	Position	6	Employee 1	Coordinator (Community Services)	3	Employee 5	Team Leader (Community Services)	3	Employee 6	Senior Team Member (Depot)	6	Employee 7	Team Member (Regulatory)	2	Employee 2	Team Member (Regulatory)	Staff Number	TOIL Balance in days	TOIL Days Booked	Employee 1	22.65	13.0	Employee 5	0.11	0	Employee 6	5.06	0	Employee 7	1.14	0	Employee 2	11.55	5.55
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Employee 2	11.55	5.55																																														

<p>It is noted that most of the employees who most frequently access TOIL are frontline staff committed to providing the level of service required by Council. How Council manage TOIL accrued by staff is crucial to the well-being of individuals.</p> <p>While it is evident that there are steps being made to reduce TOIL (See time booked) lack of appropriate leadership and guidance could lead to over work and burn-out.</p>		
<b>Potential Implication and Assessed Risk Level</b>		
<p>Staff accruing significant amounts TOIL can indicate problems with the job role that requires intervention by management. Failure to take notice of excess TOIL may lead to burnout of staff and subsequent reduction in service and reputation.</p>		
<b>Likelihood:</b>	Possible	<b>Consequence:</b> Minor
<b>Assessment:</b>	<b>Medium</b>	
<b>Recommendation</b>		
1.1	That senior management remind managers of their responsibilities to keep the level of accrued TOIL to a minimum.	
1.2	That managers responsible for the two employees continue to work with the employees to reduce their accrued TOIL	
<b>Management Action / Treatment</b>		
1.1	<p><b>Manager People and Culture to liaise with Manager the two employees to confirm arrangements have been put in place to ensure ongoing accruals of high levels of TOIL is addressed.</b></p> <p><b>Target Date 31 March 2024</b></p> <p><b>Responsible Officer: Teresa Nilsson, Manager P&amp;C</b></p>	
<b>Status and Progress on Implementation of Management Action / Treatment</b>		
Date: 2 Feb 2024	Status: <span style="color: green;">Completed</span>	Update: <span style="color: blue;">The Manager People and Culture has spoken to the relevant managers and made arrangements to ensure TOIL is managed and maintained at reasonable levels.</span>

## INFORMATION REPORT

<b>REPORT TITLE:</b>	QUARTERLY RISK REPORT (FEBRUARY 2024)
<b>ITEM NUMBER:</b>	2.3
<b>DATE OF MEETING:</b>	13 FEBRUARY 2024
<b>AUTHOR:</b>	JIM PHILLIPS, PRINCIPAL RISK MANAGEMENT OFFICER
<b>DIVISION:</b>	BUSINESS SUPPORT AND IMPROVEMENT
<b>ATTACHMENTS:</b>	1. STRATEGIC RISK REGISTER

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### 1. **PURPOSE**

This paper informs the Committee of the review undertaken in the last quarter in relation to Strategic Risks.

### 2. **RECOMMENDATION**

That:

1. The report be received.
- 

### 3. **RELEVANT CORE STRATEGIES – FOUR YEAR DELIVERY PLAN**

4. Civic Leadership

4.1 We have strong leadership and governance.

### 4. **BACKGROUND**

The Executive Management Team (EMT) reviews the Strategic Risks on a quarterly basis. EMT reviewed the risks at their meeting 23 January 2024.

Operational Risks undergo a detailed review annually and this was completed in November 2023. No operational risks have a residual risk rating of high or extreme. Any operational risks with a residual rating of high or extreme are reported to the Committee.

Administration is currently finalising its review of the Risk Management Framework. This framework will be presented to the Committee at its meeting in May 2024.

**5. DISCUSSION**

Following this quarterly review by EMT there have been a number of changes made (see Attachment 1) to the risks since the last review date, namely:

- Three treatments have been retired as they had been completed at the time of the last review, being treatments for Risks 1, 4 and 5.
- Two treatments have had the date of completion modified, being treatments for Risks 3 and 4.
- A new treatment has been raised for Risk 2.
- There has been no change to Risk 6.

*Attachment 1*

An emerging risk has been identified and articulated under Emerging Risk's:

- *“Sourcing of appropriate labour and skills to deliver an accelerated approach to the delivery of various Council adopted plans”*

**6. REPORT AUTHORISERS**

<b>Name</b>	<b>Title</b>
Alex Brown	Manager Finance and Procurement
Nicola Tinning	General Manager, Business Support & Improvement



# STRATEGIC RISK REGISTER

This Review – 23 January 2024 by:

- Peter Tsokas - Chief Executive Officer
- Megan Berghuis –General Manager City Services
- Nicola Tinning – General Manager Business Support and Improvement
- Claude Malak - General Manager City Development

*Last Reviewed: July 2023 by:*

**Peter Tsokas**  
**Megan Berghuis**  
**Nicola Tinning**  
**Claude Malak**

# Strategic Risk Register

<b>1</b>	<b>Event Description:</b> Failure to maintain financial sustainability		
<b>Responsible Managers:</b> CEO, EMT, CFO		<b>Community Plan Theme:</b> CIVIC LEADERSHIP & ECONOMIC PROSPERITY	
<b>Negative Contributory Factors:</b> <ul style="list-style-type: none"> <li>Forecasting tools are not relevant or out of date</li> <li>Long Term Financial Plan is not maintained or not appropriate for business needs</li> <li>Financial resources to deliver required services are inadequate</li> <li>Financial capacity to meet service delivery demands</li> <li>Financial resources are not managed in line with treasury management policy</li> <li>Debt levels and debt management strategies are not in line adopted targets or are not sustainable</li> <li>Inadequate project management practices</li> <li>Impact of pandemic on local economy and Council's operating results over time</li> <li>Changes to market in cemetery operations (CPCA)</li> <li>Ambitious expectations of Council deliverables</li> </ul>		<b>Risks:</b> <ul style="list-style-type: none"> <li>Financial Maladministration &amp; Corruption Inability to delivery community expectations into the future</li> <li>Financial sustainability is compromised</li> <li>Reputational Damage</li> <li>Legislative Compliance (Financial) are not met</li> <li>Inter-generational equity is not achieved</li> <li>insufficient project funding</li> <li>Failure to deliver on plans and strategies</li> <li>Limitations to service delivery options</li> <li>Service level reduction</li> <li>Centennial Park Subsidiary becoming unviable</li> <li>Decision Making not aligned to Strategic Management Plans</li> </ul>	
<b>Likelihood:</b> Possible	<b>Consequence:</b> Major	<b>Inherent Risk Rating: HIGH</b>	
<b>Existing Controls/Mitigating Practices:</b> <ul style="list-style-type: none"> <li>Endorsed Community Plan, Four Year Delivery Plan and Annual Operating Plans</li> <li>Comprehensive budget development process that meets legislative requirements (including cost estimates &amp; consultation).</li> <li>Long Term Financial Plan in place with adopted financial targets; reviewed annually</li> <li>Adoption and application of the Better Practice Model – Internal Financial Controls</li> <li>Prudential Management Framework</li> <li>Project Management Framework</li> <li>Treasury Management Plan</li> <li>Owners Executive has been established and Board representation for Centennial Park</li> <li>Quarterly Reporting from subsidiaries to owner Councils</li> </ul>		<ul style="list-style-type: none"> <li>Infrastructure &amp; Asset Management Policy &amp; Plans are linked to the long-term financial plan</li> <li>Quarterly budget review process</li> <li>Regular Financial reporting and budget monitoring</li> <li>Qualified and experience finance human resources</li> <li>Oversight from the Audit Committee</li> <li>External Audit</li> <li>Defined and agreed levels of service</li> <li>Development of an Annual Operating Plan which specifies core activities, service levels, and measures</li> <li>Continued corporate performance reporting</li> <li>Centennial Park Charter</li> </ul>	
<b>Control Effectiveness:</b>	Majority Effective	<b>Risk Tolerance up to:</b>	MEDIUM
<b>Likelihood:</b> Rare	<b>Consequence:</b> Major	<b>Residual Risk Rating:</b>	MEDIUM

# Strategic Risk Register

<b>2</b>	<b>Event Description:</b> Inability to meet the needs and expectations of the community		
<b>Responsible Managers:</b> CEO, EMT, Managers		<b>Community Plan Theme:</b> COMMUNITY LIVING & CIVIC LEADERSHIP	
<b>Negative Contributory Factors:</b> <ul style="list-style-type: none"> <li>Community Plan is out of date or not relevant</li> <li>Annual Business Plan and Budget process is not aligned with Community Plan and 4 Year Delivery Plan</li> <li>Resourcing is not aligned to 4 Year Delivery Plan</li> <li>Long Term Financial Plan is inadequate</li> <li>Conduct is inconsistent with Code of Conduct/ Values</li> <li>Systems and processes don't appropriately capture information regarding community needs</li> <li>Infrastructure &amp; Asset Management Plans are inadequate</li> <li>Legislative movement of responsibilities</li> <li>Disengaged Elected Members</li> <li>Expectations of Elected Members lack of alignment with the Council role</li> <li>Four-year election cycles</li> <li>Increased cost pressures and delivery timeframes due to market conditions and inflation</li> </ul>		<b>Risks:</b> <ul style="list-style-type: none"> <li>Dissatisfied community (public outrage)</li> <li>Reputational damage (negative media)</li> <li>Instability of staff (people leaving a negative environment)</li> <li>Organisational culture is significantly negatively affected</li> <li>Negative perception of performance of the Council (Elected Body)</li> </ul>	
<b>Likelihood:</b> Possible	<b>Consequence:</b> Major	<b>Inherent Risk Rating:</b>	<b>HIGH</b>
<b>Existing Controls/Mitigating Practices:</b> <ul style="list-style-type: none"> <li>Community Plan 2033</li> <li>Annual Business Plan and Budget</li> <li>4-year Delivery Plan</li> <li>Annual Operating Plan</li> <li>Long Term Financial Plan</li> <li>Strategies, Policies and Procedures</li> <li>Infrastructure &amp; Asset Management Plans</li> <li>Corporate Performance Report</li> <li>CEO KPIs</li> <li>Role Clarity Framework for service delivery</li> <li>Organisational culture and values</li> <li>Corporate Reporting Framework</li> <li>Role clarity and Position Descriptions aligned to service delivery</li> <li>Quarterly Reporting with inclusion of impacts to Strategic Objectives resulting from additional unplanned decisions of Council</li> </ul>		<ul style="list-style-type: none"> <li>Consultation processes (YourSay, website, social media)</li> <li>Customer Experience Framework</li> <li>Customer Service Training</li> <li>Customer satisfaction surveys</li> <li>Customer Service Standards (external and internal)</li> <li>Community Engagement Framework and Policy</li> <li>Service Reviews</li> <li>Communication Channels</li> <li>Business Continuity Plan &amp; Emergency Management Plan</li> <li>Regular Elected Member briefings, workshops and training</li> <li>Economic Development Strategy</li> <li>Customer Service Charter Principles (Achieve Together Project)</li> <li>Operational Risk Register</li> <li>Business Continuity Plan</li> <li>Quarterly Budget Review Process</li> </ul>	
<b>Control Effectiveness:</b>	<b>Majority Effective</b>	<b>Risk Tolerance up to:</b>	<b>MEDIUM</b>
<b>Likelihood:</b> Rare	<b>Consequence:</b> Major	<b>Residual Risk Rating:</b>	<b>MEDIUM</b>
<b>Treatment Plan:</b>	<b>Responsibility:</b>	<b>Target Completion Date:</b>	<b>Comment</b>
1. Elected Members Behaviour Policy currently being developed to include risk to Council when factions exist.	• OCEO	• October 2023	<b>Completed</b> 27 November 2023
2. Review of the Strategic Planning Framework and Community Plan	• OCEO	• October 2024	A Project Brief has been developed to engage a consultant

# Strategic Risk Register

<b>3</b>	<b>Event Description:</b> Ineffective decision making that lacks transparency		
<b>Responsible Managers:</b> CEO, EMT, Managers		<b>Community Plan Theme:</b> CIVIC LEADERSHIP	
<b>Negative Contributory Factors:</b> <ul style="list-style-type: none"> <li>Inappropriate conduct of staff/Elected Members</li> <li>Inaccurate information</li> <li>Ill-informed decision makers</li> <li>Lack of role clarity and decision making (elected members)</li> <li>Deficient policies and procedures</li> <li>Noncompliance with legislative obligations/requirements</li> <li>Internal control failures</li> <li>Inappropriate delegations</li> <li>Lack of governance framework</li> <li>Lack of plans to respond to events that impact service delivery (from Risk 6)</li> </ul>		<b>Risks:</b> <ul style="list-style-type: none"> <li>Reputational damage /risk (from risk 6 – to be deleted)</li> <li>Scrutiny by regulatory bodies (ICAC/Ombudsman)</li> <li>Financial impact/cost</li> <li>Loss of confidence in council</li> <li>Staff attraction and retention</li> </ul>	
<b>Likelihood:</b> Likely	<b>Consequence:</b> Catastrophic (Reputation)	<b>Inherent Risk Rating:</b>	<b>HIGH</b>
<b>Existing Controls/Mitigating Practices:</b> <ul style="list-style-type: none"> <li>Legislative obligations (eg. Code of Conduct, Policies etc)</li> <li>External regulatory framework in place</li> <li>Policies and Procedures</li> <li>Delegation of Authority (Legislative and Financial)</li> <li>Elected Members briefings and workshops</li> <li>Expert advice provided by skilled staff</li> <li>Elected Members development program implemented to enhance role clarity</li> <li>Reinforce processes and education for Elected Member requests with staff</li> </ul>		<ul style="list-style-type: none"> <li>Elected Members training programs</li> <li>Independent Members selection and training processes in place</li> <li>Agreed and Endorsed Meeting procedures</li> <li>Risk Management Framework</li> <li>Internal Controls Framework</li> <li>Reporting Quality Control</li> <li>Quality and experienced governance human resources</li> <li>Revised Caretaker Policy</li> </ul>	
<b>Control Effectiveness:</b>	<b>Majority Effective</b>	<b>Risk Tolerance up to:</b>	<b>MEDIUM</b>
<b>Likelihood:</b> Unlikely	<b>Consequence:</b> Catastrophic	<b>Residual Risk Rating:</b>	<b>MEDIUM</b>

Treatment Plan:	Responsibility:	Target Completion Date:	Comment
1. Delegation review and training (understanding roles, responsibilities, and delegation of authority)	<ul style="list-style-type: none"> <li>OCEO</li> </ul>	<ul style="list-style-type: none"> <li>November 2024</li> </ul>	The review of the delegations commenced in October. The completion date has been revised to November 2024. As CoU is participating in the review with other ERA councils. This has commenced but has caused a delay.

# Strategic Risk Register

<b>4</b>	<b>Event Description:</b> Inability to manage legislative and regulatory compliance obligations		
<b>Responsible Managers:</b> CEO, EMT, Managers		<b>Community Plan Theme:</b> CIVIC LEADERSHIP	
<b>Negative Contributory Factors:</b> <ul style="list-style-type: none"> <li>• Other levels of government assigning new/different responsibilities</li> <li>• Increasing compliance and reporting obligations</li> <li>• Changing legislative obligations</li> <li>• Local Government Reform agenda</li> <li>• Not monitoring external environment and trends</li> <li>• Reallocation of responsibilities via legislative changes</li> <li>• Four Year election cycles</li> </ul>		<b>Risks:</b> <ul style="list-style-type: none"> <li>• Failure to meet compliance obligation</li> <li>• Reputational damage</li> <li>• Loss of confidence in Council</li> <li>• ICAC investigation</li> <li>• Unreasonable Customer expectations</li> <li>• Negative Media exposure</li> <li>• Financial Sustainability</li> <li>• Negatively impact on service delivery &amp; levels</li> <li>• Negative impact on organisational culture</li> </ul>	
<b>Likelihood:</b> Possible	<b>Consequence:</b> Major	<b>Inherent Risk Rating:</b>	<b>HIGH</b>
<b>Existing Controls/Mitigating Practices:</b> <ul style="list-style-type: none"> <li>• Strategic Planning framework and documents (e.g. Community Plan, Annual Plan etc)</li> <li>• Long Term Financial Plan/Annual Business Plan &amp; Budget</li> <li>• Policies and Procedures</li> <li>• Internal Controls</li> <li>• Risk management framework</li> <li>• Delegations</li> <li>• External liaison and relationship management</li> </ul>		<ul style="list-style-type: none"> <li>• Audit Committee</li> <li>• External/Internal Audit</li> <li>• Appropriately trained and experienced staff</li> <li>• Access to suitably qualified service providers for support (e.g. legal advice)</li> <li>• Access to LGA resources &amp; opportunity to influence outcomes</li> <li>• Collaboration between Councils</li> <li>• ERA</li> <li>• Preparation for LG Reform well underway</li> </ul>	
<b>Control Effectiveness:</b>	<i>Majority Effective</i>	<b>Risk Tolerance up to:</b>	<b>MEDIUM</b>
<b>Likelihood:</b> Possible	<b>Consequence:</b> Major	<b>Residual Risk Rating:</b>	<b>HIGH</b>
<b>Treatment Plan:</b>	<b>Responsibility:</b>	<b>Target Completion Date:</b>	<b>Comment</b>
<b>Update:</b>			
1. Investigate development and implementation of Legislative Compliance Register	• OCEO	• Ongoing	The Local Research and Development Fund has granted funding to the LGA for a project to develop a legislative compliance register. This work is progressing, and Unley will wait for a centrally developed register given the complexity associated with this project.
2. Relevant Agenda templates to be updated to include Strategic Plan link and Officer time.	• OCEO	• June 2024	

# Strategic Risk Register

5	Event Description	Workforce not appropriately skilled or engaged	
<b>Responsible Managers:</b> CEO, EMT, Managers		<b>Community Plan Theme:</b> CIVIC LEADERSHIP	
<b>Negative Contributory Factors:</b> <ul style="list-style-type: none"> <li>• inability to attract appropriate staff</li> <li>• Inappropriately skilled staff</li> <li>• Negative organisational culture</li> <li>• Lack of contemporary working conditions</li> <li>• Limited access to ongoing training and development</li> <li>• No career progression opportunities</li> <li>• Lack of workforce planning</li> <li>• Job doesn't meet staff expectations</li> <li>• Unsatisfactory relationship with Elected Members</li> <li>• Poor recruitment practices</li> <li>• Ineffective knowledge management</li> <li>• Lack of appropriate staff turnover</li> <li>• Out-dated systems and processes</li> <li>• Pandemic related disruption and distraction</li> </ul>		<b>Risks:</b> <ul style="list-style-type: none"> <li>• Unnecessary high staff turnover</li> <li>• Failure to deliver plans and strategies</li> <li>• Community expectations not met</li> <li>• Reputational damage</li> <li>• Inability to retain the right staff / Loss of corporate knowledge</li> </ul>	
<b>Likelihood:</b> Possible		<b>Consequence:</b> Major	
		<b>Inherent Risk Rating:</b> <b>HIGH</b>	
<b>Existing Controls/Mitigating Practices:</b> <ul style="list-style-type: none"> <li>• Recruitment strategies and practices</li> <li>• Well established brand</li> <li>• Active management and development of organisational culture (OCI)</li> <li>• Appropriate employment conditions</li> <li>• Continuous Improvement</li> <li>• Working from Home Framework</li> <li>• Purpose statements for work areas that are aligned to organisation's purpose</li> <li>• Digital Workplace through the Internet</li> <li>• Calendar with key corporate processes and deadlines</li> <li>• Continuous Improvement – training and suite of tools (learn on the job)</li> </ul>		<ul style="list-style-type: none"> <li>• Documented job descriptions documented and reviewed</li> <li>• Corporate Values</li> <li>• Development planning process (PDR)</li> <li>• Review of PDR process</li> <li>• Relevant resources and tools</li> <li>• Digital Strategy and BS&amp;S Capability</li> <li>• Align the labour budget to reflect the priority areas determined by Council</li> <li>• Recognition Guidelines</li> <li>• Organisational structure reviewed</li> <li>• On-line climate survey tool to provide regular interim measure between OCI surveys</li> <li>• Internal Communications and latest news via emails, the intranet (Aquaria) and staff newsletter - the U</li> </ul>	
<b>Control Effectiveness:</b>		<b>Majority Effective</b>	
		<b>Risk Tolerance up to:</b> <b>MEDIUM</b>	
<b>Likelihood:</b> Unlikely		<b>Consequence:</b> Major	
		<b>Residual Risk Rating:</b> <b>MEDIUM</b>	


# Strategic Risk Register

<b>6</b>	<b>Event Description:</b> Inability to respond to climate change		
<b>Responsible Managers:</b> CEO, EMT		<b>Community Plan Theme:</b> ENVIRONMENTAL STEWARDSHIP	
<b>Negative Contributory Factors</b> ("root" causes / how and why the event arises): <ul style="list-style-type: none"> <li>• Extreme weather events</li> <li>• Increased urban infill</li> <li>• State Government Planning Reforms</li> <li>• Increased waste production by the community</li> </ul>		<b>Risks:</b> <ul style="list-style-type: none"> <li>• Canopy reduced – (out of Council's control)</li> <li>• Reputational impact – as community has strong 'green' focus</li> <li>• Heat-Island effect</li> <li>• Public Health implications and risks</li> <li>• Reduction in quality of life now and future</li> <li>• Increased costs to Council operations</li> <li>• Impact to local flora and fauna</li> <li>• Loss of enviable amenities</li> <li>• Loss of productivity of operations due to extreme weather events</li> </ul>	
<b>Likelihood:</b> Almost Certain	<b>Consequence:</b> Major	<b>Inherent Risk Rating:</b>	<b>EXTREME</b>
<b>Existing Controls/Mitigating Practices:</b> <ul style="list-style-type: none"> <li>• Canopy Action Plan with budget allocation</li> <li>• Tree Strategy</li> <li>• Brown Hill Keswick Creek subsidiary &amp; delivery of Stormwater Management Plan</li> <li>• Strategic Plan and objectives</li> <li>• Re-use water (dam and aquifer)</li> <li>• Long Term Financial Plan</li> <li>• Water Sensitive Urban Design practices</li> <li>• Waste Management and Resource Recovery plan</li> <li>• Public Health Plan</li> <li>• Asset Management Plans</li> <li>• Alternative Energy initiatives</li> <li>• Cycling and walking network</li> <li>• Climate &amp; Energy Plan for Council Operations</li> <li>• ERA Resilient East Program</li> <li>• Waste Management Arrangement in place</li> <li>• Heatwave Action Plan in place</li> </ul>			
<b>Control Effectiveness:</b>	<b>Majority Effective</b>	<b>Risk Tolerance up to:</b>	<b>MEDIUM</b>
<b>Likelihood:</b> Unlikely	<b>Consequence:</b> Major	<b>Residual Risk Rating:</b>	<b>MEDIUM</b>

Treatment Plan:	Responsibility:	Target Completion Date:	Comment
	•		

# Strategic Risk Register

## Emerging Risks: *What keeps you awake at night??*

Description	Impacted Risk Events	Possible Treatment Plans
<p>Sourcing of appropriate labour and skills to deliver an accelerated approach to the delivery of various adopted Council plans.</p>	<p>1. Administration may not meet the expectations of Council.</p>	<ul style="list-style-type: none"> <li>Ensuring the development of the 4-year plan considers priority setting by Council.</li> </ul>
		

### Appendix

Definitions of Control Effectiveness Ratings	
<p><b>1. Ineffective</b></p>	<p>During the period, the control has not been implemented as described. Urgent management action is required to implement the described control processes.</p>
<p><b>2. Requires significant improvement</b></p>	<p>During the period, the control has been implemented as described, but with significant deficiencies in the consistency or effectiveness of implementation. Significant management action required to implement processes to improve the effectiveness of the control.</p>
<p><b>3. Partially effective</b></p>	<p>During the period, the control has been implemented as described, but with some deficiencies in the consistency and/or effectiveness in which it has been applied.</p>
<p><b>4. Majority effective</b></p>	<p>During the period, the control has been implemented as described and in the majority of cases has been consistently and/or effectively applied. There is potential to enhance the effectiveness of the control, but only with minor adjustments.</p>



## DECISION REPORT

<b>REPORT TITLE:</b>	2024 INTERNAL AUDIT PLAN (FEBRUARY 2024)
<b>ITEM NUMBER:</b>	2.4
<b>DATE OF MEETING:</b>	13 FEBRUARY 2024
<b>AUTHOR:</b>	ALEX BROWN, MANAGER FINANCE AND PROCUREMENT
<b>DIVISION:</b>	BUSINESS SUPPORT AND IMPROVEMENT
<b>ATTACHMENTS:</b>	1. INTERNAL AUDIT PLAN 2024

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### 1. **PURPOSE**

This report provides the Audit and Risk Committee with the proposed Internal Audit Plan for the 2024 calendar year.

### 2. **RECOMMENDATION**

That:

1. The report be received.
  2. The Internal Audit Work Plan as set out in Attachment 1 to this report (Item 2.4, Audit and Risk Committee Meeting, 13/02/2024) be endorsed.
- 

### 3. **RELEVANT CORE STRATEGIES – FOUR YEAR DELIVERY**

4. Civic Leadership
  - 4.1 We have strong leadership and governance.
  - 4.3 Our business systems are effective and transparent.

### 4. **BACKGROUND**

The proposed Internal Audit Plan has been established having regard to the Strategic Risk Register, the Operational Risk Register, the current internal controls environment, and taking into consideration the structure and resourcing (any planned or recent changes) within the organisation.

The Internal Audit Plan seeks to provide a greater level of confidence, with internal control practices and procedures for the areas included within the Internal Audit Plan.

Three internal audits were completed in 2023:

- **Leases and Licences:** This internal audit focussed on billing, the application of discounts and record management for property leases the licences.
- **Infringements:** This internal audit focussed on the processes involved in reviewing and issuing waivers for infringements.
- **Payroll:** This internal audit focussed on the procedures and processes for the administration and payment of overtime and TOIL (time off in-lieu) are appropriate and effectively managed.

## 5. **DISCUSSION**

The proposed 2024 Internal Audit Plan includes the following internal audits:

- **Plant Management**, which will include a review of major and minor plant (excluding light fleet) to ensure that purchases and disposals have been appropriately recorded, and that maintenance schedules are current.
- Post implementation review of the new **Project Management Framework**, with a particular focus on the implementation of the framework across the organisation.
- Post implementation review of the new **Procurement and Contract Management** system.

More detail regarding these proposed internal audits is included in the Internal Audit Plan in Attachment 1 to this report.

*Attachment 1*

The Principal Advisor (Procurement) is implementing an improvement plan for contract management which will be followed by an education program. The potential benefit of conducting an internal audit on contract management will be considered as part of the 2025 or 2026 Internal Audit Program.

The Internal Audit Plan will be monitored throughout the year.

## 6. **POLICY IMPLICATIONS**

### 6.1 **Financial/budget implications**

- It is anticipated that the Internal Audits will be undertaken by the Principal Risk Management Officer. The costs of these audits will be accommodated within the existing operating budget.

### 6.2 **Risk Management (identification and mitigation)**

- A risk based approach has been applied in identifying the priorities for the proposed Internal Audit Plan.

- Administration will develop a draft three program for internal audit following the first Management Letter to be received from Council's new external auditor.

### **6.3 Staffing/Work Plans/Additional Resource Impact**

- The 2024 Internal Audit Plan has been prepared with consideration to Administration's capacity deliver the proposed Plan. Administration will advise Audit and Risk Committee of any anticipated delays or proposed alteration to the Plan as required.

### **6.4 Climate/Environmental Impact**

- Nil

### **6.5 Social/Economic**

- Nil

## **7. ANALYSIS OF OPTIONS**

### Option 1 –

1. The report be received.
2. The Internal Audit Plan as set out in Attachment 1 to this report (Item 2.4, Audit and Risk Committee Meeting, 13/02/2024) be endorsed.

The proposed Internal Audit Plan has been developed to provide a greater level of confidence in relation to internal control practices and procedures relevant to the areas suggested.

### Option 2 –

1. The report be received.
2. Subject to incorporation of the following amendments, the Internal Audit Plan as set out in Attachment 1 to this report (Item 2.4, Audit and Risk Committee, 13/02/2024) be endorsed.
  - 2.1 Amendments to be determined by the Audit and Risk Committee
  - 2.2 Etc

This Option provides the relevant wording to enable the Audit and Risk Committee to articulate any changes required to the Internal Audit Plan, and to recommend that these be incorporated by Council at the time of adoption.

Should the Audit and Risk Committee wish to make amendments to the Internal Audit Plan, consideration should be given to the resourcing that is necessary to deliver a modified Plan.

Option 3 –

1. The report be received.
2. The Internal Audit Plan as set out in Attachment 1 to this report (Item 2.4, Audit and Risk Committee, 13/02/2024) be further amended and returned to the Audit and Risk Committee for review.

The Committee may consider that further work is required to the Internal Audit Plan. This option requests further development of the documents and that they be returned to the Audit and Risk Committee at its next meeting.

The Audit and Risk Committee can, under this option, communicate what amendments it would like to make.

**8. RECOMMENDED OPTION**

Option 1 is the recommended option.

**9. REPORT AUTHORISERS**

<b>Name</b>	<b>Title</b>
Nicola Tinning	General Manager, Business Support & Improvement

## Internal Audit Plan 2024

Audit Title	Audit Objectives & Scope	Risk(s)	Timing
<b>Plant Management</b> (City Development)	Undertake an independent evidence-based review of the major and minor plant (excluding light fleet) currently managed and operated by the CoU. <ul style="list-style-type: none"> <li>Verify that the purchases and disposals have been appropriately recorded and that maintenance schedules are maintained and up to date.</li> </ul> <b>Scope</b> <ul style="list-style-type: none"> <li>Policies, procedures and safe work instructions for the management and maintenance of major and minor plant.</li> <li>Review of all documents and schedules related to major and minor plant</li> </ul>	<b>Operational Risks</b> <b>A&amp;O#1</b> Incident occurs that threatens the health, safety and/or welfare of staff <b>A&amp;O#5</b> Lack of effective asset management planning	<b>Schedule</b> <b>2<sup>nd</sup> Quarter</b> <b>2024</b>
<b>Post Implementation Review of Project Management Framework</b> (City of Unley)	<b>Objectives</b> <ul style="list-style-type: none"> <li>Provide an independent, evidence-based assessment of the implementation of the Project Management Framework, and the arrangements in place for its use across the various business units of the CoU.</li> <li>Assess the effectiveness of the Project Management Framework tools and processes, and whether business units are following the project management methodology.</li> <li>Identify any opportunities for improvement in the implementation adoption and use of the Project Management Framework.</li> </ul> <b>Scope</b> <ul style="list-style-type: none"> <li>The current framework, processes, systems and controls for the planning and management of projects.</li> <li>Records associated with the planning and delivery of projects in the past 12 months.</li> </ul>	<b>Operational Risk</b> <b>CD#2</b> Council delivers a project that is not fit for purpose, of poor quality or significantly over budget	<b>Schedule</b> <b>3<sup>rd</sup> Quarter</b> <b>2024</b>
<b>Post Implementation Review of Procurement and Contract Management</b> (Finance and Procurement)	<b>Objectives:</b> <ul style="list-style-type: none"> <li>Provide an independent, evidence-based assessment of the implementation of the new Procurement Policy, procurement processes and contract management processes.</li> <li>Assess the effectiveness of the internal processes and systems in managing procurement activities, and compliance with the Procurement Policy and contract management processes.</li> <li>Identify any opportunities for improvement in the application of the Procurement Policy and processes.</li> </ul> <b>Scope:</b> <ul style="list-style-type: none"> <li>The current policies, processes, systems and controls for procurement and contract management.</li> <li>Records and contracts resulting from the implementation of the procurement processes in the last 12 months.</li> </ul>	<b>Operational Risk</b> <b>F&amp;P#5</b> Procurement policies and procedures not followed	<b>Schedule</b> <b>4<sup>th</sup> Quarter</b> <b>2024</b>

## DECISION REPORT

<b>REPORT TITLE:</b>	PROPOSED 2024 AUDIT AND RISK COMMITTEE WORKPLAN (FEBRUARY 2024)
<b>ITEM NUMBER:</b>	2.5
<b>DATE OF MEETING:</b>	13 FEBRUARY 2024
<b>AUTHOR:</b>	ALEX BROWN, MANAGER FINANCE AND PROCUREMENT
<b>DIVISION:</b>	BUSINESS SUPPORT AND IMPROVEMENT
<b>ATTACHMENTS:</b>	1. PROPOSED 2024 AUDIT AND RISK COMMITTEE WORKPLAN

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### 1. **PURPOSE**

This report provides the Audit and Risk Committee with the proposed Audit and Risk Committee Workplan (the Workplan) for the 2024 calendar year.

### 2. **RECOMMENDATION**

That:

1. The report be received.
  2. The proposed 2024 Audit and Risk Committee Workplan as set out in Attachment 1 to this report (Item 2.5, Audit and Risk Committee Meeting, 13/02/2024) be endorsed.
- 

### 3. **RELEVANT CORE STRATEGIES – FOUR YEAR DELIVERY PLAN**

4. Civic Leadership
  - 4.1 We have strong leadership and governance.
  - 4.3 Our business systems are effective and transparent.

### 4. **BACKGROUND**

The purpose of the Audit and Risk Committee (the Committee) is to provide independent assurance and advice to the Council on accounting, financial management, internal controls, risk management and governance matters in accordance with section 126 of the *Local Government Act 1999*.

The proposed 2024 Workplan contained in Attachment 1 has been developed to guide and report on the Audit and Risk Committee's activities for the 2024 calendar year, and to ensure that the Committee delivers on its responsibilities as set out in the *Audit and Risk Committee Terms of Reference*.

*Attachment 1*

## 5. **DISCUSSION**

Under the Committee's terms of reference, the Audit and Risk Committee has an important independent role in assisting the Council in monitoring the following areas:

- Financial Reporting and Sustainability
- Risk Management and Internal Controls
- Internal Audit and Compliance
- External Audit
- Governance

The proposed Workplan includes the annual activities conducted by the Committee. These include:

- Liaising with the Council's external auditor and consideration of the external audit reports;
- Review and endorsement of the 2023-24 Financial Statements;
- Review and endorsement of the Internal Audit Workplan;
- Receive and consider Internal Audit Reports, and updates on the progress of Internal Audit Plans;
- Consideration of the Quarterly Risk Reports and annual review of the Internal Financial Controls;
- Review of the 2024-25 Annual Business Plan and Budget;
- Review of the Long-Term Financial Plan Financial Targets and Assumptions to inform the 2025-26 Budget process; and
- Receive presentations by Council's subsidiaries.

The proposed 2024 Workplan also includes the following activities:

- Review of the Fraud and Corruption Prevention Policy; and
- Review of the Risk Management Policy and Framework.

The Workplan will be reviewed by Administration before each Audit and Risk Committee meeting, and updated as required, to ensure that the Committee delivers on its responsibilities as set out in the *Audit and Risk Committee Terms of Reference*.

Endorsement of the proposed update to the Workplan is sought from the Committee.

## 6. **POLICY IMPLICATIONS**

### 6.1 **Financial/budget implications**

- Nil

### 6.2 **Risk Management (identification and mitigation)**

- A risk based approach has been applied in identifying the priorities for the proposed Workplan.

### 6.3 **Staffing/Work Plans/Additional Resource Impact**

- The proposed Workplan has been prepared with consideration to Administration's capacity deliver the proposed Workplan. It will be monitored and updated as required to ensure that the Committee delivers its role as set out in the *Audit and Risk Committee Terms of Reference*.

### 6.4 **Climate/Environmental Impact**

- Nil

### 6.5 **Social/Economic**

- Nil

## 7. **ANALYSIS OF OPTIONS**

### Option 1 –

1. The report be received.
2. The proposed 2024 Audit and Risk Committee Workplan as set out in Attachment 1 to this report (Item 2.5, Audit and Risk Committee Meeting, 13/02/2024) be endorsed.

The proposed 2024 Audit and Risk Committee Workplan has been prepared to assist the Committee to fulfil its responsibilities as outlined within the *Audit and Risk Committee Terms of Reference*.

### Option 2 –

1. The report be received
2. Subject to incorporation of the following amendments, the proposed 2024 Audit and Risk Committee Workplan as set out in Attachment 1 to this report (Item 2.5, Audit and Risk Committee Meeting, 13/02/2024) be endorsed.
  - 2.1 Amendments to be determined the Audit and Risk Committee
  - 2.2 Etc

This Option provides the relevant wording to enable the Committee to articulate any changes required to the proposed update to the Workplan, and to recommend these be incorporated by Council at the time of adoption.



Should the Committee wish to make amendments to the proposed update to the Workplan, consideration should be given to the available resourcing and additional resourcing that may be required to deliver a modified Workplan.

Option 3 –

1. The report be received.
2. The proposed 2024 Audit and Risk Committee Workplan as set out in Attachment 1 to this report (Item 2.5, Audit and Risk Committee Meeting, 13/02/2024) be further amended and returned to the Audit and Risk Committee for review.

The Committee may consider that further work is required to the Audit and Risk Committee Workplan. This option requests further development of the documents and that they be returned to the Committee at the next meeting.

The Committee should, under this option, communicate what amendments it would like to have made and the resourcing that may be required.

**8. RECOMMENDED OPTION**

Option 1 is the recommended option.

**9. REPORT AUTHORISERS**

<b>Name</b>	<b>Title</b>
Nicola Tinning	General Manager, Business Support & Improvement



## City of Unley

**2024 Audit and Risk Committee Workplan (February 2024)**

Item	13 Feb	14 May	6 August	22 Oct	12 Nov
<b>Audit Committee</b>					
Meeting Dates for 2024					■
2024 Workplan for Endorsement	■				■
<b>Strategic &amp; Financial</b>					
Draft LTFP Key Assumptions & Targets					■
Draft 2024-34 LTFP (Full Plan)	■				
Annual Business Plan and Budget		■			
General Purpose Financial Statements				■	
<b>External Audit</b>					
External Audit - Interim Report			■		
External Audit - Progress of Agreed Actions					■
<b>Internal Audit</b>					
Internal Audit Plan	■				
Internal Audit - Progress of Agreed Actions		■			■
Internal Audit Reports			■	■	■
<b>Other Risk Management</b>					
Internal Financial Controls		■			
Quarterly Risk Report	■	■	■		■
<b>Policy Review</b>					
Fraud and Corruption Prevention Policy		■			
Risk Management Policy & Framework		■			
<b>Presentations</b>					
Subsidiary Presentations (TBC)	■		■		■