



## **AGENDA**

**FOR AUDIT AND RISK COMMITTEE MEETING TO BE HELD ON**

**10 OCTOBER 2023 AT 6.30 PM**

**IN WITTBER & DR RUBY DAVY ROOMS, SALISBURY COMMUNITY HUB,  
34 CHURCH STREET, SALISBURY**

### **MEMBERS**

Cr K Grenfell (Chair)  
Cr B Brug (Deputy Chair)  
Ms P Davies  
Mr N Ediriweera  
Mr C Johnson

### **REQUIRED STAFF**

Chief Executive Officer, Mr J Harry  
General Manager Business Excellence, Mr C Mansueto  
Manager Governance, Mr R Deco  
Senior Advisor Legal Services, Mr B Kahland  
Internal Auditor & Risk Coordinator, Mr H Rafeeu

### **APOLOGIES**

### **LEAVE OF ABSENCE**

### **PRESENTATION OF MINUTES**

Presentation of the Minutes of the Audit and Risk Committee Meeting held on 11 July 2023.

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## **REPORTS**

### *For Decision*

7.1.1	BDO's Final Audit Completion Report 30 June 2023 .....	11
7.1.2	End of Financial Year Statement and Analysis .....	43
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## **QUESTIONS ON NOTICE**

*There are no Questions on Notice.*

## **MOTIONS ON NOTICE**

*There are no Motions on Notice.*

## **OTHER BUSINESS**

*(Questions Without Notice, Motions Without Notice, CEO Update)*

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## ORDERS TO EXCLUDE THE PUBLIC

### 7.4.1 In-Confidence Session with the External Auditor as per Terms of Reference and approved Audit and Risk Committee Annual Work Plan 2022/2023 (verbal discussion)

#### Recommendation

Pursuant to section 83(5) of the *Local Government Act 1999* the Chief Executive Officer has indicated that, if the Audit and Risk Committee so determines, this matter may be considered in confidence under Part 3 of the *Local Government Act 1999* on grounds that:

1. Pursuant to Section 90(2), (3a) and (3)(b)(i) and (b)(ii) and (d)(i) and (d)(ii) of the *Local Government Act 1999*, the principle that the meeting should be conducted in a place open to the public has been outweighed in relation to this matter because:
  - it relates to information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting, or proposing to conduct, business, or to prejudice the commercial position of the council; and
  - information the disclosure of which would, on balance, be contrary to the public interest; and
  - commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party; and
  - commercial information of a confidential nature (not being a trade secret) the disclosure of which would, on balance, be contrary to the public interest.
  - it relates to personal affairs
2. In weighing up the factors related to disclosure,
  - disclosure of this matter to the public would demonstrate accountability and transparency of the Council's operations

On that basis the public's interest is best served by not disclosing the **In-Confidence Session with the External Auditor as per Terms of Reference and approved Audit and Risk Committee Annual Work Plan 2022/2023 (verbal discussion)** item and discussion at this point in time.
3. Pursuant to Section 90(2) of the *Local Government Act 1999* it is recommended the Council orders that all members of the public, except relevant staff of the City of Salisbury on duty in attendance, be excluded from attendance at the meeting for this Agenda Item.

CLOSE







**MINUTES OF AUDIT AND RISK COMMITTEE MEETING HELD IN WITTBER & DR  
RUBY DAVY ROOMS, SALISBURY COMMUNITY HUB, 34 CHURCH STREET,  
SALISBURY ON**

**11 JULY 2023**

**MEMBERS PRESENT**

Cr Kylie Grenfell (Chair)  
Cr B Brug (Deputy Chair)  
Ms P Davies  
Mr N Ediriweera  
Mr C Johnson

**EXTERNAL AUDITOR**

Mr A Tickle, Partner, BDO (*via Teams VC*), for item 7.1.1

**STAFF**

Chief Executive Officer, Mr J Harry  
Manager Governance, Mr R Deco  
Team Leader Corporate Governance, Mr B Kahland  
Internal Auditor & Risk Coordinator, Mr H Rafeeu  
Manager Salisbury Water, Mr. B Naumann  
Manager Business Systems and Solutions, Ms L Paltridge

The meeting commenced at 6:30pm

The Chairman welcomed the Committee Members, members of the public and staff to the meeting.

**APOLOGIES**

Nil.

**LEAVE OF ABSENCE**

Nil

The Chairman sought and obtained leave of the meeting to bring forward on the agenda item 7.1.1.

*Mr A Tickle joined the meeting via Teams VC at 6:31 pm.*

**7.1.1 BDO's Interim Management Letter for 2022/2023 Year End Audit.**

Moved Ms P Davies  
Seconded Mr C Johnson

That Council:

1. Notes the report

**CARRIED**

*Mr A Tickle left the meeting at 6:37 pm.*

**PRESENTATION OF MINUTES**

Moved Cr B Brug  
Seconded Ms P Davies

The Minutes of the Audit and Risk Committee Meeting held on 12 April 2023, be taken as read and confirmed.

**CARRIED**

**REPORTS**

*Administration*

**7.0.1 Actions List**

Moved Ms P Davies  
Seconded Mr N Ediriweera

That Council:

1. Notes the report.

**CARRIED**  
UNANIMOUSLY

**7.0.2 Future Reports for the Audit and Risk Committee**

Moved Mr C Johnson  
Seconded Cr B Brug

That Council:

1. Notes the report.

**CARRIED**

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*For Decision*

**7.1.2 Audit & Risk Committee Annual Work Plan 2023/2024**

Moved Cr B Brug

Seconded Mr N Ediriweera

That Council:

1. Approves the updated Audit & Risk Committee Annual Work Plan for the year 2023/2024 as set out in Attachment 1 to this report (Audit & Risk Committee, 11 July 2023, Item No.7.1.2).

**CARRIED**

**7.1.3 3-Year Internal Audit Plan 2022/23-2024/25**

Moved Cr B Brug

Seconded Ms P Davies

That Council:

1. Notes the updates made to the 3-year Internal Audit Plan 2022/2023 to 2024/2025 as set out in Attachment 1 to this report (Audit and Risk Committee, 11 July 2023, Item No.7.1.3) and notes the Administration's undertaking to undertake the Rates Setting Process, Revenue and Debtors Audit on a co-sourced basis following the Audit and Risk Committee's recommendation.
2. Notes the mapping of internal audits to the current identified risks in the strategic risk register as set out in Attachment 2 of this report (Audit and Risk Committee, 11 July 2023, Item No.7.1.3).
3. Notes the accompanying high-level indicative draft scope for pending audits as set out in Attachment 3 of this report (Audit and Risk Committee, 11 July 2023, Item No.7.1.3).

**CARRIED**

**7.1.4 Internal Controls Framework and Audit and Risk Committee section for Annual Report 2022/2023**

Moved Cr B Brug

Seconded Ms P Davies

That Council:

1. Approves the proposed inclusions in the annual report relating to the operations and membership of the Audit and Risk Committee for the 2022/2023 financial year as set out in Attachment 1 to this report (Audit and Risk Committee, 11/07/2023, Item 7.1.4), subject to the inclusion of the full life cycle stages and status of internal audits that occurred during the year, and editorial changes as deemed required.

**CARRIED**

**7.1.5 Risk Management and Internal Controls Activities**

Moved Ms P Davies  
Seconded Mr N Ediriweera

That Council:

1. Notes the update on Risk Management and Internal Control Activities for the 2022/2023 reporting period, as set out in Attachment 1 to this report (Audit & Risk Committee, 11 July 2023, Item No.7.1.5).
2. Adopts the Strategic Risk Register categories and risk descriptions for the new Strategic Risk Register, considering input and feedback from Audit and Risk Committee, as set out in Attachment 2 to this report (Audit & Risk Committee, 11 July 2023, Item No. 7.13).
3. Notes the current Strategic Risk Register as set out in Attachment 3 to this report (Audit & Risk Committee, 11 July 2023, Item No. 7.13).

**CARRIED***For Information***7.2.1 Outstanding Actions Arising from Internal Audits**

Moved Mr C Johnson  
Seconded Mr N Ediriweera

That Council:

1. Notes the update in this report and the full Internal Audit Log Actions Register in Attachment 1 to this report (Audit and Risk Committee, 11 July 2023, Item No.7.2.1).
2. Notes the update on the Capital Works Project Audit Pressure Points Action List in Attachment 2 to this report (Audit and Risk Committee, 11 July 2023, Item No.7.2.1).

**CARRIED****QUESTIONS ON NOTICE**

There were no Questions on Notice.

**MOTIONS ON NOTICE**

There were no Motions on Notice.

## ORDER TO EXCLUDE THE PUBLIC

### 7.4.1 Cybersecurity Report - Jan-Mar 2023

Moved Cr B Brug

Seconded Mr C Johnson

Pursuant to section 90(2) and 90(3)(b) of the *Local Government Act 1999* the Audit and Risk Committee orders that, the public be excluded from attendance at this meeting in relation to Agenda Item 7.4.1 (*Cybersecurity Report - Jan-Mar 2023*) except the staff of City of Salisbury, on grounds that:

1. Pursuant to Section 90(2) and 90(3)(b)(i) and (ii) of the Local Government Act 1999, the principle that the meeting should be conducted in a place open to the public has been outweighed in relation to this matter because:
  - it relates to information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting, or proposing to conduct, business, or to prejudice the commercial position of the council; and
  - information the disclosure of which would, on balance, be contrary to the public interest; and
2. The disclosure of this information would, on balance, be contrary to the public interest because the public interest in the Council preserving its commercial sensitivity of information discussed between Administration and Audit & Risk Committee would be compromised by disclosure of the information.

On that basis the public's interest is best served by not disclosing the *Cybersecurity Report - Jan-Mar 2023* item and discussion at this point in time.

**CARRIED**

The meeting moved into confidence at 7:33pm

The meeting moved out of confidence at 7:41pm

## OTHER BUSINESS

*(Questions Without Notice, Motions Without Notice, CEO Update)*

## ORDER TO EXCLUDE THE PUBLIC

### OBI 7.4.2 CEO Update – Legal Matters

Moved Cr B Brug

Seconded Ms P Davies

Pursuant to section 90(2) and 90(3)(a) of the *Local Government Act 1999*, the public be excluded from attendance at the part of the meeting relating to Agenda “CEO Update – Legal Matters” except staff of the City of Salisbury on duty in attendance, to enable the Audit and Risk Committee to consider this item in confidence on the basis that the Audit

and Risk Committee considers it necessary and appropriate to act in a meeting closed to the public in order to receive, discuss or consider in confidence information relating to this item as it relates to legal advice and actual legal proceedings (s90(3)(h) and (i) of the *Local Government Act 1999*); and

Accordingly, on this basis, the principle that meetings of the Council should be conducted in a place open to the public has been outweighed by the need to exclude members of the public.

**CARRIED**

The meeting moved into confidence at 7:42pm

The meeting moved out of confidence and closed at 8:16pm

CHAIRMAN.....

DATE.....

<b>ITEM</b>	7.1.1
	<b>AUDIT AND RISK COMMITTEE</b>
<b>DATE</b>	10 October 2023
<b>HEADING</b>	BDO's Final Audit Completion Report 30 June 2023
<b>AUTHOR</b>	Hussain Rafeeu, Internal Auditor & Risk Coordinator, CEO and Governance
<b>CITY PLAN LINKS</b>	4.2 We deliver quality outcomes that meet the needs of our community.
<b>SUMMARY</b>	<p>For the financial year ending 30 June 2023, BDO was engaged to perform an audit on the City of Salisbury (COS or the Council's) financial statements and internal controls, in accordance with the <i>Local Government Act 1999</i> ("the Act") and the <i>Local Government (Financial Management) Regulations</i> (2011) ("the Regulations").</p> <p>This report presents BDO's Audit Completion Report, covering the Independent Auditor's Report, Auditor Independence Declaration, and the Independent Assurance Report on Internal Controls of the Council.</p> <p>BDO have issued an unmodified audit opinion over the financial report of the Council for the period 1 July 2022 to 30 June 2023, and confirms that the Council has been audited in accordance with Australian Accounting Standards, the Act and the Regulations.</p>

## RECOMMENDATION

### That Council:

1. Receives the Annual Completion Report for the year ended 30 June 2023, appearing as Attachment 1 to this report (Audit and Risk Committee, 10 October 2023, Item 7.1.1), including the Independent Auditor's Report on the Audit of the Financial Report, Independent Assurance Report on the Internal Controls of the City of Salisbury, and the Certification of Auditor Independence.
2. Notes the Management Representation Letter requested by BDO to be signed by the CEO and the General Manager Business Excellence, appearing as Attachment 2 to this report (Audit and Risk Committee, 10 October 2023, Item 7.1.1).

## ATTACHMENTS

This document should be read in conjunction with the following attachments:

1. BDO's Annual Completion Report for year ending 30 June 2023
2. Management Representation Letter

**1. BACKGROUND**

- 1.1 COS engaged BDO to perform an audit on the financial statements for the year ended 30 June 2023, and undertake assurance on the internal controls of the COS for the period 1 July 2022 to 30 June 2023, to ensure compliance with the requirements of sections 125 and 129 of the Act.
- 1.2 In accordance with section 129(3) of the Act, BDO is required to provide Council:
  - (a) An audit opinion with respect to the financial statements; and
  - (b) An audit opinion whether the controls audited are sufficient to provide reasonable assurance that Council's financial transactions have been conducted properly and in accordance with the law. The audit must be carried out in accordance with the Australian Accounting and Assurance Standards, the Act and the Regulations.
- 1.3 Regulation 19(2) Part 6 Division 1 of the *Local Government (Financial Management Regulations 2011)* (the Regulations) states that "in forming an audit opinion for a council under section 129(3)(a) of the Act, the auditor must give due consideration to the adequacy of the council's policies, practices and procedures of internal control under section 125 of the Act."
- 1.4 Section 125 of the Act states that "A council must ensure that appropriate policies, practices and procedures of internal control are implemented and maintained in order to assist the council to carry out its activities in an efficient and orderly manner to achieve its objectives, to ensure adherence to management policies, to safeguard the council's assets, and to secure (as far as possible) the accuracy and reliability of council records."
- 1.5 Section 19(2) Part 6 Division 1 of the Regulations states that "in forming an audit opinion for a council under section 129(3)(b) of the Act, the auditor must assess the internal controls of the council referred to in section 129(1)(b) of the Act based on the criteria in the Better Practice Model—Internal Financial Controls."
- 1.6 BDO has:
  - 1.6.1 Audited the financial report of the City of Salisbury, which comprises of the four Primary Financial Statements, including the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the statement of cash flows for the year ended 30 June 2023. The notes to the financial statements provide greater detail and additional information on the four Primary Financial Statements.
  - 1.6.2 Undertaken a reasonable assurance engagement on the design and the operating effectiveness of controls established by City of Salisbury, in relation to the financial transactions over the:
    - receipt, expenditure and investment of money;
    - acquisition and disposal of property; and
    - incurring of liabilities, for the period 1 July 2022 to 30 June 2023.



## 2. REPORT

- 2.1 BDO representative Andrew Tickle, Partner, will attend this 10 October 2023 Audit and Risk Committee meeting to present BDO's Annual Completion Report, along with its Independent Auditor's Report.
- 2.2 Attachment 1 to this report is BDO's Audit Completion Report which addresses the audit process and audit findings on both financial statements and internal controls assessment.
- 2.3 Appendix 1 of BDO's Audit Completion Report covers the following two audit reports:
  - 2.3.1 The Draft Independent Auditor's Report.

BDO have provided its independent audit opinion on the financial report of the Council, confirming that the financial report gives a true and fair view of the financial position of the City of Salisbury as of 30 June 2023, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards, the Act and the Regulations.
  - 2.3.2 The Independent Assurance Report on the Internal Controls of the City of Salisbury.

BDO confirmed that in all material respects:

    - (a) The controls established by Council in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities were suitably designed to ensure such transactions have been conducted properly and in accordance with law; and
    - (b) The controls operated effectively as designed throughout the period from 1 July 2022 to 30 June 2023.
- 2.4 BDO have provided certification of auditor independence in performing the audit for the period 1 July 2022 to 30 June 2023 (Appendix 2 of Attachment 1).
- 2.5 BDO have confirmed that unqualified opinions will be provided on both financial statements and financial internal controls audit reports.
- 2.6 The financial statements and financial internal controls opinions will be provided by BDO after the Audit and Risk Committee has reviewed the financial statements and all of the following documents have been sent to them:
  - Financial Statements certified by the Mayor and CEO.
  - Management Representation Letter signed by the CEO and the General Manager Business Excellence.
- 2.7 The Management Representation Letter requested by BDO to be signed by the CEO and the General Manager Business Excellence, is included in Attachment 2, for Audit and Risk Committee review.

## 3. CONCLUSION / PROPOSAL

- 3.1 BDO confirms that unmodified audit opinions will be issued on both the financial statements and internal controls.



Item 7.1.1 - Attachment 1 - BDO's Annual Completion Report for year ending 30 June 2023

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<sup>2</sup> City of Salisbury Annual completion report



Dear Audit and Risk Committee

We are pleased to present this report to the Audit and Risk Committee of City of Salisbury in relation to the 30 June 2023 annual audit.

As at the date of this report, we have substantially completed our audit and subject to the satisfactory resolution of the matters outlined in the Executive Summary, we expect to issue an unmodified audit report.

We have set out in this document the significant matters arising from our audit. This summary covers those matters we believe to be material in the context of our work.

We look forward to the Audit and Risk Committee meeting on 10 October 2023 where we will have the opportunity to discuss this report.

Should you require clarification on any matter in this report before this date, please do not hesitate to contact me on +61 8 7324 6082.

We would like to take this opportunity to extend our appreciation to management for their assistance and cooperation throughout the course of our audit.

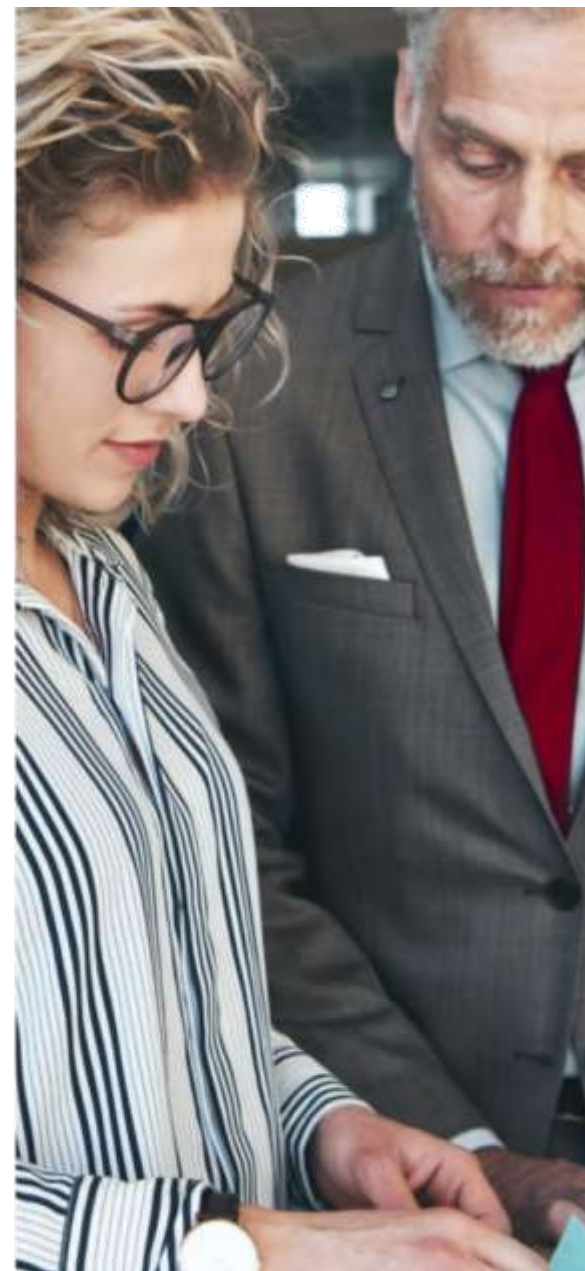
Yours faithfully



Andrew Tickle  
Engagement Partner

Adelaide, 27 September 2023

3 City of Salisbury Annual completion report







## EXECUTIVE SUMMARY

### PURPOSE

The purpose of this report is to communicate significant matters arising from our audit to the Audit and Risk Committee. This report has been discussed with management.

### SCOPE

Our audit was conducted in accordance with Australian Auditing Standards and the *Local Government Act 1999* and *Local Government (Financial Management) Regulations 2011* for the year ended 30 June 2023.

### STATUS OF THE AUDIT

Our audit of the financial report is substantially complete. We expect to issue an unmodified audit report, subject to satisfactory completion of the following:

- ▶ Satisfactory review by our appointed engagement quality review partner
- ▶ Review of events subsequent to 30 June 2023 to date of signing the audit report
- ▶ Receipt of written management representations on various matters
- ▶ Receipt of formally adopted financial statements and agreement of these to drafts previously provided

A draft of the proposed audit report is included at [Appendix 1](#).

### SUMMARY OF MISSTATEMENTS

We have not identified any corrected or uncorrected misstatements during our audit.

### AREAS OF AUDIT FOCUS

In performing our audit, we have identified those matters that, in the auditor's judgement, were of the most significance in the audit of the financial report. Our audit procedures also focused on areas that were considered to represent significant and elevated risks of material misstatement. These areas of focus are outlined below:

- ▶ Revaluation of infrastructure, property, plant and equipment
- ▶ Accounting treatment of capital work in progress (WIP)
- ▶ Management override of controls
- ▶ Cut-off of grant funding and accuracy of any amounts deferred at 30 June 2023

Refer to the relevant section for details on the significant risk areas and other areas focused on during the audit.



In assessing the risks of material misstatement at the planning phase, we used a spectrum of risk based on the likelihood of a misstatement occurring and the magnitude of the misstatement in the context of our materiality. Our audit procedures focused on areas that were considered to represent risks of material misstatement.

We set out the areas that were considered key areas of focus along with an outline of the work performed and a summary of findings.

#### REVALUATION OF INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT

Description	Audit work performed	Summary of findings
Council's infrastructure, property, plant and equipment is carried at valuation. There is a risk that these balances are misstated as a result of the application and inappropriate valuation methodologies, or incorrect underlying assumptions.	<p>This year certain classes of Council assets were revalued by Council employees based on an indexation reflecting annual average movement values of like assets. We have obtained details of these calculations and tested their accuracy.</p> <p>We have evaluated the competence, capability and objectivity of the independent valuers, obtained an understanding of their work and appropriateness of conclusions reached.</p>	<p>We noted that the revaluation resulted in the following increments / (decrements):</p> <ul style="list-style-type: none"> <li>• Buildings \$7,881,079</li> <li>• Land \$172,496,900</li> <li>• Infrastructure \$117,093,644</li> </ul> <p>There were no other findings noted during our testing.</p>

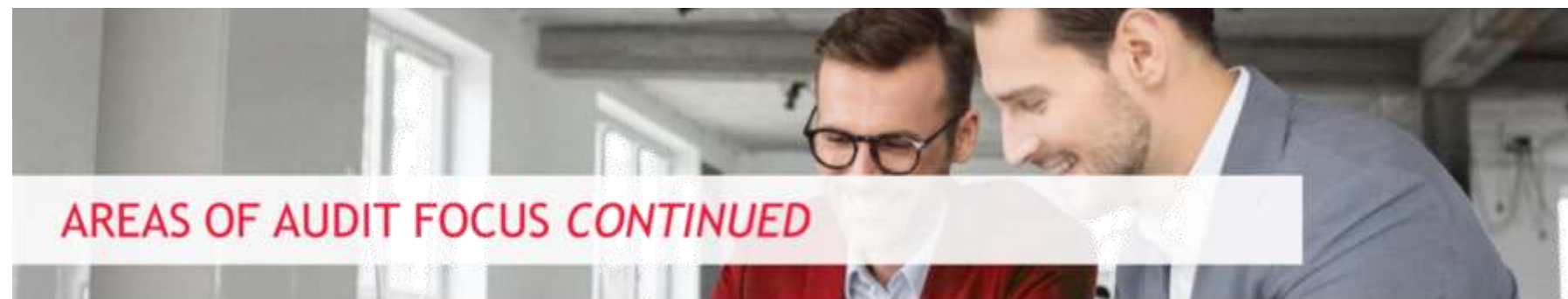


#### ACCOUNTING TREATMENT OF CAPITAL WORK IN PROGRESS (WIP)

Description	Audit work performed	Summary of findings
There is a risk that the accounting treatment of items captured within Capital WIP may not be in accordance with Australian Accounting Standards.	We obtained the Capital WIP schedule and reviewed in detail a sample of projects outstanding at the end of the year to ensure they are likely to generate assets. We also reviewed a sample of assets transferred out of Capital WIP to check that the categorisation and value allocated to the relevant fixed asset class was appropriate.	No issues were noted in relation to the accounting treatment of capital work in progress.

#### MANAGEMENT OVERRIDE OF INTERNAL CONTROLS

Description	Audit work performed	Summary of findings
Australian Auditing Standards require that we presume there is a risk that management has the ability to manipulate accounting records and override control that otherwise appear to be operating effectively.	We reviewed key internal controls at the Council to mitigate the risk of management override. We tested the appropriateness of journal entries and other adjustments made in the preparation of the financial report. We also reviewed accounting estimates for potential bias, and evaluated the business rationale (or lack of) of any significant transactions that are outside of the normal course of business or that otherwise appeared to be unusual.	There was no evidence of misstatement due to management override of controls noted.



#### CUT-OFF OF GRANT FUNDING AND ACCURACY OF ANY AMOUNTS DEFERRED AT 30 JUNE 2023

Description	Audit work performed	Summary of findings
There is a risk of error in the calculation of grant income recognised and deferred at the end of the year by reference to grant agreements and Australian Accounting Standards.	We obtained the schedule of grant income recognised and deferred at year end. We selected a sample of grants and obtain the agreements to test that funding had been recognised in accordance with AASB 15 <i>Revenue from Contracts with Customers</i> and AASB 1058 <i>Income of Not-for-Profit Entities</i> .	No issues were noted in relation to the accounting treatment of grant funding.





### CURRENT YEAR

In accordance with ASA 265 *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*, we are required to communicate in writing, significant deficiencies in internal control identified during our audit to those charged with governance on a timely basis.

The standard defines a deficiency in internal control as:

1. A control is designed, implemented or operated in such a way that it is unable to prevent, or detect and correct, misstatements in the financial report on a timely basis; or
2. A control necessary to prevent, or detect and correct, misstatements in the financial report on a timely basis is missing.

Significant deficiency in internal control means a deficiency or combination of deficiencies in internal control that, in the auditor's professional judgement, is of sufficient importance to merit the attention of the Audit and Risk Committee.

Our audit procedures did not identify any significant deficiencies that in our professional judgment are of sufficient importance to merit the attention of the Audit and Risk Committee.

## INTERNAL CONTROL RISK ASSESSMENT

We have completed the testing of internal controls for the purpose of providing an audit opinion on Council's internal controls. This work focuses on controls exercised by the Council in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law.

Our assessment of internal controls is based on the criteria in the Better Practice Model - Financial Internal Control for South Australian Councils as issued by the Local Government Association of South Australia.

The Better Practice Model emphasises a risk based approach to internal financial controls. It states that a Council should design and implement internal financial controls activities and monitoring systems that prioritise extreme and high financial risk as identified by the Council's risk tolerance framework.

We have been advised by the management that no risk assessment was performed for this financial year. Instead, self-assessment was performed over all 'core controls' that are suggested per Better Practice Model.

For the purpose of our internal control audit opinion, we have performed our own risk assessment to identify the key financial risks facing the Council, determine the inherent risk level and evaluate core controls activities to address this risk. Based on this work, we have not noted any material exceptions that would lead to a qualification to the audit report on internal controls.

Below is a table that shows the results of the work completed on internal controls in 2023:

RISK CATEGORY	Controls tested	Effective	Ineffective
Strategic Financial Planning	9	9	-
Assets	22	22	-
Liabilities	8	8	-
Revenue	18	18	-
Expenses	27	27	-
External Services	3	3	-
Financial Governance	-	-	-
<b>Total</b>	<b>87</b>	<b>87</b>	<b>-</b>

Based on the work completed, we have not noted any reportable points or material exceptions that would lead to a qualification to the audit report on internal controls.



## OTHER REPORTING REQUIREMENTS

### INDEPENDENCE AND ETHICS

In conducting our audit, we are required to comply with the independence requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* and Part 4A of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

We have obtained independence declarations from all staff engaged in the audit.

We also have policies and procedures in place to identify any threats to our independence, and to appropriately deal with and if relevant mitigate those risks.

We have not become aware of any issue that would cause any member of the engagement team, BDO or any BDO network firm to contravene any ethical requirement or any regulatory requirement that applies to the audit engagement.

BDO has not provided any other services during the audit to City of Salisbury.

The *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* requires the lead auditor to make a declaration to the directors regarding independence. We are in a position to make this declaration, a draft of which has been included at [Appendix 2](#).

### NON-COMPLIANCE WITH LAWS AND REGULATIONS

We have made enquiries in relation to any non-compliance with laws and regulations during the course of our audit. We have not identified any instances of non-compliance with laws and regulations as a result of our enquiries.

We have not identified any reportable matters during the course of our audit.

### FRAUD

Management have confirmed that there were no matters of fraud identified for the period under audit, or subsequently. It should be noted that our audit is not designed to detect fraud however should instances of fraud come to our attention we will report them to you.

We have not identified any instances of fraud during the course of our audit.





## APPENDIX 1 PROPOSED AUDIT REPORT

### INDEPENDENT AUDITOR'S REPORT TO THE PRINCIPAL MEMBER OF CITY OF SALISBURY

#### Report on the Audit of the Financial Report

##### Opinion

We have audited the financial report of City of Salisbury (the Council), which comprises the statement of financial position as at 30 June 2023, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the certification of the financial statements.

In our opinion the accompanying financial report presents fairly, in all material respects, the Council's financial position as at 30 June 2023, and its financial performance and its cash flows for the year ended in accordance with Australian Accounting Standards, the *Local Government Act 1999*, and the *Local Government (Financial Management) Regulations 2011*.

##### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

We are independent of the Council in accordance with the *Local Government Act 1999* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Local Government Act 1999*, which has been given to the Council, would be in the same terms if given to the Council as at the time of this auditor's report.

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

##### Council's Responsibility for the Financial Report

The Council's officers are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* and for such internal control as the Council's officers determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Council's officers are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council's officers either intend to liquidate the Council or to cease operations, or has no realistic alternative but to do so.



## APPENDIX 1 PROPOSED AUDIT REPORT CONTINUED

### Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website

(<http://www.auasb.gov.au/Home.aspx>) at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf)

This description forms part of our auditor's report.

**BDO Audit Pty Ltd**

Andrew Tickle  
Director

Adelaide, 27 September 2023

12 City of Salisbury Annual completion report



## APPENDIX 1 PROPOSED AUDIT REPORT CONTINUED

### INDEPENDENT ASSURANCE REPORT ON THE INTERNAL CONTROLS OF THE CITY OF SALISBURY

#### Opinion

We have undertaken a reasonable assurance engagement on the design and the operating effectiveness of controls established by City of Salisbury ('the Council') in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, throughout the period 1 July 2022 to 30 June 2023 relevant to ensuring such transactions have been conducted properly and in accordance with law.

In our opinion, in all material respects:

- (a) The controls established by Council in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities were suitably designed to ensure such transactions have been conducted properly and in accordance with law; and
- (b) The controls operated effectively as designed throughout the period from 1 July 2022 to 30 June 2023.

#### Basis for opinion

We conducted our engagement in accordance with Standard on Assurance Engagements ASAE 3150 Assurance Engagements on Controls issued by the Auditing and Assurance Standards Board.

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

The Council's responsibilities for the internal controls

The Council is responsible for:

- a) The receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities;
- b) Identifying the control objectives
- c) Identifying the risks that threaten achievement of the control objectives
- d) Designing controls to mitigate those risks, so that those risks will not prevent achievement of the identified control objectives; and
- e) Operating effectively the controls as designed throughout the period.

#### Our independence and quality control

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

#### Assurance practitioner's responsibilities

Our responsibility is to express an opinion, in all material respects, on the suitability of the design to achieve the control objectives and the operating effectiveness of controls established by Council in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities.





## APPENDIX 1 PROPOSED AUDIT REPORT CONTINUED

ASAE 3150 requires that we plan and perform our procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the control objectives and the controls operated effectively throughout the period.

An assurance engagement to report on the design and operating effectiveness of controls involves performing procedures to obtain evidence about the suitability of the design of controls to achieve the control objectives and the operating effectiveness of controls throughout the period. The procedures selected depend on our judgement, including the assessment of the risks that the controls are not suitably designed or the controls did not operate effectively. Our procedures included testing the operating effectiveness of those controls that we consider necessary to achieve the control objectives identified. An assurance engagement of this type also includes evaluating the suitability of the control objectives.

### Limitations of controls

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

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

BDO Audit Pty Ltd

Andrew Tickle  
Director

Adelaide, XX Month 2023



## APPENDIX 2 AUDITOR INDEPENDENCE DECLARATION

### CERTIFICATION OF AUDITOR INDEPENDENCE

I confirm that, for the audit of the financial statements of the City of Salisbury for the year ended 30 June 2023, I have maintained my independence in accordance with the requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code), Part 4A, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22 (5) *Local Government (Financial Management) Regulations 2011*.

Andrew Tickle  
Director

**BDO Audit Pty Ltd**

Adelaide, 27 September 2023



## APPENDIX 3 NEW DEVELOPMENTS

### REVISIONS TO THE PROVISION OF NON-ASSURANCE SERVICES

The Accounting Professional and Ethical Standards (APES) Board has reviewed and revised the Non-Assurance Services (NAS) Provisions in APES 110 Code of Ethics for Professional Accountants (including independence standards) and issued an amending standard on 21 December 2022. The revisions strengthen the independence standards by addressing public interest concerns about independence when firms provide NAS to their audit clients.

Amongst the key changes proposed to the non-assurance services provisions are:

- ▶ Strengthened provisions regarding auditor communication. There is now a requirement for Those Charged with Governance (TCWG) at a public interest entity (PIE) audit client to concur with BDO's assessment of the threats associated with the non-assurance services prior to the non-assurance services commencing.
- ▶ A new general prohibition in providing non-assurance services to a PIE audit client, if a self-review threat to auditor independence will be created.
- ▶ Further tightening of the circumstances in which materiality may be considered in determining the permissibility of a non-assurance service. Materiality is no longer a consideration for PIE audit clients in assessing the self-review threat.

### EFFECTIVE DATE

The APES Board has advised that these amendments will take effect from 1 July 2023, with early adoption permitted.

### AMENDMENTS TO THE FEE-RELATED PROVISIONS OF APES 110 CODE OF ETHICS FOR PROFESSIONAL ACCOUNTANTS (INCLUDING INDEPENDENCE STANDARDS)

To enhance and strengthen the communication between the auditor and TCWG, and to enable TCWG to have effective oversight over the independence of the auditor, the revised provisions on fees contain new transparency requirements. The APES Board has issued an amending standard in relation to the amendments to the fee-related provisions within the APES 110 Code of Ethics for Professional Accountants (the Code). The key changes include:

- ▶ Communication to TCWG at a PIE audit client, the fees and assessment thereof for non-assurance services. The purpose of this communication is to provide the background and context for the client to concur that the fees and levels of fees does not impair BDO's independence.
- ▶ Enhanced guidance on identifying, evaluating and addressing threats to independence in relation to other fee-related matters, including the proportion of fees for services other than audit to the audit fee.
- ▶ Communication of information related to the audit fee to the client and to the public to assist them in forming a view that auditor independence is not compromised.
- ▶ A prohibition on firms allowing the audit fee to be influenced by the provision of services other than audit to the audit client.
- ▶ In the case of PIE audit clients, a requirement to cease to act as auditor if fee dependency on the audit client continues beyond a specified period.

These provisions will be effective for audits and reviews of financial statements for periods beginning on or after 1 January 2023.

## APPENDIX 3 NEW DEVELOPMENTS CONTINUED

### PRACTICAL APPLICATION FOR THOSE CHARGED WITH GOVERNANCE

To facilitate compliance with the above requirements, your BDO Audit Engagement Partner will discuss and agree on a process, including:

- ▶ Identifying all entities within a corporate structure to which the revised provisions would apply.
- ▶ Establishing how TCWG have determined that authority for approving services is to be allocated.
- ▶ Understanding the information that will be communicated to TCWG to assist them in concurring with the assessment of the services and fees.

### UPCOMING CHANGES IN FINANCIAL REPORTING

#### AASB 2020-1 AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS - CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT

Effective for annual reporting periods beginning on or after 1 January 2024, there are five main changes to the classification requirements within AASB 101 *Presentation of financial statements*:

- ▶ The requirement for an 'unconditional' right has been deleted from paragraph 69(d) because covenants in banking agreements would rarely result in unconditional rights.
- ▶ The right to defer settlement must exist at the end of the reporting period. If the right to defer settlement is dependent upon the entity complying with specified conditions (covenants), the right to defer only exists at reporting date if the entity complies with those conditions at reporting date.
- ▶ Classification is based on the right to defer settlement, and not intention (paragraph 73), and

- ▶ If the right to defer settlement of a liability arising from a loan arrangement is dependent upon the entity complying with specified conditions in that loan arrangement, such covenants only affect the entity's right to defer settlement for at least twelve months after the reporting period if the entity must comply with the covenants **on or before the end of the reporting period**.
- ▶ If a liability could be settled by an entity transferring its own equity instruments prior to maturity (e.g. a convertible bond), classification is determined without considering the possibility of earlier settlement by conversion to equity, but only if the conversion feature is classified as equity under IAS 32.

#### AASB 2021-2 AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS - DISCLOSURE OF ACCOUNTING POLICIES AND DEFINITION OF ACCOUNTING ESTIMATES

Effective for annual reporting periods beginning on or after 1 January 2023, this new amendment introduces a definition of 'accounting estimate', i.e. monetary amounts in financial statements that are subject to estimation uncertainty, such as estimating expected credit losses for receivables, or estimating the fair value of an item recognised in the financial statements at fair value.

Accounting estimates are developed using measurement techniques and inputs. Measurement techniques comprise estimation techniques (such as used to determine expected credit losses or value in use) and valuation techniques (such as the income approach to determine fair value).

The amendments clarify that a change in an estimate occurs when there is either a change in a measurement technique or a change in an input.

## APPENDIX 3 NEW DEVELOPMENTS CONTINUED

There will be no impact on the financial statements when these amendments are first adopted because they apply prospectively to changes in accounting estimates that occur on or after the beginning of the first annual reporting period to which these amendments apply, i.e. annual periods beginning on or after 1 July 2023.

### DISCLOSURES

Only 'material' accounting policy information must be disclosed in the financial statements, i.e. if it relates to material transactions, other events, or conditions and:

- ▶ The entity has changed its accounting policy during the period.
- ▶ There are one or more accounting policy options in Accounting Standards
- ▶ The accounting policy was developed applying the hierarchy in AASB 108 because there is no specific IFRS dealing with the transaction.
- ▶ Significant judgement was required in applying the accounting policy.
- ▶ The accounting is complex, e.g. more than one IFRS applies to the transaction.

For further guidance, refer to the 'Considerations for Management when determining accounting estimates and related disclosures' [Briefing](#) issued by IAASB. This Briefing provides an overview of matters for management to consider in preparing for and responding to the significant revisions in, and the auditor's requests pertaining to ASA 540 Revised *Auditing Accounting Estimates and Related Disclosures*.



## APPENDIX 3 NEW DEVELOPMENTS CONTINUED

### ASIC GUIDANCE FOR DIRECTORS ON FEATURES OF AN AUDIT COMMITTEE THAT SUPPORT AUDIT QUALITY

ASIC recently updated Information Sheet 196 *Audit quality - The role of directors and audit committees* ([Info Sheet 196](#)) to include a new section, [What features of an audit committee support audit quality?](#), which is based on the [IOSCO report on good practices for audit committees in supporting audit quality](#) (issued January 2019). The key features of a supportive audit committee are summarised in the diagram below:



## APPENDIX 3 NEW DEVELOPMENTS CONTINUED

### ASIC GUIDANCE FOR DIRECTORS ON FEATURES OF AN AUDIT COMMITTEE THAT SUPPORT AUDIT QUALITY (CONTINUED)

Info Sheet 196 also includes sections explaining:

- ▶ Why audit quality is important.
- ▶ The auditor's responsibilities
- ▶ The roles of directors and audit committees
- ▶ The directors' responsibilities for auditor independence
- ▶ Who should manage the appointment of auditors
- ▶ What matters should be considered when setting audit fees
- ▶ How directors and audit committees can promote audit quality
- ▶ Possible reporting considerations for directors.

### AUDIT COMMITTEE MEMBERS SHOULD HAVE GOOD FINANCIAL REPORTING KNOWLEDGE

Three of the seventeen features that an audit committee should have to support them with quality are related to financial reporting knowledge, i.e.:

- ▶ At least one member should have good financial reporting knowledge (preferably the Chair)
- ▶ Committee members as a whole should have an appropriate understanding of financial reporting and audit.
- ▶ There should be introductory and ongoing training for audit committee members on financial reporting.

### HOW CAN BDO HELP?

BDO's [IFRS & Corporate Reporting team](#) has specialist expertise in financial reporting, including international financial reporting standards (IFRS) and other financial reporting regulatory matters, and we can help train or provide advice to your committee on a variety of topics. Please [contact us](#) for more information.

## APPENDIX 4 CLIMATE RISKS AND FINANCIAL REPORTING

### CLIMATE RELATED FINANCIAL DISCLOSURES

In December 2022, in anticipation of the release of forthcoming sustainability standards, the Australian Government opened its first round of consultation on '[Climate-related financial disclosures](#)'. The process closed in February 2023, when the Government received nearly 200 responses.

In June 2023, the [ISSB issued its first two sustainability standards](#):

- ▶ IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information, and
- ▶ IFRS S2 Climate-related Disclosures.

According to the ISSB, these standards become effective from 1 January 2024, subject to endorsement in each respective jurisdiction.

The day after the ISSB standards' release, the Australian Government announced its second round of consultation on implementing climate-related financial disclosures in Australia.

### WHICH ENTITIES WILL BE IMPACTED?

One of the key changes is a revised approach to the order of entities being introduced to mandatory climate-related reporting. While the previous consultation paper suggested focusing on large listed and large financial service providers, the new approach includes listed and non-listed organisations. The focus is still on the size of the organisation - starting with the 'big end of town' - and organisations that meet the reporting requirements of the [National Greenhouse and Energy Reporting \(NGER\) Scheme](#).

The introduction of mandatory reporting will still phase in (now across four years) to allow the market to upskill and prepare.

To find out when the climate-related reporting requirements may impact you, and what category you fall into, refer to BDO's IFRS & Corporate Reporting team's [ESG and Sustainability insights](#) and the proposed roadmap as set out by [Treasury](#).

### WHAT HAPPENS NEXT?

Organisations of all sizes - whether listed or private - should take note of the group they fall into to anticipate what the mandatory reporting implications might be, both now and with consideration of any future growth plans.

Regardless of status, entities should also assess and reflect on the organisations in their supply chain. With Scope 3 emissions - as required to be measured and reported under IFRS S2 - a reflection of the emissions from an organisation's supply chain, organisations of all sizes are likely to be impacted by the introduction of mandatory reporting. As group one entities begin to measure and report emissions, Scope 3 could become a key component of emission reduction strategies. By having accurate, reportable data and a decarbonisation strategy, organisations of all sizes can positively impact their supply chain before mandatory reporting even knocks on their door.

To understand more about what this means for your business, please contact our [National Sustainability Team](#).



## APPENDIX 5 ESG AND YOUR BUSINESS

### WHAT IS ESG?

ESG is the acronym for Environmental, Social and Governance. It is a holistic concept about an organisation's ability to create and sustain long-term value in a rapidly changing world, and managing the risks and opportunities associated with these changes.

ESG metrics are not part of mandatory [financial reporting](#) required by Australian Accounting Standards or International Financial Reporting Standards, but organisations across the world are increasingly making disclosures in their annual report or in a standalone sustainability report.

ESG is used as a framework to assess how an organisation manages risks and opportunities that changing market and non-market conditions create. ESG also puts a heavy emphasis on risk management, because monitoring and mitigating risks across all three dimensions is an important priority for any company that is serious about ESG. The three categories of ESG factors are as follow:

- ▶ **Environmental** factors address an organisation's environmental impact and environmental stewardship. It is focused on improving the environmental performance of an organisation.
- ▶ **Social** factors refer to how an organisation manages relationships with, and creates value for, stakeholders. The social dimension is focused on an organisation's impact on its employees, customers and the community.
- ▶ **Governance** factors refers to an organisation's leadership and management philosophy, practices, policies, internal controls, and shareholder rights. The governance dimension is focused on an organisation's leadership and structure.

### WHY IS ESG IMPORTANT FOR YOUR BUSINESS?

Investors across the globe are increasingly demanding organisations to outline their ESG framework and approach in order to assess the organisation's long-term sustainability. ESG has a potential significant impact on the following fundamental business issues relevant to the long-term success of the organisation:

- ▶ **Corporate reputation** - ESG can enhance a company's license to operate making it easier to accomplish business objectives and respond to crisis scenarios with key stakeholder groups.
- ▶ **Risk reduction** - ESG can assist with the identification of immediate and long-term risks depending on the industry and business model.
- ▶ **Opportunity management** - Shifting market and non-market conditions can expose unmet needs for new products and/or services, potential customer bases, and potential strategic relationships for addressing ESG issues.
- ▶ **Culture & intrinsic value** - ESG maturity is an indicator of a company's commitment to building a high performing, purpose-driven workforce and inclusive culture.

A robust ESG strategy can help attract the right talent and investors. To achieve a shift in sustainability we need to stop viewing ESG as a 'nice to have', it should be part of business strategy and risk management which can have a direct and positive impact on financial performance.

If you would like to speak with us about implementing an ESG framework in your organisation or providing assurance on your framework, please contact your audit engagement partner initially.

The image is a BDO Australia advertisement. It features a teal background with a red vertical bar on the left side. The text is white and includes contact information, a slogan, a list of Australian states and territories, and a disclaimer. The BDO logo is in the top right corner.

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We have prepared this report solely for the use of City of Salisbury. As you know, this report forms part of a continuing dialogue between the company and us and, therefore, it is not intended to include every matter, whether large or small, that has come to our attention. For this reason we believe that it would be inappropriate for this report to be made available to third parties and, if such a third party were to obtain a copy of this report without prior consent, we would not accept any responsibility for any reliance they may place on it.

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Andrew Tickle  
BDO Audit Pty Ltd  
422 King William Street  
ADELAIDE SA 5000

11 October 2023

Dear Andrew,

#### AUDIT FOR YEAR ENDED 30 JUNE 2023 OF CITY OF SALISBURY

This representation letter is provided in connection with your audit of the financial report of City of Salisbury for the year ended 30 June 2023, for the purpose of expressing an opinion as to whether the financial report presents fairly in accordance with the Australian Accounting Standards.

We confirm that to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purposes of appropriately informing ourselves:

#### Financial report

1. We have fulfilled our responsibilities, as set out in your engagement letter dated 23 February 2023, for the preparation for the financial report in accordance with Australian Accounting Standards, the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011*; in particular that the financial report presents fairly in accordance therewith.
2. We have established and maintained adequate internal controls to facilitate the preparation of a reliable financial report and adequate records have been maintained. Any and all deficiencies in internal control of which we are aware have been communicated to you.
3. We confirm that the selection and application of accounting policies remains appropriate, and that there have been no changes to the accounting policies applied in the previous annual financial statements or the methods used in applying them.
4. We have no plans or intentions that may materially affect the carrying values, or classification, of assets and liabilities.
5. The entity has satisfactory title to all assets, and there are no liens or encumbrances on such assets that have not been disclosed, nor has any asset been pledged as collateral.
6. All significant judgments related to accounting estimates have taken into account all relevant information of which management is aware and the selection or application of the methods, assumptions and data used by management in making the accounting estimates are consistent and appropriate.
7. The assumptions used in determining accounting estimates and related disclosures appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity.
8. Disclosures related to accounting estimates, including disclosures describing estimation uncertainty, are complete and reasonable within the context of the applicable financial reporting framework.

9. The appropriate specialised skills or expertise has been applied in making the accounting estimates as applicable.

**Books, records and documentation**

10. We have provided you with:
- Access to all information of which we are aware that is relevant to the preparation of the financial report such as records, documentation and other matters;
  - All minutes of meetings held by the Council and its Committees since the end of the previous reporting period have been given to you for your inspection, where requested;
  - Additional information that you have requested from us for the purpose of the audit;
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
11. All transactions have been recorded in the accounting records and are reflected in the financial report.

**Related parties**

12. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions.
13. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with Australian Accounting Standards in the financial report.

**Fraud**

14. We acknowledge our responsibility for the design, implementation and maintenance of accounting and internal control systems that are designed to prevent and detect fraud.
15. We have disclosed to you the results of our assessment of the risk that the financial report may be materially misstated as a result of fraud.
16. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
- Management;
  - Employees who have significant roles in internal control; or
  - Others where fraud could have a material impact on the financial report.
17. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial report communicated by employees, former employees, analysts, regulators or others.

**Litigation and claims**

18. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered in the financial report; and accounted for and disclosed in accordance with Australian Accounting Standards.

**Compliance with laws and regulations**

19. We have disclosed to you all known actual or possible non-compliance with laws and regulations whose effects should be considered when preparing the financial report.
20. There have been no instances of non-compliance of laws and regulations involving management or employees who have a significant role in internal control.
- There have been no communications from regulatory agencies concerning non-compliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial report.

**Subsequent events**

21. All events occurring subsequent to the date of the financial report and for which adjustment or disclosure are required, including but not limited to accounting estimates have been adjusted or disclosed.

**Other information**

22. We have informed you of all the documents that we expect to issue which may comprise other information accompanying the financial report.
23. The financial report and any other information obtained by you prior to the date of the auditor's report are consistent with one another, and the other information does not contain any material misstatements.

**Electronic presentation of Financial Report**

24. We are responsible for the electronic presentation of the financial report.
25. We will ensure that the electronic version of the audited financial report and the auditor's report on the web site will be identical to the final signed hard copy version.
26. We will clearly differentiate between audited and unaudited information in the construction of the entity's web site as we understand the risk of potential misrepresentation.
27. We have assessed the controls over the security and integrity of data on the web site and that adequate procedures are in place to ensure the integrity of the information published.
28. We will not present the auditor's report on the full financial statements with extracts only of the full financial statements.

Yours faithfully,

Client Signature:

John Harry,  
Chief Executive Officer,  
City of Salisbury.

Client Signature:

Charles Mansueto,  
General Manager Business Excellence,  
City of Salisbury.



<b>ITEM</b>	7.1.2
	<b>AUDIT AND RISK COMMITTEE</b>
<b>DATE</b>	10 October 2023
<b>HEADING</b>	End of Financial Year Statement and Analysis
<b>AUTHORS</b>	Melissa Hamilton, Team Leader Revenue, Business Excellence Sadaf Hashim, Assistant Accountant, Business Excellence
<b>CITY PLAN LINKS</b>	4.2 We deliver quality outcomes that meet the needs of our community
<b>SUMMARY</b>	This report and the associated attachments provides the Audit and Risk Committee with the information required to review the Annual Financial Statements for 2023 in accordance with the requirements of the <i>Local Government Act 1999</i> .

## RECOMMENDATION

### That Council:

1. Receives the information.
2. Notes that the Audit and Risk Committee, in accordance with Section 126(4)(a) of the *Local Government Act 1999*, reviewed the annual financial statements of the Council for the year ended 30 June 2023 and is satisfied they present fairly the state of affairs of Council.
3. Approves, in accordance with Regulation 22 of the *Local Government (Financial Management) Regulations 2011* clauses (3) (a) and (4), that the Chief Executive Officer and the Chair of the City of Salisbury Audit and Risk Committee sign the statement to certify the independence of the Council Auditor, BDO Australia.
4. Approves that the draft analysis of the Annual Financial Statements, as presented in Attachment 1 to this report (Audit and Risk Committee 10 October 2023, Item 7.1.2), be included in the End of Year Financial Statements Report to Council.

## ATTACHMENTS

This document should be read in conjunction with the following attachments:

1. Proposed Council General Business Item
2. City of Salisbury Annual Financial Statements 2023

### 1. BACKGROUND

- 1.1 Section 126(4) of the *Local Government Act 1999* details the functions of an Audit and Risk Committee which includes

(a) *reviewing annual financial statements to ensure that they present fairly the state of affairs of the council*

- 1.2 Regulation 22 part 3 of the *Local Government (Financial Management) Regulations 2011* requires annually that the Chief Executive Officer and the presiding member of the Audit and Risk Committee certify the independence of the council auditor for the respective financial year.

## 2. CONSULTATION / COMMUNICATION

### 2.1 Internal

- 2.1.1 This report provides the mechanism for consultation and communication with the Audit and Risk Committee regarding the City of Salisbury's Annual Financial Statements for the year ending 30 June 2023.

### 2.2 External

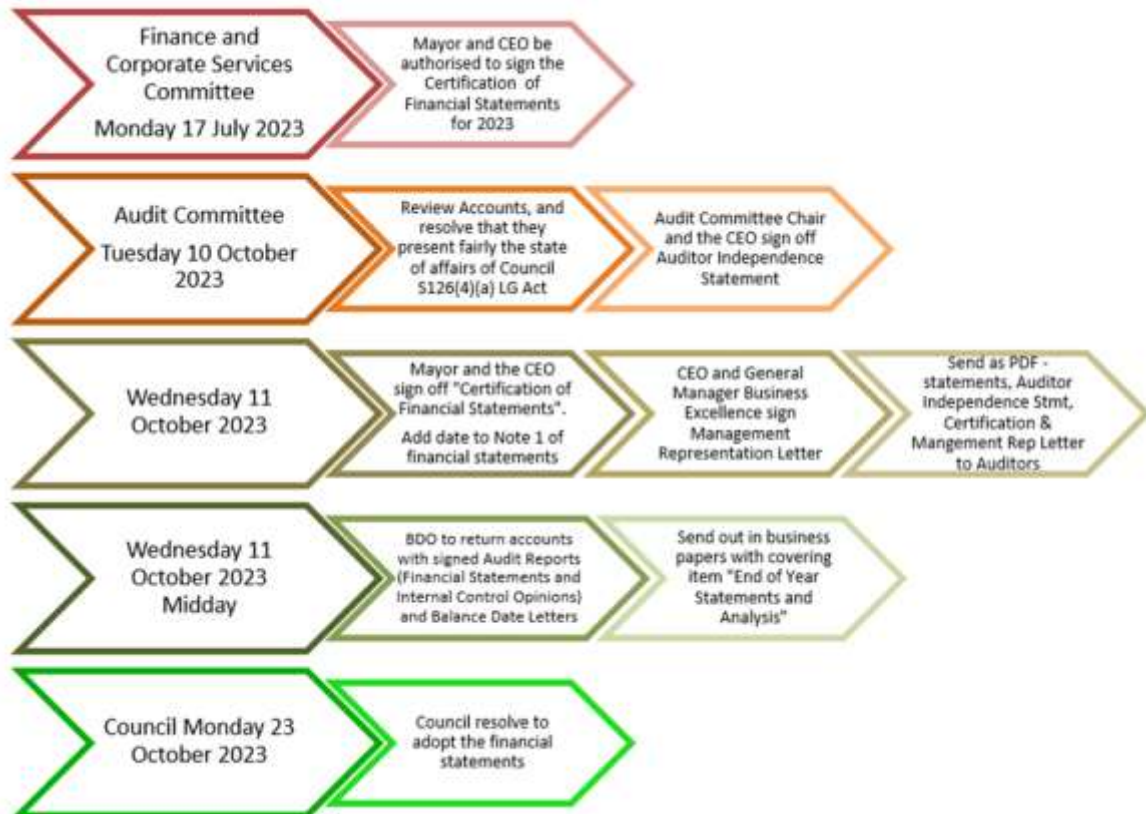
- 2.2.1 The Annual Financial Statements have been reviewed by Council's external auditor BDO Australia.

## 3. REPORT

- 3.1 The City of Salisbury's Annual Financial Statements for 2023 have been prepared in accordance with the *Local Government Act 1999*, the *Local Government (Financial Management) Regulations 2011*, the Australian Accounting Standards and the South Australian Model Financial Statements 2023.
- 3.2 The City of Salisbury's Audit and Risk Committee is required under section 126(4)(a) of the *Local Government Act 1999* to review the annual financial statements to ensure that they present fairly the state of affairs of the Council.
- 3.3 Our external auditors, BDO Australia, have conducted their review of the Annual Financial Statements for 2023, and are awaiting the Audit and Risk Committee's review prior to signing their audit opinion, after which the Annual Financial Statements for 2023 can be certified and then adopted by Council.
- 3.4 The Chief Executive Officer and the Mayor will sign the Certification of the 2023 Annual Financial Statements following the Audit and Risk Committee review, and it should be noted that this is also required by BDO Australia prior to them furnishing their audit opinions on the Annual Financial Statements and Internal Controls for 2023.
- 3.5 A timeline shown below demonstrates the process that is required to be followed to sign off the Annual Financial Statements for 2023.



### Sign off Process Annual Financial Statements for 2023



3.6 An analysis of the Annual Financial Statements and results for the year will be presented to Council on 23 October 2023, and a draft copy of that report is attached to this report for the Audit and Risk Committee's reference and review.

#### 3.7 Independence of Council Auditor

3.7.1 Regulation 22 of the *Local Government (Financial Management) Regulations 2011* provide in clauses (3) (a) and (4) that:

(3) *The following persons must each provide, on an annual basis, a statement that provides a certification as to compliance for the relevant financial year with the requirement that the auditor be independent of the council, council subsidiary or regional subsidiary (as the case may be):*

(a) *In a case involving a council or council subsidiary – the chief executive officer of the relevant council and the presiding member of the Audit and Risk Committee of the relevant body;*

(4) *A statement under sub-regulation (3) must accompany the financial statements for the relevant body.*

**4. CONCLUSION / PROPOSAL**

- 4.1 The Annual Financial Statements for the year ended 30 June 2023 have been prepared by Council Administration and have been audited by the City of Salisbury's external auditor BDO Australia. Following the review of the Annual Financial Statements for 2023 by the Audit and Risk Committee, the Statements will be certified by the Chief Executive Office and the Mayor and then BDO Australia will sign their audit opinion.
- 4.2 It is appropriate for the City of Salisbury's Audit and Risk Committee following its review of the Financial Statements to endorse, in accordance with Section 126 (4)(a) of the *Local Government Act 1999*, that they present fairly the state of affairs of Council and also that the external auditor's independence be certified in accordance with Regulation 22 of the *Local Government (Financial Management) Regulations 2011*.
- 4.3 The draft analysis of the Annual Financial Statements, as presented in Attachment 1 be recommended by the Audit and Risk Committee for inclusion in the End of Year Financial Statements Report to Council.



## ITEM

## ITEM

## COUNCIL

## DATE

23 October 2023

## HEADING

End of Year Financial Statement and Analysis 2023

## AUTHORS

Melissa Hamilton, Team Leader Accounting Services, Business Excellence  
Sadaf Hashim, Assistant Accountant, Business Excellence

## CITY PLAN LINKS

4.2 We deliver quality outcomes that meet the needs of our community

## SUMMARY

The City of Salisbury end of year processes for the financial year ended 30 June 2023 have been finalised and audited by Council's external auditor BDO Australia. This report provides detail of actual results compared to prior year actuals and to the budget position.

The annual financial statements have also been reviewed by the Audit Committee at the meeting on 10 October 2023. Further Council's external auditors are satisfied that they present fairly the state of affairs of the Council

## RECOMMENDATION

That Council:

1. Receives the information
2. The Annual Financial Statements for the year ended 30 June 2023 be adopted.

To be considered by Council 23 October 2023

## ATTACHMENTS

This document should be read in conjunction with the following attachments:

1. Annual Financial Statements for year ended 30 June 2023

## 1. BACKGROUND

- 1.1 Regulation 10 of the Local Government (Financial Management) Regulations 2011 requires the Council to

*(1) ...prepare and consider a report showing the audited financial results of each item shown in the statement of comprehensive income and balance sheet of the budgeted financial statements of the Council, ... for the previous financial year compared with the estimated financial results set out in the budget presented in a manner consistent with the Model Financial Statements.*

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*(2) ...council's operating surplus ratio, net financial liabilities ratio and asset renewal funding ratio compared with estimates set out in the budget presented in a manner consistent with the Model Financial Statements.*

## 2. CONSULTATION / COMMUNICATION

### 2.1 Internal

2.1.1 This report provides the mechanism for consultation and communication with Council regarding the City of Salisbury's Annual Financial Statements (AFS) for the year ending 30 June 2023. This report has been reviewed by the City of Salisbury's Audit and Risk Committee at the meeting held 10 October 2023 and feedback from the Committee has been included into the 2023 AFS.

### 2.2 External

2.2.1 The AFS for 2023 have been audited by Council's Auditors, BDO Australia, and they have provided an unqualified audit opinion.

## 3. REPORT

3.1 The City of Salisbury's Financial Statements for the 2023 financial year have been prepared in accordance with the *Local Government Act 1999*, the *Local Government (Financial Management) Regulations 2011*, the Australian Accounting Standards and the South Australian 2023 Model Financial Statements.

3.2 In accordance with Section 126(4)(a) of the *Local Government Act 1999* the Audit Committee advised that it has reviewed the annual financial statements of the Council for the year ended 30 June 2023 and is satisfied they present fairly the state of affairs of Council.

3.3 The external auditors BDO Australia have conducted their audit and have provided an unqualified audit opinion on the Annual Financial Statements.

3.4 The following comments are provided with respect to the 2023 AFS, with commentary highlighting significant movements' year on year.

3.5 Please note the date convention that has been used in this report, where 2023 refers to the 2022/23 financial year and 2022 refers to the 2021/22 financial year.

## 4. FINANCIAL STATEMENT ANALYSIS

### 4.1 Statement of Comprehensive Income

#### Year on Year Comparative

4.1.1 The Statement of Comprehensive Income shows an Operating Surplus before capital amounts and other comprehensive income of \$11,954k compared to \$13,369k in the prior year.

4.1.2 Whilst the Operating Surplus has decreased by \$1,415k from the prior year, there are a number of contributing and offsetting variances. Income has overall increased by \$7,390k from the 2022 financial year, with the main contributing factor being Rates Revenue increasing by \$5,659k compared to the previous financial year. Also contributing is Grants, Subsidies and Contributions that has increased by \$1,608k. This is as a

## ITEM

result of the early receipt of 100% of the 2023/24 Financial Assistance and Untied Local Roads Grants (FA&ULG) compared to 75% early payment in 2022 with a net impact of \$3,796k noting that the quantum of the grant has also increased by approximately \$1M, offset by lower than budgeted State Government Grant and Roads to Recovery Grant funding. Other income items have remained relatively consistent and detailed in later paragraphs.

- 4.1.3 Overall expenditure has increased by \$8,805k from the previous financial year, with increases in Employee Costs \$2,101k due to EB increases and other various movements relating to staff levels and leave payments, Materials, Contracts and Other expenses \$4,119k due to increases in various materials and supplies and contractual services and increases in Depreciation totaling \$2,360k. Further details on these movements are outlined in the paragraphs below.
- 4.1.4 Rate Revenue has increased by 5.31% from \$106,594k in 2022 to \$112,253k in 2023, being an increase of \$5,659k. Council endorsed a 3.5% average rate increase for residential properties and an average 3.9% rate increase for commercial properties in the 2023 year compared to a 2.8% increase in 2022. Also contributing to this increase is growth in the number of rateable properties and development activities increasing overall valuations.
- 4.1.5 Statutory Charges have increased by 7.60%, being an increase of \$278k from \$3,656k in 2022 to \$3,934k in 2023. The most significant impacts are increases in Building and Planning Fees of \$320k primarily as a result of some large-scale commercial developments commencing that attracted sizeable fees, plus higher volumes of external building application work undertaken. Further, Parking fines, Expiations and Penalties have also increased by \$21k. Offsetting are the decreases in Animal Registrations and Fines fees of \$45k and other Sundry Statutory Charges of \$21k.
- 4.1.6 User Charges have increased by 3.69%, being an increase of \$192k from \$5,193k in 2022 to \$5,385k in 2023, with increases in Cemetery charges of \$122k associated with higher number of burials and increase in cemetery charges. Building lease income has increased by \$101k primarily relating to Commercial leasing income. Other user charges relating to Bridgestone Kiosk Sales \$105k and Aged Care Program \$89k have also increased due to a higher level of community engagement within these areas and a return to normal activity after the period of COVID. This is partially offset by the reduced water supply charges of \$291k with lower non-residential sales compared to 2022 as a result of more rainfalls during the year.
- 4.1.7 Grants, Subsidies and Contributions have increased by 8.62% from \$18,650k in 2022 to \$20,258k in 2023, being an increase of \$1,608k. The Financial Assistance Grant total for 2023 was \$14,284k compared with the 2022 total of \$11,534k. This is as a result of an advance payment of four quarters of 23/24 being received in late 2023, compared

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to the three quarter advance payment of 22/23 received in 2022 (as shown in the figure below [A] & [B]).

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Financial Assistance Grant	2022	2023	
Details of Payment	\$'000s	\$'000s	Notes
Standard Payment	4,828	3,782	[C]
Advance Payment	6,706	10,502	[A] & [B]
	<b>11,534</b>	<b>14,284</b>	

*[A] 2022 Advance Payment represents estimated three quarters of the next years allocation.*  
*[B] 2023 Advance Payment represents estimated four quarters of the next years allocation.*  
*[C] Standard Payment represents 2022 and 2023 remaining allocations paid during the year.*

Offsetting this increase, is the decrease in the Roads to Recovery grant of \$384k and \$827k decrease in other numerous State Government Grants received during the year compared to the 2022.

- 4.1.8 Investment Income has increased by \$181k from \$110k in 2022 to \$291k in 2023 primarily as a result of an increase in the interest rates during the year; with an average interest rate on the short-term investments for 2022 being 0.35% and for 2023 being 3.35%.
- 4.1.9 Reimbursements have increased by 27.48% or a \$115k increase from \$421k in 2022 to \$536k in 2023 which primarily relates to \$102k Emergency Services Levy reimbursements received upon reassessment of Council owned properties for a period dating back to 2017/18.
- 4.1.10 Other Income has increased by 23.39% from \$1,034k in 2022 to \$1,276k in 2023 being an increase of \$242k, which is primarily a result of \$199k profit share received related to the performance of the Recreation Centres.
- 4.1.11 Equity accounting has been applied to the NAWMA regional subsidiary, with a Net Gain – Equity Accounted Council Businesses of \$340k which is associated with NAWMA's equity position, a net Loss of \$321k which is City of Salisbury's share of NAWMA operating deficit, and \$222k share of other comprehensive income associated with NAWMA Asset revaluations. This is a total net gain of \$241k compared to the prior year of \$1,225k gain, which was largely resulting from NAWMA's operating surplus of \$2.4M.
- 4.1.12 Employee Costs have increased by 5.49%, increasing from \$38,303k in 2022 to \$40,404k in 2023. The EB adjustment of 2.5% for both MOA staff and LGE staff, plus other various movements relating to staff increments and reclasses, and oncosts have contributed to this increase.



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- 4.1.13 Materials, Contracts and Other Expenses has increased by 7.49%, being an increase of \$4,119k from \$54,974k in 2022 to \$59,093k in 2023. Key areas contributing to the increase are Elections \$684k, Business Transformation Project \$454k, Operating expenditure relating to Capital Programs \$391k, Cyber Security \$260k and Telecommunications \$154k.
- There are also increases in the operational areas such as Parks and Landscape maintenance \$654k, mainly related to verge mowing expense \$472k, Park Maintenance \$320k and Tree Pruning/Removal \$163k. Further contributing to the overall increase is NAWMA Waste Management cost increase of \$565k primarily within Kerbside Greenwaste \$205k, and Water Management \$738k primarily related to Site Management \$324k and Water Treatment \$113k.
- Offsetting these increases is \$469k low expenditure associated with the Street Lighting program and \$410k less expenditure in the Kerb and Gutter Replacement Program in the 2023 financial year.
- Various other increases/decreases have occurred throughout the 2023 year as a result of variations in contracts, materials and other factors.
- 4.1.14 Depreciation costs have increased by \$2,360k from \$29,746k in 2022 compared to \$32,106k in 2023. This is primarily related to the valuation of Road and Bridge Assets resulting in an overall increase of \$2,153k in this asset category. Also contributing is an increase year on year relating to new and donated assets being brought on stream \$856k and an increase in buildings \$613k primarily related to the upgrade of Burton Community Centre and the acquisition of Salisbury Bowling Club. This is partially offset by a decrease of \$1,482k in Drainage assets resulting from a change in useful life of drainage pipes from 100 years to 150 years. Various other increases/decreases associated with incremental adjustments to unit rates and indexation flowing from the prior year revaluation have also contributed to this overall variance.
- 4.1.15 Finance Costs have decreased by 19.78% being a decrease of \$97k from \$491k in 2022 to \$394k in 2023, which primarily results from a decrease in Council's long-term borrowings and only short-term cash advances required in 2023.
- 4.1.16 Net Loss – Equity Accounted Council Businesses of \$321k which is associated with NAWMA's operating deficit, with the comparison year on year described in paragraph 4.1.11.
- 4.1.17 Asset disposal and fair value adjustments, amounts received specifically for new or upgraded assets and physical resources received free of charge, which are all items below the operating surplus, are discussed in detail in the budget and variance analysis below (section 5.5).
- 4.1.18 Share of Other Comprehensive represents City of Salisbury's share of NAWMA's asset revaluation being \$222k with the comparison year on year described in paragraph 4.1.11.

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**4.2 Statement of Financial Position 30 June 2023**

- 4.2.1 The Statement of Financial Position as at 30 June 2023 shows Net Assets (Total Assets less Total Liabilities) or 'Equity' has increased by 18.28% or \$319M from \$1,745M in 2022 to \$2,064M in 2023.
- 4.2.2 Infrastructure, Property, Plant and Equipment has significantly increased from \$1,725M in 2022 to \$2,046M in 2023 and is partially due to additions to our asset portfolio of \$58.9M. Also contributing to this is the net asset revaluation increments totaling \$297.4M, primarily being revaluation increments for Land \$172.5M, Land Improvements \$19.5M, Buildings \$7.9M and Infrastructure \$97.6M. Offsetting these increases is depreciation totaling \$28.3M and disposals of assets renewed or replaced \$4.7M. Further to the significant increase in Infrastructure Assets is an increase in Capital Works in Progress from \$29.8M in 2022 to \$32.6M in 2023, which is primarily associated with the accelerated infrastructure program.
- 4.2.3 Cash held by Council has increased by \$1,485k, from \$9,485k in 2022 to \$10,970k in 2023 mainly due to the 100% early receipt of 23/24 Financial Assistance & ULR Grant in 2023, compared to the 75% early receipt of 22/23 FA&ULR Grant in 2022.
- 4.2.4 As contained in AFS Note 15 'Financial Indicators', Net Financial Liabilities have increased \$4,442k from \$19,505k to \$23,947k, with the position as a proportion of total operating income, increased from 14.2% to 16.6%. Net Financial Liabilities are defined as total liabilities less financial assets expressed as a percentage of total operating revenue. Both the cash holdings and total financial liabilities have remained relatively the same as the last financial year contributing to this ratio of 16.6%, which is well inside the target range of less than 70% endorsed by Council for this indicator.
- 4.2.5 The Asset Renewal Funding Ratio has trended upwards to 103% after the low results of 88.6% in 2022 and 76% in 2021 (noting 2020 was 103.5%). Due to the impact of COVID-19, the 2021 and 2022 ratios were low with the delays in the delivery of infrastructure program and significant carry forwards and retiming of capital renewal program. While there are still market pressures in completing works, the ratio has returned to the normal level and is within the target range of 90% to 110% as per the 2023 LTFP and the Strategic Asset Management Plan.

## ITEM

**4.3 Statement of Cash Flows 30 June 2023**

- 4.3.1 The Statement of Cash Flows shows a net increase in cash and investments of \$1,485k, compared to a net decrease of \$316k for the prior financial year, resulting in a cash balance of \$9,485k as at 30 June 2023.
- 4.3.2 Net cash provided by Operating Activities at 30 June 2023 was \$49,367k as compared with \$47,604k in 2022, being an increase of \$1,763k. This increase is primarily related to \$6,954k higher rate revenue received in 2023 from \$105,223k in 2022 to \$112,177k in 2023 primarily as a result of an average rate increase of 3.5% for the 2023 year. Another contributing factor is Grants, Subsidies and Contributions that have increased by \$1,628k from \$18,915k in 2022 to \$20,543k in 2023. This is essentially due to an early receipt of 100% of the approximated 2023/24 Financial Assistance and Untied Local Roads Grants (FA&ULG) compared to the 75% in the prior year. Offsetting this revenue is the increased cash outflows for Materials, Contracts and Other Expenses being \$4,170k higher compared to the previous financial year and payments to employees, increasing from \$38,233k in 2022 to \$40,099k in 2023 which reflects the EB increases, increments and reclasses and associated on-costs.
- 4.3.3 Net cash used in Investing Activities has increased from \$45,694k in 2022 to \$46,728k in 2023. This mainly relates to higher cash outflows for Renewal/Replacement of Assets which has increased by \$2,746k from \$21,043k in 2022 compared to \$18,297k in 2022; plus higher cash outflows of \$8,323k for the New/Upgraded Assets from \$39,574k in 2022 compared to \$31,251k in 2023.
- 4.3.4 Net cash used in Financing Activities relates solely to Council's investment and borrowing activities. Overall net cash used in financing activities has decreased by \$1,072k from \$2,226k in 2022 to \$1,154k in 2023, which is mainly related to reduction in repayments, such as long-term loan borrowings from \$1,735k to \$1,321k and lease liabilities from \$806k to \$29k.

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## 5. BUDGET ACTUAL ANALYSIS

- 5.1 The analysis below is based on the comparison between the actual end of year results for the year ended 30 June 2023, and the 2023 original budget. Comment is made only to variances greater than \$100k unless there are significant issues that need to be brought to members' attention.

City Of Salisbury Statement of Comprehensive Income As at 30 June 2023			
	Actual \$'000	End of Financial Year Original Budget \$'000	Variance \$'000
<b>Income</b>			
Rates Revenues	112,253	112,011	243
Statutory Charges	3,933	2,848	1,085
User Charges	5,385	5,410	(25)
Grants, Subsidies & Contributions	20,258	14,317	5,940
Investment Income	291	71	220
Reimbursement	536	289	248
Other Income	1,276	980	296
Net Gain - Equity Accounted Council Businesses	340	-	340
<b>Total Income</b>	<b>144,272</b>	<b>135,926</b>	<b>8,346</b>
<b>Expenses</b>			
Employee Costs	40,404	42,534	2,130
Materials, Contracts and Other Expenses	59,093	58,862	(231)
Depreciation, amortisation & impairment	32,106	31,856	(250)
Finance Costs	394	1,444	1,050
Net Loss - Equity Accounted Council Businesses	321	-	(321)
<b>Total Expenses</b>	<b>132,318</b>	<b>134,697</b>	<b>2,379</b>
<b>Operating Surplus/(Deficit)</b>	<b>11,954</b>	<b>1,229</b>	<b>10,724</b>
Asset Disposal and Fair Value Adjustments	310	2,440	(2,130)
Amounts Received Specifically for New or Upgraded Assets	6,799	1,770	5,029
Physical Resources Received Free of Charge	1,955	1,000	955
<b>Net Surplus/(Deficit) <sup>(1)</sup></b>	<b>21,018</b>	<b>6,439</b>	<b>14,579</b>
<b>Other Comprehensive Income</b>			
Changes in Revaluation Surplus - I, PP&E	297,472	47,617	249,855
Share of other comprehensive income - equity accounted council businesses	222	-	222
<b>Total Other Comprehensive Income</b>	<b>297,694</b>	<b>47,617</b>	<b>250,077</b>
<b>Total Comprehensive Income</b>	<b>318,712</b>	<b>54,056</b>	<b>264,656</b>

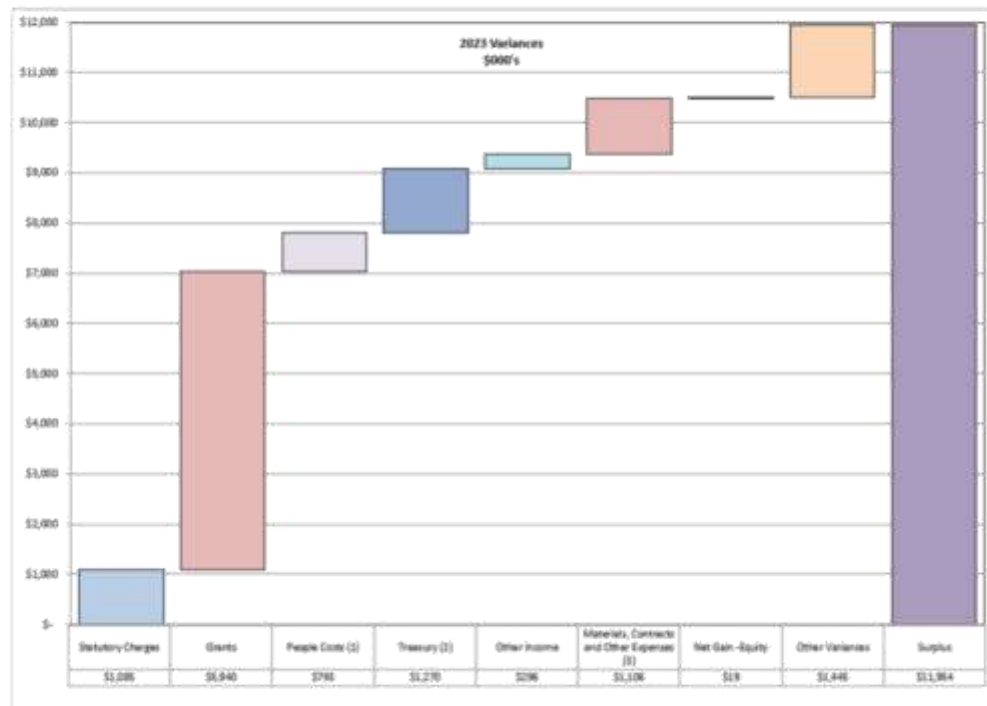
(1) Transferred to Equity Statement



## ITEM

## 5.2 Waterfall Analysis

5.2.1 The graph below shows the major components contributing to the increased surplus achieved in 2023 compared to budget. Following the graph is a table which provides a high-level commentary on the variances, with more detail contained in section 5.3 of this report.



- (1) People Costs is expenditure category "Employee Costs" less agency costs for backfilling vacancies, short term positions funded through the salary and wages provision and agency costs to deliver grant funded services which are disclosed within "Materials, Contracts and Other Expenses"
- (2) Treasury Costs is income category "Investment Income" together with savings on expenditure category "Finance Costs"
- (3) Materials, Contracts and Other Expenses have been adjusted for the variance in Agency costs for backfilling vacancies, which has been adjusted against People Costs.

2023 Variances	
Statutory Charges	The variance primarily relates to higher than budgeted Development Planning and Building Fees received \$1,084k higher, with other statutory charges in alignment with the original budget.
Grants	The significant variance results from higher than budgeted Financial Assistance Grant and Untied Local Roads Funding \$5,706k with equivalent of 100% advance payment received in 2023 compared to the budget of only 75% and the budget being conservative compared to actual. Also contributing is additional Developer Open Space Contributions \$334k compared to original budget.
People Costs	Various Wages and Salaries savings of \$2.1M across the organisation, partially offset by lower capitalisation of staff time



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	\$1.0M being a net saving of \$1.1M, unbudgeted COVID-19 special leave \$315k, and overtime payment \$244k.
Treasury	Higher levels of cash held throughout the year than anticipated has resulted in higher interest income of \$220k and lower interest costs incurred than anticipated as CAD's were needed to be drawn down for a short period of time only at the last quarter of the 2022/23 financial year resulting in interest expenditure savings of \$1.0M.
Other Income	The variance primarily relates to higher than budgeted Recreation Centre operating profit of \$198k and Workers Compensation Bonus of \$43k.
Materials, Contracts & Other	Overall the Materials, Contracts and Other expenses are in alignment with the budget with a minor variance of \$231k, however, taking out the effect of higher agency costs of \$1,274k as mentioned under People costs, there is a favourable variance of \$1.1M. This mainly relates to lower than anticipated Kerb and Gutter Replacement Program of \$836k, Street Light Maintenance cost of \$708k, NAWMA Waste Management cost of \$491k and Operating expenditure relating to Capital Programs of \$662k. This is partially offset by higher than budgeted Election costs \$532k (noting that this is offset by carried forward funds), Salisbury Water Business Unit higher than budgeted electricity costs due to increase water treatment \$183k, Verge Maintenance \$249k and Tree and Stump Removal \$173k.
Net gain/loss – Equity Accounted Business	The favourable variance of \$19k reflects Council's share of results in the Regional Subsidiary NAWMA. Council's net loss of \$321k is in accordance with the NAWMA operating deficit for the 2023 financial year, however, offsetting this loss is the Council's share adjustment based on the 'Cumulative Share' as per their Charter, recognised separately as a net gain of \$340k. Further, with NAWMA's asset revaluation, Council's share has also increased by \$222k recognised under Other Comprehensive Income. Profit/Loss on share of joint ventures are not budgeted due to the uncertainty of what will be distributed at the end of year.

**5.3 Income Analysis****5.3.1 Rates Revenues – Favourable Variance \$243k**

The favourable variance is primarily the result of final valuation increases from development activity on adoption compared with budget.

**5.3.2 Statutory Charges – Favourable Variance \$1,085k**

The favourable variance is primarily due to higher than budgeted Building and Development Lodgment fees and Planning fees of \$1,084k primarily associated to a higher number of applications processed during the financial year, and also some larger scale applications.

**5.3.3 User Charges – Unfavourable Variance \$25k**

The user charges overall are in alignment with original budget predictions. However, Cemetery charges are higher than budgeted \$281k primarily related to Cemetery license income \$173k as a result of an increase in pre-need licenses purchased during the year, \$33k higher than

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budgeted Cemetery Burial Fees and \$22k higher income related to Mausoleum Perpetual Care Fund income. Further, with increased community events, Property lease income is \$66k higher than original budget primarily in Commercial leases and increased event activity particularly at Bridgestone Athletics Centre has resulted in \$110k higher than budgeted income for the 2023 year.

Offsetting these favourable variances is lower than budgeted Salisbury Water User charges \$545k primarily as a result of a decrease in non-residential sales due to higher than average rainfalls during the year.

5.3.4 Grants, Subsidies and Contributions – Favourable Variance \$5,940k

The favourable variance primarily relates to higher than budgeted Financial Assistance Grant and Untied Local Road funding of \$5,706k with equivalent of 100% advance payment received in 2023 compared to the budget of only 75% and the budget being conservative compared to actual. Also, unbudgeted developer contributions totaling \$334k which were also received, however these are restricted contributions and will be expended in upcoming years within the required terms for expenditure.

There are also a number of minor variances associated with various grant funded programs received during the 2023 year.

5.3.5 Reimbursements – Favourable Variance \$248k

The favourable variance is primarily the result of various reimbursements received relating to works or services undertaken by Council with associated costs incurred within Materials, Contracts and Other Expenses, with the key areas being Recreational Services Contract Management \$109k offset by expenditure and an unbudgeted \$102k Revenue SA reimbursement received in relation to a reassessment and subsequent correction of Emergency Services Levy charges for Council owned properties for a period dating back to 2017/18. Normally, amounts received as reimbursements relate to costs incurred within the materials, contracts and other expenses classification. Also impacting are numerous small amounts primarily from private works that are offset by the expenditure incurred.

5.3.6 Other Income – Favourable Variance \$296k

The favourable variance is related to higher than budgeted Recreation Centres operating profit of \$198k and Workers Compensation Bonus of \$43k.

5.3.7 Net Gain – Equity Accounted Council Businesses – Favourable Variance \$340k

The favourable variance of \$340k reflects Council's share of equity position in the Regional Subsidiary NAWMA. This is offset by a net Loss of \$321k which represents Council's share of NAWMA's operating deficit, resulting in an overall gain of \$19k. Council also has a share in the other comprehensive income of \$222k with an overall net increment of \$241k in Council's equity share of this regional subsidiary. Profit/Loss on share of joint ventures are not budgeted due to the uncertainty of what will be distributed at the end of year. Profit/Loss on

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share of joint ventures such as NAWMA are budgeted to be a nil impact to ensure that Council is forming budgets that are sustainable without these equity impacts, and noting that NAWMA is not intended to generate surpluses.

**Expenditure Analysis**

**5.3.8 Employee Costs - Favourable Variance \$2,130k**

The favourable variance is related to Wages and Salaries savings inclusive of oncosts of \$1,950k across the organisation. However, from a resourcing perspective, there is agency costs of \$1,274k above budget associated with the backfilling for these vacancies, which is reported in Materials, Contracts and Other Expenses below.

Further, Workers Compensation costs is also \$180k lower than budgeted as a result of a decrease in the estimated percentage rate from the previous year (4.10% in 2023 as compared to 4.20% in 2022).

**5.3.9 Materials, Contracts and Other Expenses - Unfavourable Variance \$231k**

Overall the Materials, Contracts and Other expenses are in alignment with the original budget with a minor variance of \$231k, however, taking out the effect of higher agency costs of \$1,274k as mentioned under the Employee costs above, there is a favourable variance of \$1.1M. This primarily relates to Street Light Electricity savings \$708k and lower than anticipated Kerb and Gutter Replacement Program \$836k related to the Road Reseal Program, with these funds carried forward to the 2024 financial year. Further, NAWMA Waste Management expenditure is also favourable \$491k, primarily related to a Domestic General Waste (red bin services) cost reduction due to the transfer of green waste from domestic refuse. This was as a result of Council's green waste bin rollout program. Also contributing to the favourable variances against original budget predictions is operating expenditure relating to Capital Programs \$367k as a result of the timing of the delivery of operating projects throughout the 2023 year.

Further, PC lease expense have ended the year \$451k favourable, as a result of the impacts of the accounting standard AASB 16 Leases, however this impact is offset by the associated costs in depreciation in line with the standard. Cyber Security also ended in \$133k favourable variance with funds carried forward to 2023 financial year.

These favourable variances, however, are offset by higher than anticipated Election costs \$532k (noting revised budget included carried forward funds of \$464k), Salisbury Water Business Unit higher than budgeted electricity costs due to increased water treatment \$183k, Verge Maintenance \$249k and Tree and Stump Removal \$173k, plus other various minor variances contributing to the overall variance at year end.

**5.3.10 Depreciation Costs – Unfavourable Variance \$250k**



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The overall depreciation expense has remained relatively aligned to original budget expectations with the unfavourable variance primarily related to unbudgeted IT leased assets of \$420k, partially offset by \$228k lower than anticipated depreciation costs on Infrastructure assets.

The favourable variance in Infrastructure assets is primarily the result of an increase in useful life for drainage pipes from 100 years to 150 years. This is partially offset by an increase in depreciation as a result of the audit and subsequent revaluation of Road and Bridge Assets, which was unknown at the time of formulating the budget. Some of the other contributing factors include significant increase of Tonkin unit rate between 51.3% and 75.3% for road seals and the acquisition of the Salisbury Bowling Club during the 2023 financial year.

#### 5.3.11 Finance Costs – Favourable Variance \$1,050k

The favourable variance relates to the timing of cash receipts and disbursements, with the budget allowing for the drawdown on cash advance debentures to fund the infrastructure program. This, however, was required only for a short period of time during the last quarter of the 2023 financial year accumulating interest of \$33k. This is due to the significant level of carry forwards at the 2023 end of financial year for \$28.1M (\$22.3M capital and \$5.8M operating) and returned funds of \$4.5M. As a result finance costs are \$1.1M favourable against original budget expectations.

### 5.4 Non-Operating Items Analysis

- 5.4.1 Net Gain/(Loss) on disposal of assets is \$2,130k unfavourable to budget, resulting primarily from the early renewal of assets which necessitates the writing off of the remaining value, and totals \$4,741k for 2023. This includes Building Assets of \$1,910k, Land Improvement Assets \$355k and Infrastructure Assets \$1,876k. All of these assets have been renewed or replaced earlier than expected given the lives of these assets, resulting in a residual value needing to be written off.

The original budget also anticipated a gain of \$2.4M for net proceeds from property sales based on the pipeline of projects at the time of setting the budget. However, net proceeds from property sales was \$1.2M related to the Hoyle Green Development and \$4.4M related to the sale of the land at Ryans Road. These proceeds were offset by the assets disposals mentioned above resulting in a net position of \$310k for the 2023 financial year.

- 5.4.2 Amounts specifically for new or upgraded assets were favourable \$5,029k primarily as a result of timing of grant funding received, with the receipt of LRCI grant funds \$4.3M, the Salisbury Aquatic Centre \$2.6M and the Grassroots Facilities Program \$1.2M being major funding received. Also contributing to the favourable result is \$3.6M grant income received in 2022 but deferred to 2023 financial year to align with the construction of these assets. Similarly, offsetting these favourable variances is the \$6.8M grant funding deferred to 2024 financial year in accordance with the assets' construction stage.

**ITEM**

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- 5.4.3 Physical resources received free of charge represents the assets donated to Council which are associated with external property development, with typical assets being road, kerbing, footpaths, drainage, and verges. It should be noted that the budget is an estimated figure due to the complexities involved in determining the expected levels of donated assets. There has been a total of \$1.9M worth of assets donated to Council during the 2023 year, all comprising of Infrastructure Assets.

**5.5 Other Comprehensive Income Analysis**

- 5.5.1 Changes in Revaluation Surplus – IPP&E resulted in a favourable variance to budget of \$250M. Budgeting for infrastructure revaluations is inherently complex, however the variance is the result of revaluation increments for Land \$172.5M, Land Improvements \$19.5M, Buildings \$7.9M and Infrastructure \$97.6M.

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## ITEM

**5.6 Statement of Financial Position Analysis**

- 5.6.1 The Statement of Financial Position for 2023 is set out below and details the actual end of financial year position against the original endorsed budget. Commentary has been made on significant variances between the estimates as presented at the adoption of the budget and the 2023 end of year position.

**City Of Salisbury**  
**Statement of Financial Position**  
**As at 30 June 2023**

	Actual \$000	End of Financial Year Original Budget \$000	Variance \$000
<b>Current Assets</b>			
Cash and Cash Equivalents	10,970	-	10,970
Trade and Other Receivables	8,074	6,230	1,845
Inventories	270	1,787	(1,518)
<b>Total Current Assets</b>	<b>19,314</b>	<b>8,017</b>	<b>11,297</b>
<b>Non Current Assets</b>			
Financial Assets	662	330	332
Equity Accounted Investments in Council Businesses	6,290	4,824	1,466
Infrastructure, Property, Plant and Equipment	2,046,434	1,729,775	316,659
Other Non-Current Assets	34,636	22,222	12,414
<b>Total Non Current Assets</b>	<b>2,088,023</b>	<b>1,757,151</b>	<b>330,872</b>
<b>Total Assets</b>	<b>2,107,337</b>	<b>1,765,168</b>	<b>342,169</b>
<b>Current Liabilities</b>			
Cash Advance Debentures	-	(52,992)	52,992
Trade and Other Payables	(35,476)	(17,752)	(17,724)
Borrowings	(1,410)	(1,409)	(1)
Provisions	(5,385)	(10,170)	4,785
Current Liab-Other	1,645	-	1,645
<b>Total Current Liabilities</b>	<b>(40,625)</b>	<b>(82,323)</b>	<b>41,698</b>
<b>Non Current Liabilities</b>			
Borrowings	(2,359)	(4,698)	2,339
Provisions	(668)	(2,204)	1,536
<b>Total Non Current Liabilities</b>	<b>(3,027)</b>	<b>(6,902)</b>	<b>3,875</b>
<b>Total Liabilities</b>	<b>(43,653)</b>	<b>(89,225)</b>	<b>45,572</b>
<b>Net Assets</b>	<b>2,063,684</b>	<b>1,675,942</b>	<b>387,740</b>
<b>Equity</b>			
Accumulated Surplus	(404,074)	(403,420)	(654)
Asset Revaluation Reserves	(1,610,577)	(1,235,378)	(375,199)
Other Reserves	(49,033)	(37,144)	(11,889)
<b>Total Equity</b>	<b>(2,063,684)</b>	<b>(1,675,942)</b>	<b>(387,742)</b>

- 5.6.1 The Statement of Financial Position as at 30 June 2023 shows a favourable variance when compared to budget for Net Assets (Total

## ITEM

Assets less Total Liabilities) or 'Equity' of \$387.7M. This variance is primarily made up of the following items:

- Infrastructure, Property, Plant and Equipment is \$316.7M higher than originally budgeted, with higher levels of additions than originally planned and higher revaluation adjustments, partly offset by capital carry forwards of \$22.3M to the 2024 financial year.
- Other Non-current assets are \$12.4M higher than budget estimates, which is primarily the result of higher than anticipated infrastructure projects in progress at the end of 2023. The budget was set with the last known actual result (30 June 2022), as it is expected to remain relatively static, although the mix of projects will of course change over time.
- Liabilities are overall lower than budget by \$45.6M predominantly due to the Original Budget including an expectation that Council would need to drawdown on Cash Advance Debentures \$52.9M which was required only during the fourth quarter to the extent of \$7M and fully repaid at the end of 2023. This was a result of the level of carry forwards of \$28M and the level of returned funds \$4.5M, noting that carried forward funds will potentially increase our cash requirements in 2024.

#### 5.7 Financial Indicator Analysis

- 5.7.1 The Financial Indicators as presented in the original budget are set out below and have been compared to actual results for the 2023 financial year. Also included are adjusted Financial Indicators which normalise the ratios for the timing of the Financial Assistance Grant.

## ITEM

Financial Indicators	Endorsed Operating Range	2022-23 Original Budget	2022-23 Actuals	Variance to Original Budget	2022-23 Adjusted Actuals	Variance to Original Budget
Operating Surplus Ratio	0.5% - 5%	0.90%	8.3%	7.4%	5.8%	4.9%
Net Financial Liabilities Ratio	<70%	60.82%	16.6%	44.2%	17.0%	43.8%
Asset Renewal Funding Ratio	90-110%	100.0%	103.0%	3.0%	N/A	N/A

5.7.2 The operating surplus ratio of 8.3% is a favourable variance of 7.4% when compared to budget. However, when adjusted for the year on year timing impact of the early receipt of the 2024 Financial Assistance Grant, plus the advance payment in the prior year of the 2023 Financial Assistance Grant the ratio decreases to 5.8%, which continues to be a favourable variance of 4.9% to budget. Excluding the Grant receipts, the main factors contributing to this variance are Statutory charges \$1,085k (Paragraph 5.3.2), plus lower expenses such as Employee costs \$2,130k (Paragraph 5.4.1) and Finance Costs \$1,050k (Paragraph 5.4.4), with variances detailed in referenced paragraphs. The current endorsed operating range for this indicator is 0.5%-5%.

5.7.3 Net Financial Liabilities was 16.6% for 2023 which is favourable by 44.2% when compared to the original budget, primarily as a result of our budget expectations that we would be in a drawn down position on Cash Advance Debentures of \$52.9M in 2023, and primarily as a result of the budgeted infrastructure program. CAD drawdowns were ultimately required only to the extent of \$7M in the final quarter of the financial year and were fully repaid by the end of the 2023 financial year. This was primarily as a result of the timing of the delivery of the infrastructure program, and the level of carry forwards of \$28M will likely result in higher drawdowns in 2024. The actual result of 16.6% falls within the current endorsed operating range for this indicator, being less than 70%.

5.7.4 The Asset Renewal Funding Ratio of 103% is a favourable variance of 3% when compared to budget and is higher than the previous two financial years' ratios of 88.6% in 2022 and 76% in 2021. Due to the impact of COVID-19, the 2021 and 2022 ratios were low with the delays in the delivery of infrastructure program and significant carry forwards and retiming of capital renewal program. While there are still market pressures in completing works, the ratio has returned to the normal level and is within the target range of 90% to 110% as per the 2023 LTFP and the Strategic Asset Management Plan.

## 6. CONCLUSION / PROPOSAL

6.1.1 The Annual Financial Statements for 2023 have been prepared in accordance with the applicable Australian Accounting Standards and legislative requirements, and are recommended for adoption.

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## City of Salisbury

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2023

*A progressive, sustainable and connected community*



## City of Salisbury

General Purpose Financial Statements  
for the year ended 30 June 2023

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## City of Salisbury

### General Purpose Financial Statements

for the year ended 30 June 2023

#### Certification of Financial Statements

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

In our opinion:

- the accompanying financial statements comply with the *Local Government Act 1999, Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards,
- the financial statements present a true and fair view of the Council's financial position at 30 June 2023 and the results of its operations and cash flows for the financial year,
- internal controls implemented by the Council provide a reasonable assurance that the Council's financial records are complete, accurate and reliable and were effective throughout the financial year,
- the financial statements accurately reflect the Council's accounting and other records.

John Harry  
Chief Executive Officer

11 October 2023

Gillian Aldridge  
Mayor

11 October 2023

## City of Salisbury

### General Purpose Financial Statements

for the year ended 30 June 2023

### Understanding Council's Financial Statements

#### Introduction

Each year, individual Local Governments across South Australia are required to present a set of audited Financial Statements to their Council and Community.

#### About the Certification of Financial Statements

The Financial Statements must be certified by the Chief Executive Officer and Mayor as 'presenting a true and fair view' of the Council's financial results for the year and ensuring both responsibility for and ownership of the Financial Statements across Council.

#### What you will find in the Statements

The Financial Statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2023.

The format of the Financial Statements is standard across all South Australian Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and the requirements as set down in the South Australia Model Financial Statements. The Financial Statements incorporate four 'primary' financial statements:

1. **Statement of Comprehensive Income**  
A summary of Council's financial performance for the year, listing all income and expenses.
2. **Statement of Financial Position**  
A 30 June snapshot of Council's financial position including its assets and liabilities.
3. **Statement of Changes in Equity**  
The overall change for the year (in dollars) of Council's 'net wealth'.
4. **Statement of Cash Flows**  
Indicates where Council's cash came from and where it was spent.

#### About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the four Primary Financial Statements.

#### About the Auditor's Reports

Council's Financial Statements are required to be audited by external accountants (that generally specialise in Local Government).

In South Australia, the Auditor provides an audit report, with an opinion on whether the Financial Statements present fairly the Council's financial performance and position.

#### About the Independence Certificates

Council's Financial Statements are also required to include signed Certificates by both the Council and the Auditors that the Council's Auditor has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011*.

#### Who uses the Financial Statements?

The Financial Statements are publicly available documents and are used by (but not limited to) Councillors, Residents and Ratepayers, Employees, Suppliers, Contractors, Customers, the Local Government Association of South Australia, the SA Local Government Grants Commission, and Financiers including Banks and other Financial Institutions.

Under the *Local Government Act 1999* the Financial Statements must be made available at the principal office of the Council and on Council's website.

## City of Salisbury

Statement of Comprehensive Income  
for the year ended 30 June 2023

\$ '000	Notes	2023	2022
<b>Income</b>			
Rates	2a	112,253	106,593
Statutory charges	2b	3,933	3,656
User charges	2c	5,385	5,193
Grants, subsidies and contributions - operating	2g	20,258	18,650
Investment income	2d	291	111
Reimbursements	2e	536	421
Other income	2f	1,276	1,034
Net gain - equity accounted council businesses	19(a)	340	1,225
<b>Total income</b>		<b>144,272</b>	<b>136,883</b>
<b>Expenses</b>			
Employee costs	3a	40,404	38,303
Materials, contracts and other expenses	3b	59,093	54,974
Depreciation, amortisation and impairment	3c	32,106	29,746
Finance costs	3d	394	491
Net loss - equity accounted council businesses	19(a)	321	—
<b>Total expenses</b>		<b>132,318</b>	<b>123,514</b>
<b>Operating surplus / (deficit)</b>		<b>11,954</b>	<b>13,369</b>
Physical resources received free of charge	2i	1,955	2,865
Asset Disposal and Fair Value Adjustments	4	310	(5,388)
Amounts received specifically for new or upgraded assets	2h	6,799	2,895
<b>Net surplus / (deficit)</b>		<b>21,018</b>	<b>13,741</b>
<b>Other comprehensive income</b>			
<b>Amounts which will not be reclassified subsequently to operating result</b>			
Changes in revaluation surplus - I, PP&E	9a	297,472	166,371
Share of other comprehensive income - equity accounted council businesses	19	222	—
<b>Total amounts which will not be reclassified subsequently to operating result</b>		<b>297,694</b>	<b>166,371</b>
<b>Total other comprehensive income</b>		<b>297,694</b>	<b>166,371</b>
<b>Total comprehensive income</b>		<b>318,712</b>	<b>180,112</b>

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

## City of Salisbury

Statement of Financial Position  
as at 30 June 2023

\$ '000	Notes	2023	2022
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and Cash Equivalent Assets	5a	10,970	9,485
Trade and Other Receivables	5b	8,074	6,955
Inventories	5c	910	1,597
<b>Subtotal</b>		<b>19,954</b>	<b>18,037</b>
<b>Total current assets</b>		<b>19,954</b>	<b>18,037</b>
<b>Non-current assets</b>			
Trade and other receivables	6a	662	1,008
Equity accounted investments in council businesses	6b	6,290	6,049
Other non-current assets	6c	33,997	31,423
Infrastructure, Property, Plant and Equipment	7	2,046,434	1,725,408
<b>Total non-current assets</b>		<b>2,087,383</b>	<b>1,763,888</b>
<b>TOTAL ASSETS</b>		<b>2,107,337</b>	<b>1,781,925</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and Other Payables	8a	28,354	20,066
Borrowings	8b	1,840	1,727
Provisions	8c	8,065	7,904
<b>Subtotal</b>		<b>38,259</b>	<b>29,697</b>
<b>Total current liabilities</b>		<b>38,259</b>	<b>29,697</b>
<b>Non-current liabilities</b>			
Borrowings	8b	3,485	5,349
Provisions	8c	1,909	1,907
<b>Total non-current liabilities</b>		<b>5,394</b>	<b>7,256</b>
<b>TOTAL LIABILITIES</b>		<b>43,653</b>	<b>36,953</b>
<b>Net assets</b>		<b>2,063,684</b>	<b>1,744,972</b>
<b>EQUITY</b>			
Accumulated surplus		403,343	385,015
Asset revaluation reserves	9a	1,610,577	1,313,105
Other reserves	9b	49,764	46,852
<b>Total council equity</b>		<b>2,063,684</b>	<b>1,744,972</b>
<b>Total equity</b>		<b>2,063,684</b>	<b>1,744,972</b>

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

## City of Salisbury

Statement of Changes in Equity  
for the year ended 30 June 2023

\$ '000	Notes	Accumulated surplus	Asset revaluation reserve	Other reserves	Total equity
<b>2023</b>					
Balance at the end of previous reporting period		385,015	1,313,105	46,852	1,744,972
Net surplus / (deficit) for year		21,018	–	–	21,018
<b>Other comprehensive income</b>					
- Gain (Loss) on Revaluation of I,PP&E	7a	–	297,472	–	297,472
Share of OCI - equity accounted council businesses		222	–	–	222
<b>Other comprehensive income</b>		<b>222</b>	<b>297,472</b>	<b>–</b>	<b>297,694</b>
<b>Total comprehensive income</b>		<b>21,240</b>	<b>297,472</b>	<b>–</b>	<b>318,712</b>
Transfers between reserves		(2,912)	–	2,912	–
<b>Balance at the end of period</b>		<b>403,343</b>	<b>1,610,577</b>	<b>49,764</b>	<b>2,063,684</b>
<b>2022</b>					
Balance at the end of previous reporting period		380,558	1,146,734	37,568	1,564,860
Net surplus / (deficit) for year		13,741	–	–	13,741
<b>Other comprehensive income</b>					
- Gain (Loss) on Revaluation of I,PP&E	7a	–	166,371	–	166,371
<b>Other comprehensive income</b>		<b>–</b>	<b>166,371</b>	<b>–</b>	<b>166,371</b>
<b>Total comprehensive income</b>		<b>13,741</b>	<b>166,371</b>	<b>–</b>	<b>180,112</b>
Transfers between reserves		(9,284)	–	9,284	–
<b>Balance at the end of period</b>		<b>385,015</b>	<b>1,313,105</b>	<b>46,852</b>	<b>1,744,972</b>

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



## City of Salisbury

## Statement of Cash Flows

for the year ended 30 June 2023

\$ '000	Notes	2023	2022
<b>Cash flows from operating activities</b>			
<u>Receipts</u>			
Rates		112,177	105,223
Statutory charges		4,076	3,783
User charges		5,213	5,710
Grants, Subsidies and Contributions (operating purpose)		20,543	18,915
Investment receipts		272	111
Reimbursements		536	421
Other receipts		14,827	15,609
<u>Payments</u>			
Payments to employees		(40,269)	(38,233)
Payments for Materials, Contracts and Other Expenses		(67,614)	(63,444)
Finance payments		(394)	(491)
<b>Net cash provided by (or used in) operating activities</b>	11b	<b>49,367</b>	<b>47,604</b>
<b>Cash flows from investing activities</b>			
<u>Receipts</u>			
Net disposal of investment securities		—	—
Sale of real estate developments		296	79
Amounts received specifically for new or upgraded assets		6,799	2,895
Sale of replaced assets		434	547
Sale of surplus assets		5,110	243
Repayments of loans by community groups		367	32
Distributions Received from Equity Accounted Council Businesses		340	(73)
<u>Payments</u>			
Expenditure on renewal/replacement of assets		(21,043)	(18,297)
Expenditure on new/upgraded assets		(39,574)	(31,251)
Development of real estate for sale		883	58
Capital contributed to equity accounted Council businesses		(340)	73
<b>Net cash provided (or used in) investing activities</b>		<b>(46,728)</b>	<b>(45,694)</b>
<b>Cash flows from financing activities</b>			
<u>Receipts</u>			
Proceeds from bonds and deposits		196	315
<u>Payments</u>			
Repayments of Borrowings		(1,321)	(1,735)
Repayment of lease liabilities		(29)	(806)
<b>Net cash provided by (or used in) financing activities</b>		<b>(1,154)</b>	<b>(2,226)</b>
<b>Net increase (decrease) in cash held</b>		<b>1,485</b>	<b>(316)</b>
plus: Cash and Cash Equivalents at beginning of period		9,485	9,801
<b>Cash and cash equivalents held at end of period</b>	11a	<b>10,970</b>	<b>9,485</b>
Additional information:			
plus: investments on hand – end of year	6b	615	615
<b>Total Cash, Cash Equivalents and Investments</b>		<b>11,585</b>	<b>10,100</b>

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

## City of Salisbury

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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## City of Salisbury

### Notes to and forming part of the Financial Statements for the year ended 30 June 2023

#### Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted by Council in the preparation of these consolidated financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

##### (1) Basis of preparation

###### 1.1 Compliance with Australian Accounting Standards

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

The financial report was authorised for issue by certificate under regulation 14 of the *Local Government (Financial Management) Regulations 2011* dated 11 October 2023.

###### 1.2 Historical cost convention

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

###### 1.2 Critical accounting estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates and requires management to exercise its judgement in applying Council's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are specifically referred to in the relevant sections of these Notes.

###### 1.3 Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000).

##### (2) The local government reporting entity

City of Salisbury is incorporated under the *South Australian Local Government Act 1999* and has its principal place of business at 34 Church Street, Salisbury. These financial statements include the Council's direct operations and all entities through which Council controls resources to carry on its functions.

Other entities in which Council has an interest but does not control are reported in Note 19.

##### (3) Income recognition

The Council recognises revenue under AASB 1058 *Income of Not-for-Profit Entities* or AASB 15 *Revenue from Contracts with Customers* when appropriate.

In cases where there is an enforceable contract with a customer with sufficiently specific performance obligations, the transaction is accounted for under AASB 15 where income is recognised when (or as) the performance obligations are satisfied (i.e. when it transfers control of a product or service to a customer). Revenue is measured based on the consideration to which the Council expects to be entitled in a contract with a customer.

In other cases, AASB 1058 applies when a not-for-profit (NFP) entity enters into transactions where the consideration to acquire an asset is significantly less than the fair value of the asset principally to enable the entity to further its objectives. The excess of the asset recognised (at fair value) over any related amounts is recognised as income immediately, except in the case where a financial asset has been received to enable the council to acquire or construct a recognisable non-financial asset that is to be controlled by the council. In this case, the council recognises the excess as a liability that is recognised over time in profit and loss when (or as) the entity satisfies its obligations under the transfer.

continued on next page ...

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## City of Salisbury

### Notes to and forming part of the Financial Statements for the year ended 30 June 2023

#### Note 1. Summary of Significant Accounting Policies (continued)

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

Financial Year	Payment Received In Advance \$'000	Comments
2020/21	4,737	Relates to 2021/22
2021/22	6,706	Relates to 2022/23
2022/23	10,502	Relates to 2023/24

Because these grants as applicable for the current reporting period are untied, the Australian Accounting Standards require that payments be recognised upon receipt. Accordingly, the operating results of these periods have been distorted compared to those that would have been reported had the grants been paid in the year to which they were allocated.

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

#### (4) Cash, cash equivalents and other financial instruments

Cash Assets include all amounts readily convertible to cash on hand at Council's option with an insignificant risk of changes in value with a maturity of three months or less from the date of acquisition.

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

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

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

#### (5) Inventories

Inventories held in respect of stores have been valued by using the weighted average cost on a continual basis, after adjustment for loss of service potential. Inventories held in respect of business undertakings have been valued at the lower of cost and net realisable value.

##### 5.1 Real estate assets developments

Real Estate Assets developments have been classified as Inventory in accordance with *AASB 102 Inventories* and are valued at the lower of cost or net realisable value. Cost includes the costs of acquisition, development, borrowing and other costs incurred on financing of that acquisition and up to the time of sale. Any amount by which cost exceeds the net realisable value has been recognised as an expense.

Revenues arising from the sale of property are recognised in the operating statement when settlement is completed.

##### 5.2 Other real estate held for resale

Properties not acquired for development, but which Council has decided to sell as surplus to requirements, are recognised at the carrying value at the time of that decision.

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## City of Salisbury

### Notes to and forming part of the Financial Statements for the year ended 30 June 2023

#### Note 1. Summary of Significant Accounting Policies (continued)

##### (6) Infrastructure, Property, Plant and Equipment

###### 6.1 Initial recognition

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

All non-current assets purchased or constructed are capitalised as the expenditure is incurred and depreciated as soon as the asset is held 'ready for use'. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including architects' fees and engineering design fees and all other costs incurred. The cost of non-current assets constructed by the Council includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overhead.

Capital works still in progress at balance date are recognised as other non-current assets and transferred to infrastructure, property, plant and equipment when completed ready for use.

###### 6.2 Materiality

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

Examples of capitalisation thresholds applied during the year are disclosed in Note 7. No capitalisation threshold is applied to the acquisition of land or interests in land.

###### 6.3 Subsequent recognition

All material asset classes are revalued on a regular basis such that the carrying values are not materially different from fair value. Significant uncertainties exist in the estimation of fair value of a number of asset classes including land, buildings and associated structures and infrastructure. Further detail of these uncertainties and of existing valuations, methods and valuers are provided at Note 7.

###### 6.4 Depreciation of non-current assets

Other than land, all infrastructure, property, plant and equipment assets recognised are systematically depreciated over their useful lives on a straight-line basis which, in the opinion of Council, best reflects the consumption of the service potential embodied in those assets.

Depreciation methods, useful lives and residual values of classes of assets are reviewed annually; these reviews are conducted either internally or externally through the completion of asset audits and valuations.

Major depreciation periods for each class of asset are detailed in Note 7. Depreciation periods for infrastructure assets have been estimated based on the best information available to Council, but appropriate records covering the entire life cycle of these assets are not available, and extreme care should be used in interpreting financial information based on these estimates.

###### 6.5 Intangible Assets

Intangible Assets have been accounted for in accordance with the requirements of AASB 138 *Intangible Assets*. An item is recognised as an intangible if it meets the definition of an intangible asset, it is probable that future economic benefits will flow to Council and the cost of the asset can be reliably measured.

Intangible Assets are tested for impairment yearly or when there is objective evidence or an indication that these assets may be impaired. Further determinations on useful lives are reviewed annually.

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## City of Salisbury

### Notes to and forming part of the Financial Statements for the year ended 30 June 2023

#### Note 1. Summary of Significant Accounting Policies (continued)

##### 6.6 Impairment

Assets whose future economic benefits are not dependent on the ability to generate cash flows, and where the future economic benefits would be replaced if Council were deprived thereof, are not subject to impairment testing.

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

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

##### (7) Payables

###### 7.1 Goods and Services

Creditors are amounts due to external parties for the supply of goods and services and are recognised as liabilities when the goods and services are received. Creditors are normally paid 30 days after the month of invoice. No interest is payable on these amounts.

###### 7.2 Payments Received in Advance and Deposits

Amounts received from external parties in advance of service delivery, and security deposits held against possible damage to Council assets, are recognised as liabilities until the service is delivered or damage reinstated, or the amount is refunded as the case may be. In accordance with *AASB 1058 Income for Not-For-Profit Entities*, grant revenue received to construct assets has been recognised as payments received in advance in 2023 financial year.

##### (8) Borrowings

Borrowings are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period to which it relates, and is recorded as part of 'Payables'.

##### (9) Employee benefits

###### 9.1 Salaries, Wages and Compensated Absences

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

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

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

###### 9.2 Superannuation

The Council makes employer superannuation contributions in respect of its employees to the HostPlus Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently. No changes in accounting policy have occurred during either the current or previous reporting periods. Details of the accounting policies applied and Council's involvement with the schemes are reported in Note 18.

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## City of Salisbury

### Notes to and forming part of the Financial Statements for the year ended 30 June 2023

#### Note 1. Summary of Significant Accounting Policies (continued)

##### (10) Leases

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

Lease arrangements have been accounted for in accordance with AASB 16 Leases which was applied by Council for the first time from 1 July 2019.

##### 10.1 Council as a lessee

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

##### i) Right of Use Assets

The Council recognises right of use assets at the commencement date of the lease. Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and the estimate of costs to be incurred to restore the leased asset. Right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. Land is amortised over a period of 30 years, details for both as follows:

Plant and equipment	3 to 5 years
Water Harvesting Site	30 years

The right of use assets are also subject to impairment. Refer to the accounting policies above.

##### ii) Lease Liabilities

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

##### iii) Short term leases and leases of low-value assets

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

##### (11) Equity accounted Council businesses

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

##### (12) GST implications

In accordance with Interpretation Abstract 1031 'Accounting for the Goods and Services Tax'

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

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## City of Salisbury

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

#### Note 1. Summary of Significant Accounting Policies (continued)

##### (13) New accounting standards and UIG interpretations

The Council applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022. New standards and amendments relevant to the Council are listed below. The Council has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

##### Standards issued by the AASB not yet effective

The AASB has issued Australian Accounting Standards and Interpretations which are not effective at 30 June 2023, these standards have not been adopted by Council and will be included in the financial statements on their effective date. Where the standard is expected to have a significant impact for Council then further information has been provided in this note.

The following list identifies all the new and amended Australian Accounting Standards, and Interpretation, that were issued but not yet effective at the time of compiling these illustrative statements that could be applicable to Councils.

##### Effective for NFP annual reporting periods beginning on or after 1 January 2023

- AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current (amended by AASB 2020-6 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current - Deferral of Effective Date, AASB 2022-6 Amendments to Australian Accounting Standards - Non-current Liabilities with Covenants)
- AASB 2021-6 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards. (This Standard makes amendments to AASB 1053 Application of Tiers of Australian Accounting Standards, June 2010 and AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for Profit Tier 2 Entities, March 2020)
- AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates (This standard amends a number of Standards as follows: AASB 7 Financial Instruments: Disclosures – to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements, AASB 101 Presentation of Financial Statements - to require entities to disclose their material accounting policy information rather than their significant accounting policies, AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors - to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates, AASB 134 Interim Financial Reporting - to identify material accounting policy information as a component of a complete set of financial statements, AASB Practice Statement 2: Making Materiality Judgements - to provide guidance on how to apply the concept of materiality to accounting policy disclosures)

##### Effective for NFP annual reporting periods beginning on or after 1 January 2024

- AASB 2022-5 Amendments to Australian Accounting Standards - Lease Liability in a Sale and Leaseback. (This Standard makes amendments to AASB 16 Leases, February 2016. These amendments arise from the issuance of International Financial Reporting Standard Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) by the International Accounting Standards Board (IASB) in September 2022)
- AASB 2022-10 Amendments to Australian Accounting Standards - Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities (This Standard makes amendments to AASB 13 Fair Value Measurement, August 2015 for application by not-for profit public sector)

##### (14) Comparative figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

##### (15) Disclaimer

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

## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2023

## Note 2. Income

\$ '000	2023	2022
<b>(a) Rates</b>		
<b>General rates</b>		
General rates	111,231	106,199
Less: mandatory rebates	(1,306)	(1,267)
Less: Discretionary Rebates, Remissions and Write Offs	(401)	(869)
<b>Total general rates</b>	<b>109,524</b>	<b>104,063</b>
<b>Other rates (including service charges)</b>		
Green Adelaide Board Regional Landscape Levy	2,251	2,110
Salisbury Business Association Separate Rate	163	127
Globe Derby Community Club Separate Rate	9	7
<b>Total other rates (including service charges)</b>	<b>2,423</b>	<b>2,244</b>
<b>Other charges</b>		
Penalties for late payment	306	286
<b>Total other charges</b>	<b>306</b>	<b>286</b>
<b>Total rates</b>	<b>112,253</b>	<b>106,593</b>
<b>(b) Statutory charges</b>		
Development Act fees	1,391	1,232
Town planning fees	1,052	892
Animal Registration Fees and Fines	834	879
Parking fines / expiation fees	240	224
Other Licences, Fees and Fines	416	429
<b>Total statutory charges</b>	<b>3,933</b>	<b>3,656</b>
<b>(c) User charges</b>		
Water Supply	1,966	2,257
Property Lease	1,028	926
Cemetery Fees	769	648
Aged and Disability Services	783	619
Waste Disposal Fees	63	78
Sundry	776	665
<b>Total user charges</b>	<b>5,385</b>	<b>5,193</b>
<b>(d) Investment income</b>		
Interest on investments		
- Local Government Finance Authority	200	25
- Banks and Other	91	70
- Loans to community groups	-	16
<b>Total investment income</b>	<b>291</b>	<b>111</b>

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## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2023

## Note 2. Income (continued)

\$ '000	2023	2022
<b>(e) Reimbursements</b>		
Other	427	293
Contract Maintenance	109	128
<b>Total reimbursements</b>	<b>536</b>	<b>421</b>
<b>(f) Other income</b>		
Rebates received	762	726
Sundry	514	308
<b>Total other income</b>	<b>1,276</b>	<b>1,034</b>
<b>(g) Grants, subsidies and contributions</b>		
Amounts received specifically for new or upgraded assets	6,799	2,895
<b>Total</b>	<b>6,799</b>	<b>2,895</b>
<b>Other grants, subsidies and contributions</b>		
Other grants, subsidies and contributions	5,974	7,116
Untied Financial Assistance Grant	3,782	4,828
Individually Significant Item - Additional Financial Assistance Grant (refer below)	10,502	6,706
<b>Total other grants, subsidies and contributions</b>	<b>20,258</b>	<b>18,650</b>
<b>Total grants, subsidies and contributions</b>	<b>27,057</b>	<b>21,545</b>
The functions to which these grants, subsidies and contributions relate are disclosed in Note 12, with the exception of Amounts Received Specifically for New or Upgraded Assets.		
<b>(i) Sources of grants</b>		
Commonwealth Government	5,609	2,946
State Government	21,011	16,677
Other	437	1,922
<b>Total</b>	<b>27,057</b>	<b>21,545</b>
<b>(ii) Individually significant items</b>		
Advanced Financial Assistance Grant Recognised as Income	10,502	6,706

On 29 June 2023, Council received advance payment of 100% of the 2024/2025 Financial Assistance Grant, totalling \$10,502k (comprising \$8,442k in general purpose funding and \$2,060k in untied local road funding) compared to the 75% received in advance in the prior year. This has materially increased Council's operating results in the current year, as these amounts are recognised as income upon receipt, as detailed in Note 1. Potential material effects will be experienced when the timing of these grant payments are once again restored to a normal schedule.

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## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2023

## Note 2. Income (continued)

\$ '000	2023	2022
<b>(h) Conditions over Grants and Contributions</b>		
Grants and contributions which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows:		
<b>Unexpended at the close of the previous reporting period</b>	<b>4,661</b>	<b>4,602</b>
<b>Less:</b>		
<i>Expended during the current period from revenues recognised in previous reporting periods</i>		
Verge Development	–	(341)
Newlyn Terrace Parafield Gardens - Tree Screen Renew	–	(284)
Animal Pound Pooraka	(489)	–
Burton Community Hub - Shed and Community Garden	–	(250)
Whites Rd Emu Crossing - School Zone and Pedestrian Crossing	–	(250)
Strowan Park Picnic and Open Space	–	(174)
Tea Tree Gully Business Advisory Services	–	(164)
Morella Community Centre Outdoor Kitchen	–	(144)
Twelve25 Entry Upgrade and Landscaping	–	(143)
Twelve 25 Special Projects	–	(80)
OH&S - Special Distribution Fund	–	(30)
Risk and Governance - Special Distribution Fund	–	(6)
Mindset for Life Program	–	(3)
Mawson Lakes School - Kiss and Drop	(54)	(100)
Redhill Road Ingle Farm - Traffic Improvement	(64)	–
Waterwatch	(152)	(71)
Salisbury Oval Indoor Community Cricket and Recreation Facility	(200)	(111)
Other	(233)	(205)
Little Para River Capital Works	(255)	–
Fairbanks Drive Reserve Toilets and Sports Facility	(305)	–
Yalumba Drive Reserve	(400)	–
Technology Drive Mawson Lakes - Dual Traffic	(450)	(479)
<b>Subtotal</b>	<b>(2,602)</b>	<b>(2,835)</b>

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## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2023

## Note 2. Income (continued)

\$ '000	2023	2022
<b>Plus:</b>		
<i>Amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>		
Salisbury Aquatic Centre	639	—
Salisbury Recreation Precinct Entry Carpark	280	—
Domestic Hard waste	230	273
Other	193	190
Waterwatch General	139	152
Little Para River Capital Works	62	317
CCTV Henderson Square	53	—
Animal Pound - Pooraka	—	489
Technology Drive Mawson Lakes - Dual Traffic	—	450
Yalumba Drive Reserve	—	400
Fairbanks Drive Toilets and Sports Facility	—	305
Salisbury Oval Indoor Community Cricket Facility	—	200
Redhill Road Ingle Farm - Traffic Improvements	—	64
Mawson Lakes School - Kiss and Drop	—	54
<b>Subtotal</b>	<b>1,596</b>	<b>2,894</b>
<b>Unexpended at the close of this reporting period</b>	<b>3,655</b>	<b>4,661</b>
<b>Net increase (decrease) in assets subject to conditions in the current reporting period</b>	<b>(1,006)</b>	<b>59</b>
 <b>(i) Physical resources received free of charge</b>		
Land and Improvements	11	—
Roads, Bridges and Footpaths	859	725
Stormwater drainage	1,085	2,140
<b>Total physical resources received free of charge</b>	<b>1,955</b>	<b>2,865</b>

## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2023

## Note 3. Expenses

\$ '000	Notes	2023	2022
<b>(a) Employee costs</b>			
Salaries and wages		33,261	32,198
Employee leave expense		5,582	5,233
Superannuation - defined contribution plan contributions	18	524	587
Superannuation - defined benefit plan contributions	18	3,453	3,075
Workers' compensation insurance		1,699	1,667
Less: capitalised and distributed costs		(4,115)	(4,457)
<b>Total operating employee costs</b>		<b>40,404</b>	<b>38,303</b>
Total number of employees (full time equivalent at end of reporting period)		432	418
<b>(b) Materials, contracts and other expenses</b>			
<b>(i) Prescribed expenses</b>			
Auditor's remuneration			
- Auditing the financial reports		35	33
- Other auditors		9	-
Bad and doubtful debts		11	2
Elected members' expenses		503	489
Election expenses		728	44
Lease expense - low value assets / short term leases		134	123
<b>Subtotal - prescribed expenses</b>		<b>1,420</b>	<b>691</b>
<b>(ii) Other materials, contracts and expenses</b>			
Contractors		39,722	37,271
Energy		4,081	4,375
Legal expenses		538	211
Levies Paid to Government - Regional Landscape Levy		2,140	2,112
Levies - other		306	275
Parts, Accessories and Consumables		3,164	3,223
Insurance		1,321	1,161
Water Rates		703	849
Sundry		5,698	4,806
<b>Subtotal - Other Material, Contracts and Expenses</b>		<b>57,673</b>	<b>54,283</b>
<b>Total materials, contracts and other expenses</b>		<b>59,093</b>	<b>54,974</b>

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## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2023

## Note 3. Expenses (continued)

\$ '000	2023	2022
<b>(c) Depreciation, amortisation and impairment</b>		
<b>(i) Depreciation and amortisation</b>		
Infrastructure	16,348	15,677
Land improvements	6,958	6,093
Buildings and Other Structures	4,950	4,337
Plant and Equipment	3,241	3,070
Right-of-use assets	420	420
Library books	189	149
<b>Subtotal</b>	<b>32,106</b>	<b>29,746</b>
<b>Total depreciation, amortisation and impairment</b>	<b>32,106</b>	<b>29,746</b>
<b>(d) Finance costs</b>		
Interest on loans	339	413
Interest on leases	55	78
<b>Total finance costs</b>	<b>394</b>	<b>491</b>

## Note 4. Asset Disposal and Fair Value Adjustments

\$ '000	2023	2022
<b>Infrastructure, Property, Plant and Equipment</b>		
<b>(i) Assets renewed or directly replaced</b>		
Proceeds from disposal	434	547
Less: carrying amount of assets sold	(4,415)	(5,684)
<b>Gain (loss) on disposal</b>	<b>(3,981)</b>	<b>(5,137)</b>
<b>(ii) Assets surplus to requirements</b>		
Proceeds from disposal	5,110	243
Less: carrying amount of assets sold	(1,115)	(573)
<b>Gain (loss) on disposal</b>	<b>3,995</b>	<b>(330)</b>
<b>Real estate development assets</b>		
Proceeds from disposal	1,230	179
Less: carrying amount of assets sold	(934)	(100)
<b>Gain (loss) on disposal</b>	<b>296</b>	<b>79</b>
<b>Net gain (loss) on disposal or revaluation of assets</b>	<b>310</b>	<b>(5,388)</b>

## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2023

## Note 5. Current assets

\$ '000	Notes	2023	2022
<b>(a) Cash and Cash Equivalent Assets</b>			
Cash on hand and at bank		10,970	1,312
Short Term Deposits		–	8,173
<b>Total Cash and Cash Equivalent Assets</b>		<b>10,970</b>	<b>9,485</b>
<b>(b) Trade and Other Receivables</b>			
Rates - General and Other		3,550	3,462
Accrued revenues		19	1
Debtors - general		2,169	1,741
GST recoupment		1,462	1,317
Prepayments		874	401
Loans to community organisations		–	33
<b>Subtotal</b>		<b>8,074</b>	<b>6,955</b>
<b>Total Trade and Other Receivables</b>		<b>8,074</b>	<b>6,955</b>
<b>(c) Inventories</b>			
Stores and Materials		235	244
Real estate developments	6	640	1,309
Cemetery Plinths, Vaults and Inuments		35	44
<b>Total inventories</b>		<b>910</b>	<b>1,597</b>

## Note 6. Non-current assets

\$ '000	2023	2022
<b>(a) Trade and other receivables</b>		
<b>Receivables</b>		
Council rates postponement scheme	47	59
Loans to community organisations	–	334
<b>Subtotal</b>	<b>47</b>	<b>393</b>
<b>Total receivables</b>	<b>47</b>	<b>393</b>
<b>Other financial assets (investments)</b>		
Mortgages over Property - Affordable Housing Scheme	615	615
<b>Total other financial assets (investments)</b>	<b>615</b>	<b>615</b>
<b>Total financial assets</b>	<b>662</b>	<b>1,008</b>

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## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2023

## Note 6. Non-current assets (continued)

\$ '000	Notes	2023	2022
<b>(b) Equity accounted investments in council businesses</b>			
Northern Adelaide Waste Management Authority	19	6,290	6,049
<b>Total equity accounted investments in Council businesses</b>		<b>6,290</b>	<b>6,049</b>
<b>(c) Other non-current assets</b>			
<b>Inventories</b>			
Real estate developments		1,153	1,367
<b>Total inventories</b>		<b>1,153</b>	<b>1,367</b>
<b>Other</b>			
Capital work in progress		32,634	29,846
Intangible Assets - Water Licenses		210	210
<b>Total other</b>		<b>32,844</b>	<b>30,056</b>
<b>Total other non-current assets</b>		<b>33,997</b>	<b>31,423</b>
<b>Other disclosures</b>			
<b>Real Estate Developments - Current and Non-Current</b> (Valued at the lower of cost and net realisable value)			
Residential		1,793	2,676
<b>Total real estate for resale</b>		<b>1,793</b>	<b>2,676</b>
<b>Represented by:</b>			
Acquisition costs		1,266	1,367
Development costs		527	1,309
<b>Subtotal</b>		<b>1,793</b>	<b>2,676</b>
<b>Apportionment of real estate developments</b>			
Current assets		640	1,309
Non-current assets		1,153	1,367

## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2023

## Note 7. Infrastructure, Property, Plant and Equipment

## Infrastructure, Property, Plant and Equipment

\$ '000	Fair Value Level	as at 30/06/22				Asset movements during the reporting period					as at 30/06/23			
		At Fair Value	At Cost	Accumulated Depreciation	Carrying amount	Asset Additions New / Upgrade	Asset Additions Renewals	WDV of Asset Disposals	Depreciation Expense (Note 3c)	Revaluation Increments to Equity (ARR) (Note 8)	At Fair Value	At Cost	Accumulated Depreciation	Carrying amount
Land - other	2	554,666	–	–	554,666	11	–	(600)	–	172,497	726,574	–	–	726,574
Land improvements	3	223,418	–	(87,506)	135,912	11,749	3,698	(355)	(6,958)	19,529	270,940	–	(107,365)	163,575
Buildings and Other Structures	3	156,547	–	(51,626)	104,921	12,344	7,637	(2,342)	(4,950)	7,881	185,151	–	(59,660)	125,491
Infrastructure	3	1,414,755	–	(500,240)	914,515	12,718	9,913	(1,876)	(16,348)	97,565	1,577,736	–	(561,251)	1,016,485
Right-of-use assets		–	3,201	(1,313)	1,888	–	–	–	(420)	–	–	3,201	(1,733)	1,468
Plant and Equipment		–	34,598	(22,194)	12,404	1,645	1,240	(274)	(3,241)	–	–	36,350	(24,578)	11,774
Library books		–	2,154	(1,052)	1,102	153	–	–	(189)	–	–	2,096	(1,029)	1,067
<b>Total infrastructure, property, plant and equipment</b>		<b>2,349,386</b>	<b>39,953</b>	<b>(663,931)</b>	<b>1,725,408</b>	<b>38,620</b>	<b>22,488</b>	<b>(5,447)</b>	<b>(32,106)</b>	<b>297,472</b>	<b>2,760,401</b>	<b>41,647</b>	<b>(755,614)</b>	<b>2,046,434</b>
Comparatives		2,127,336	38,034	(614,654)	1,550,716	24,981	15,673	(5,030)	(29,746)	166,371	2,349,386	39,953	(663,931)	1,725,408

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## City of Salisbury

### Notes to and forming part of the Financial Statements for the year ended 30 June 2023

#### Note 7. Infrastructure, Property, Plant and Equipment (continued)

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

###### Valuation of assets

Council measures and recognises the following assets at fair value on a recurring basis after initial recognition:

- Land
- Land Improvements
- Infrastructure
- Buildings and Other Structures

Council does not subsequently measure any liabilities at fair value on a recurring basis, or any assets or liabilities at fair value on a non-recurring basis.

###### a) Fair Value Hierarchy

AASB 13 *Fair Value Measurement* requires the disclosure of fair value information according to the relevant level in the fair value hierarchy. This hierarchy categorises fair value measurements into one of three possible levels based on the lowest level that a significant input can be characterised into. The levels are outlined below:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset, either directly or indirectly.	Measurements based on unobservable inputs for the asset.

The fair value of assets that are not traded in an active market is determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

###### b) Valuation Techniques

Council selects valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends upon the specific characteristics of the asset being measured. The valuation techniques selected by Council are consistent with one or more of the following valuation approaches:

- *Market Approach* uses prices and other relevant information generated by market transactions involving identical or similar assets.
- *Income Approach* converts estimated future cash flows or income and expenses into a single current (ie. discounted) value.
- *Cost Approach* reflects the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset, including assumptions about risks. When selecting a valuation technique, Council gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

During 2017/18 Council initially undertook a review of the internal overhead costs, such as project management, supervision and design, that are directly related to the renewal of Council's Transport and Stormwater assets. The purpose of the review was to ensure that the appropriate level of direct internal overhead costs (expressed as a percentage) were being reflected in the unit rates that are utilised to revalue these asset classes. These overhead percentages were independently reviewed by Tonkin Consulting and continue to be incorporated into their review of Council's Asset Valuations.

###### c) Capitalisation Thresholds

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## City of Salisbury

### Notes to and forming part of the Financial Statements for the year ended 30 June 2023

#### Note 7. Infrastructure, Property, Plant and Equipment (continued)

Capitalisation thresholds used by Council for a representative range of assets are shown below. No capitalisation threshold is applied to the acquisition of land or interests in land.

	\$
Office Furniture and Equipment	5,000
Plant and Light Vehicles	5,000
Buildings - new construction/extensions	10,000
Park and Playground Furniture and Equipment	5,000
Road construction and reconstruction	10,000
Paving and Footpaths, Kerb and Gutter	5,000
Drains and Culverts	10,000
Reticulation Extensions	5,000
Sidelines and household connections	5,000
Artworks	5,000

#### d) Estimated Useful Lives

Useful lives are estimated for each individual asset. In estimating useful lives, regard is had to technical and commercial obsolescence, as well as legal and other limitations on continued use. The range of useful lives for a representative range of assets is shown below, although individual assets may have an estimated total useful life of greater or lesser amount:

<i>Plant, Furniture and Equipment</i>	
Office Equipment	3 to 10 years
Office Furniture	3 to 10 years
Vehicles and Road-making Equipment	2 to 20 years
Other Plant and Equipment	3 to 20 years
<i>Building and Other Structures</i>	
Building Components	10 to 120 years
Playground Equipment	10 to 25 years
Benches, Seats, etc	10 to 15 years
<i>Infrastructure</i>	
Roads - Seal	20 to 35 years
Roads - Base	60 to 105 years
Roads - Sub-Base	180 to 315 years
Unsealed Roads	5 to 10 years
Bridge Components	20 to 100 years
Footpaths	8 to 80 years
Kerb, Gutter and Medians	50 to 315 years
Drainage Pipes	80 to 150 years
Culverts, Headwalls and Junction Boxes	80 to 100 years
Dams and Reservoirs	200 to 400 years
Bores	75 years
Reticulation Pipes - PVC	50 to 80 years
Pumps and Telemetry	10 to 50 years
<i>Other Assets</i>	
Library Books	3 to 7 years
Artworks/Local History	Indefinite
Street Trees	50 years
Right of Use Assets	3 to 5 years

#### e) Table of Fair Values 2022/23

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## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2023

## Note 7. Infrastructure, Property, Plant and Equipment (continued)

	Level 1 \$'000s	Level 2 \$'000s	Level 3 \$'000s	Total \$'000s
Land	-	726,574	-	726,574
Land Improvements	-	-	163,575	163,575
Buildings and Other Structures	-	4,315	121,176	125,491
Infrastructure	-	-	1,016,485	1,016,485
<b>Total</b>	-	<b>730,889</b>	<b>1,301,236</b>	<b>2,032,125</b>

## f) Disclosed Fair Value Measurements

Asset Category	Fair Value Hierarchy Level	Valuation Technique	Fair Value \$'000s
Land	2	Market Value	726,574

Valuations of assets in this category are undertaken using the State Valuer Generals Site Values.

Asset Category	Fair Value Hierarchy Level	Valuation Technique	Fair Value \$'000s
Land Improvements	3	Cost Approach	163,575

Valuations of assets in this category are undertaken via one of the following methods:

- Independent valuations are provided by Tonkin Consulting using a methodology that utilises observable Council specific contract rates or industry construction guides to derive a unit rate used to calculate a current replacement cost for each asset. Assets valued via this method include Footpaths, Kerbing and Carpark Pavement/Seals all situated on Council Reserves. In 2022/23 a 3 year average of these unit rates have been utilised.
- Revalued using a 3 year average of the Local Government Pricing Index (LGPI) in both 2021/22 and 2022/23. Assets include Fencing, Irrigation Equipment, Playgrounds, Sports Courts/Facilities, Reserve Furniture, Landscaping and Other Structures all situated on Council Reserves.
- Independent valuations provided by Tonkin Consulting in 2019/20 using a methodology that utilises observable Council cost information as well as their knowledge of the water industry and references to various construction guides (such as Rawlinsons Australian Construction Handbook) to derive an index for each asset component associated with Councils Recycled Stormwater Business Unit, which includes assets such as Pipework, Pumps, Bores, Valves, Electrical and Computer Equipment. In 2020/21, an independent valuation of the current replacement cost for these assets was undertaken using an ASR Asset Price Index provided by Tonkin Consulting, derived from references to various construction guides (such as Rawlinsons Australian Construction Handbook). In 2022/23, an independent valuation of the current replacement cost for these assets was undertaken using a 3 year average of an ASR Asset Price Index provided by Tonkin Consulting, derived from references to various construction guides (such as Rawlinsons Australian Construction Handbook).
- Independent valuations initially provided by JLL in 2017/18 using a methodology that utilises observable rates and cost information from their research across the Playground and Fitness Equipment industries. Assets valued via this method included Playgrounds and Fitness Equipment. These assets have been revalued from 2018/19 to 2020/21 utilising the Local Government Pricing Index (LGPI) and in both 2021/22 and 2022/23 utilising a 3 year average of the Local Government Pricing Index (LGPI).

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## City of Salisbury

### Notes to and forming part of the Financial Statements for the year ended 30 June 2023

#### Note 7. Infrastructure, Property, Plant and Equipment (continued)

Asset Category	Fair Value Hierarchy Level	Valuation Technique	Fair Value \$'000s
Building and Other Structures	2	Market Value	4,315
Building and Other Structures	3	Cost Approach	121,176
<b>Total</b>			<b>125,491</b>

Valuation of assets in this category are undertaken via the following method:

a. Independent market valuations were provided by Public Private Property for the 2020/21, 2021/22 and 2022/23 Financial Year using a methodology that utilises observable, comparable market sales data in the City of Salisbury area.

b. Independent valuations of the current replacement cost for buildings at a component level was undertaken by Sproutt - Professional Engineering Services and Public Private Property as at 1 July 2020 using a methodology that utilises observable rates and cost information from their extensive knowledge across Building Infrastructure. For the 2021/22 and 2022/23 financial years, an independent valuation of the current replacement cost for these assets was undertaken using a 3 year average of Building Component Indexes provided by Tonkin Consulting, derived from references to the Rawlinsons Australian Construction Handbook.

Asset Category	Fair Value Hierarchy Level	Valuation Technique	Fair Value \$'000s
Infrastructure	3	Cost Approach	1,016,485

Valuation of assets in this category are undertaken via one of the following methods:

a. Independent valuations are provided by Tonkin Consulting using a methodology that utilises observable Council specific contract rates or industry construction guides to derive a unit rate used to calculate a current replacement cost for each asset. Assets valued via this method include Footpaths, Kerbing, Carpark Pavements/Seals and Drainage Pipes/Pits all situated on or under Council Roads. In 2021/22 and 2022/23 a 3 year average of these unit rates have been utilised.

b. Independent valuations initially provided by SMEC in 2016/17 using a methodology that utilises observable rates and cost information from their extensive knowledge of water retention related infrastructure. Assets valued via this method include Major Drainage Dams. In the financial years from 2017/18 to 2020/21 these assets were revalued using the Local Government Pricing Index (LGPI) and subsequently in 2021/22 and 2022/23, a 3 year average of the LGPI has been utilised.

c. Independent valuations provided by Infrastructure Management Group and Counterpart Solutions as at 30 June 2022 utilising a methodology that utilises their extensive knowledge across Road Infrastructure as well as a 3 year average of unit rates derived from references to the Rawlinsons Australian Construction Handbook. Assets valued under this method include Road Seals/Pavements. In 2022/23 a 3 year average of these unit rates have been utilised.

d. Revalued using a 3 year average in 2021/22 and 2022/23 of the Local Government Pricing Index (LGPI). Assets valued via this method include Bridges, Irrigation Equipment on Roads, Road Furniture, Landscaping on Roads, Open Drainage Systems and Minor Drainage Dams.

The requirements of AASB 13 *Fair Value Measurement* have been applied to all valuations undertaken since 1 July 2013. There has been no change in the valuation technique(s) used to calculate the fair values disclosed in the financial statements from previous years.

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## City of Salisbury

### Notes to and forming part of the Financial Statements for the year ended 30 June 2023

#### Note 7. Infrastructure, Property, Plant and Equipment (continued)

##### Highest and best use

All of Council's non financial assets are considered as being utilised for their highest and best use, unless market or other factors suggest a different use by market participants would maximise the value of the asset.

##### Land Under Roads

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

##### Land

Much of the land under Councils care and control is Crown land or has been declared as community land under the provision of the *Local Government Act 1999*. Other types of restrictions on the land may also apply. Valuations of this land are based on the State Valuer-Generals Site Values, which are based on observable sales in an active market of similar properties with a similar land use on both vacant land and land with improvements. Adjustments to these values are then made by the State Valuer-General taking into consideration the highest and best use of the property e.g. if there is a single house on the land but zoning would allow it to be divided for home units.

##### Infrastructure, Buildings and Land Improvements

As there is no known active market for the majority of infrastructure, building and land improvement assets owned by Council, these assets have been valued at current replacement cost using the *Cost Approach*. Upon revaluation, the current replacement cost and accumulated depreciation are restated such that the difference (the current replacement cost) represents the fair value of the asset determined in accordance with *AASB 13 Fair Value Measurement*.

This method involves the determination of the current cost to construct the asset (or its modern engineering equivalent) and then calculating the value of its remaining service capacity (current replacement cost). Council utilise a number of observable and unobservable inputs in the calculation of these values which may include:

##### Observable Inputs:

- Council specific contract rates
- Recent construction costs for similar assets
- Independent valuations

##### Unobservable Inputs/Estimates:

- Quantities of materials used
- Economic (Useful) Lives of assets
- Residual Value of assets
- Preserved Value of assets
- Pattern of consumption of an assets economic benefits
- Condition
- Obsolescence
- Impairment
- Industry construction pricing indexes e.g. Rawlinson's Construction Handbook and Cost Guide
- Other construction pricing indexes e.g. Local Government Pricing Index which is an index developed by the Australian Bureau of Statistics and is prepared quarterly by the South Australia Centre for Economic Studies and is based on price movements in the goods and services purchased by Local Governments.

##### Intangible Assets

Intangible Assets have been accounted for in accordance with the requirements of *AASB 138 Intangible Assets*. Council has purchased from the market in arm's length transactions, Water Licences that enable the harvesting and sale of stormwater, and is of the opinion that these Water Licences meet the definition and recognition requirements of Intangible Assets, specifically Intangible Assets with an indefinite useful life. Initial recognition of these Water Licences is at cost, and after initial recognition they are carried at cost less any accumulated impairment losses.

Testing for impairment, in accordance with *AASB 136 Impairment of Assets*, is undertaken annually, or whenever there may be an indication that the intangible assets may be impaired. The determination that these Water Licences have an indefinite useful life is reviewed annually to determine whether events and circumstances continue to support an indefinite useful life assessment.

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## City of Salisbury

### Notes to and forming part of the Financial Statements for the year ended 30 June 2023

#### Note 7. Infrastructure, Property, Plant and Equipment (continued)

##### Street Trees

Council is of the opinion that street trees and tree screens are tangible assets that Council uses to support the provision of environmental and recreational services to the community, and have an initial cost that can be reliably measured, that is the cost of planting and establishment. It is therefore considered that costs relating to tree plantings for Street Tree and Tree Screen renewal programs only meet the recognition criteria of property, plant and equipment and are recognised as an asset.

##### Plant, Furniture and Fittings

Assets are carried at cost, less any accumulated depreciation and impairment losses.

##### Library Books

Library books are accounted for under the replacement method. Library stock at 30 June 2023 is valued using nominal values recommended by the Public Library Service (PLS). All new purchases are treated as replacement items and the expense is classified as depreciation. This expense is then adjusted by the movement in the calculated value of the library stock.

##### Right of Use Assets

Valued as the initial measurement of the lease liability being the present value of future lease payments and any initial direct costs, pre-paid lease payments and any estimated costs to dismantle.

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## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2023

## Note 8. Liabilities

\$ '000	Notes	2023 Current	2023 Non Current	2022 Current	2022 Non Current
<b>(a) Trade and other payables</b>					
Goods and Services		17,845	–	13,397	–
Payments received in advance		9,284	–	5,822	–
Accrued expenses - employee entitlements		658	–	506	–
Accrued expenses - other		56	–	26	–
Deposits, Retentions and Bonds		511	–	315	–
<b>Total trade and other payables</b>		<b>28,354</b>	<b>–</b>	<b>20,066</b>	<b>–</b>

**(b) Borrowings**

Loans		1,410	2,359	1,321	3,769
Lease liabilities	17b	430	1,126	406	1,580
<b>Total Borrowings</b>		<b>1,840</b>	<b>3,485</b>	<b>1,727</b>	<b>5,349</b>

All interest bearing liabilities are secured over the future revenues of the Council

**(c) Provisions**

Salisbury Memorial Park Maintenance Provision		–	120	–	110
Mortgage Loss Provision		–	16	–	16
Employee entitlements (including oncosts)		8,065	1,773	7,904	1,781
<b>Total provisions</b>		<b>8,065</b>	<b>1,909</b>	<b>7,904</b>	<b>1,907</b>

**Movements in provisions**

2023 (current and non-current) \$ '000	Salisbury Memorial Park Maintenance Provision 2023	Mortgage Loss Provision 2023
<b>Opening balance</b>	<b>110</b>	<b>16</b>
Add: additional amounts recognised	10	–
<b>Closing balance</b>	<b>120</b>	<b>16</b>

## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2023

## Note 9. Reserves

	as at 30/06/22		as at 30/06/23
\$ '000	Opening Balance	Increments (Decrements)	Closing Balance
<b>(a) Asset revaluation reserve</b>			
Land - other	453,756	172,497	626,253
Land improvements	33,351	19,529	52,880
Buildings and Other Structures	20,328	7,881	28,209
Infrastructure	803,332	97,565	900,897
Library books	2,338	—	2,338
<b>Total asset revaluation reserve</b>	<b>1,313,105</b>	<b>297,472</b>	<b>1,610,577</b>
Comparatives	1,146,734	166,371	1,313,105

	as at 30/06/22			as at 30/06/23
\$ '000	Opening Balance	Tfrs to Reserve	Tfrs from Reserve	Closing Balance
<b>(b) Other reserves</b>				
Development and Public Infrastructure Reserve	2,015	843	(400)	2,458
Open Space Reserve	1,519	388	—	1,907
Car Parking Reserve	955	31	—	986
Property Disposal Reserve	2,635	5,304	—	7,939
Mausoleum Perpetual Care Reserve	931	52	—	983
Salisbury Memorial Park Reserve	918	30	—	948
Carried Forward Funds Reserve	32,075	28,183	(32,075)	28,183
Salisbury Water Business Unit Reserve	3,534	—	(1,183)	2,351
Northern Futures Fund Reserve	265	8	—	273
Business Transformation Future Fund Reserve	2,005	3,925	(2,194)	3,736
<b>Total other reserves</b>	<b>46,852</b>	<b>38,764</b>	<b>(35,852)</b>	<b>49,764</b>
Comparatives	37,568	35,797	(26,513)	46,852

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## City of Salisbury

### Notes to and forming part of the Financial Statements for the year ended 30 June 2023

#### Note 9. Reserves (continued)

##### Purposes of reserves

###### Asset revaluation reserves

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

###### Development and Public Infrastructure Reserve

The Development and Public Infrastructure Reserve contains developer contributions towards future footpaths, street signs and street trees specific to the development site. It also contains developer contributions towards future works associated with drainage systems, water pipes and pumps, Council road network, trails and bridges necessary to facilitate the development and external to the development site.

###### Open Space Reserve

For developer contributions received that are to be utilised towards the future acquisition of open space areas.

###### Carpark Reserve

For the provision of future renewal and maintenance of car parking areas within the Salisbury Town Centre, Ingle Farm Town Centre and Mawson Lakes Town Centre.

###### Property Disposal Reserve

To retain the proceeds of any property sales, including surplus land and redevelopments, under the provision of Section 194 of the *Local Government Act 1999* and subject to compliance with all legal requirements thereof, and the cash proceeds received from Council's real estate developments. These proceeds are to be utilised to repay current debt or reduce future borrowing requirements.

###### Mausoleum Perpetual Care Fund Reserve

To provide maintenance for the Mausoleum situated at Salisbury Memorial Park.

###### Salisbury Memorial Park Reserve

To fund future development work and maintenance at the Salisbury Memorial Park.

###### Carried Forward Funds Reserve

Used for unspent budget funds at the end of financial year that are to be carried forward for use in the following year.

###### Salisbury Water Business Unit Reserve

Generated by the allocation of surpluses, and offset by deficits resulting from the operations of the Salisbury Water Business Unit. Allocations from the Reserve can only be made following a resolution of Council and can only be utilised to fund either business development, asset renewal, offset losses or to distribute dividends to Council.

###### Northern Futures Fund Reserve

Funds held to be utilised to support local communities, particularly those in priority groups, to engage in lifelong learning leading to employment and provide accessible, quality services and resources relating to schools to work transition, workforce development, employment programs, career transitioning and capacity building. A reference group including three industry representatives, two education representatives and a representative from both the SA Government and City of Salisbury have oversight of the fund and how monies will be disbursed.

###### Business Transformation Reserve

Generated by the allocation of identified expenditure savings and income gains as stated within the Business Transformation Future Fund Policy and to be utilised to fund future costs associated with projects that align with the City of Salisbury's three success factors being Exceptional Community Experience, Quality Outcomes and Great Place to Work, without unnecessarily burdening the community with the costs of these initiatives in the year of expenditure.

## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2023

## Note 10. Assets subject to restrictions

\$ '000	2023	2022
The uses of the following assets are restricted, wholly or partially, by legislation or other externally imposed requirements. The assets are required to be utilised for the purposes for which control was transferred to Council, or for which the revenues were originally obtained.		
<b>Cash and Financial Assets</b>		
Open space contributions	1,907	1,519
Developer contributions	3,444	2,970
Unexpended Grants and Subsidy Funds	3,655	4,661
<b>Total Cash and Financial Assets</b>	<b>9,006</b>	<b>9,150</b>
<b>Total assets subject to externally imposed restrictions</b>	<b>9,006</b>	<b>9,150</b>

Open Space Contributions are received primarily to fund reserves/playspaces and other recreational areas within new subdivisions. Developer Contributions are received primarily to fund infrastructure works in new subdivisions. These funds are held in Reserves (as disclosed in Note 9) until required and as such are regarded as restricted. Grant and Subsidy Funds received but not yet expended are regarded as restricted, and are disclosed in Note 2h.

## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2023

## Note 11. Reconciliation to Statement of Cash Flows

\$ '000	Notes	2023	2022
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## (a) Reconciliation of cash

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

Total Cash and Equivalent Assets	5	10,970	9,485
<b>Balances per Statement of Cash Flows</b>		<b>10,970</b>	<b>9,485</b>

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

<b>Net surplus/(deficit)</b>		<b>21,018</b>	<b>13,741</b>
<b>Non-cash items in income statements</b>			
Depreciation, Amortisation and Impairment		32,106	29,746
Equity movements in equity accounted investments (increase)/decrease		(19)	(1,225)
Non-cash asset acquisitions		(1,955)	(2,865)
Grants for capital acquisitions treated as investing activity		(6,799)	(2,895)
Net (gain)/loss on disposals		(310)	5,388
		<b>44,041</b>	<b>41,890</b>
<b>Add (less): changes in net current assets</b>			
Net (increase)/decrease in receivables		(1,541)	1,688
Net (increase)/decrease in inventories		18	(19)
Net increase/(decrease) in trade and other payables		6,686	3,940
Net increase/(decrease) in unpaid employee benefits		153	95
Net increase/(decrease) in other provisions		10	10
<b>Net cash provided by (or used in) operations</b>		<b>49,367</b>	<b>47,604</b>

## (c) Financing arrangements

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

Bank overdrafts	500	500
Corporate credit cards	500	500
LGFA cash advance debenture facility	47,467	50,317

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice.

## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2023

## Note 12(a). Functions

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

\$ '000	INCOME		EXPENSES		OPERATING SURPLUS (DEFICIT)		GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT AND NON-CURRENT)	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
<b>Functions/Activities</b>										
Health	191	159	315	271	(124)	(112)	52	37	395	6,018
Social Security and Welfare	4,059	3,544	9,428	9,017	(5,369)	(5,473)	3,120	2,813	5,820	16,331
Housing and Community Services	3,273	3,845	38,324	35,870	(35,051)	(32,025)	253	668	614,014	522,921
Recreation and Culture	1,366	1,188	44,040	41,842	(42,674)	(40,654)	603	729	715,518	550,602
Transport and Communication	4,747	5,162	18,374	17,249	(13,627)	(12,087)	4,739	5,157	664,777	594,300
Economic Affairs	74	106	9,171	8,566	(9,097)	(8,460)	—	10	128	99
Other, Not Attributed and Admin	126,081	117,798	7,921	6,567	118,160	111,231	11,481	9,223	104,048	91,170
Public Order and Safety	4,141	3,856	4,424	4,110	(283)	(254)	10	13	2,637	484
<b>Total Functions/Activities</b>	<b>143,932</b>	<b>135,658</b>	<b>131,997</b>	<b>123,492</b>	<b>11,935</b>	<b>12,166</b>	<b>20,258</b>	<b>18,650</b>	<b>2,107,337</b>	<b>1,781,925</b>

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

## City of Salisbury

### Notes to and forming part of the Financial Statements for the year ended 30 June 2023

#### Note 12(b). Components of functions

The activities relating to Council functions are as follows:

##### **Public Order and Safety**

Supervision of various laws, fire prevention, crime prevention and repair, road safety and dog control.

##### **Health**

Health Act administration, immunisation services and pest and pest plant control.

##### **Social Security and Welfare**

Operation of a senior leisure centre, aged care services, youth services and community information.

##### **Housing and Community Services**

Town planning, community development planning, road sweeping, roadside rubbish collection, domestic refuse collection, operating of waste transfer station, stormwater drainage, operation of the St Kilda Mangrove trail, street signs, landscape design, tree management and operation of cemetery.

##### **Recreation and Culture**

Maintenance and operation of libraries, recreation centres, swimming pool, community centres, parks, gardens and reserves, clubrooms, playgrounds, sports grounds and halls.

##### **Transport and Communication**

Construction and maintenance of roads, footpaths, bridges, parking facilities and bus shelters.

##### **Economic Affairs**

Building Act administration, economic initiatives, tourism.

##### **Other, Not Attributed and Administration**

Rates, public debt transactions, administration costs, capital works in progress and costs which relate to multiple functions but cannot accurately be split between these functions.



## City of Salisbury

### Notes to and forming part of the Financial Statements for the year ended 30 June 2023

#### Note 13. Financial instruments

##### Recognised financial instruments

##### Bank, deposits at call, short term deposits

###### Accounting Policy:

Initially recognised at fair value and subsequently measured at amortised cost, interest is recognised when earned.

###### Terms and Conditions:

Deposits are returning fixed interest rates between 4.10% and 4.30% (2022: 1.05% and 2.05%). Short term deposits have an average maturity of 30 days and an average interest rate of 4.30% (2022: 30 days and 1.92%).

###### Carrying Amount:

Approximates fair value due to the short term to maturity.

##### Receivables - Rates and Associated Charges

###### Accounting Policy:

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

###### Terms and Conditions:

Secured over the subject land, arrears attract interest of 2.0% (2022: 2.0%). Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State.

###### Carrying Amount:

Approximates fair value (after deduction of any allowance).

##### Receivables - Fees and Other Charges

###### Accounting Policy:

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

###### Terms and Conditions:

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

###### Carrying Amount:

Approximates fair value (after deduction of any allowance).

##### Receivables - other levels of government

###### Accounting Policy:

Carried at nominal value.

###### Terms and Conditions:

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

###### Carrying Amount:

Approximates fair value.

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## City of Salisbury

### Notes to and forming part of the Financial Statements for the year ended 30 June 2023

#### Note 13. Financial instruments (continued)

##### Liabilities - creditors and accruals

###### Accounting Policy:

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

###### Terms and Conditions:

Liabilities are normally settled on 30 day terms.

###### Carrying Amount:

Approximates fair value.

##### Liabilities - interest bearing borrowings

###### Accounting Policy:

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

###### Terms and Conditions:

Secured over future revenues, borrowings are repayable biannually; interest is charged at fixed rates between 4.00% and 6.80% (2022: 4.00% and 6.80%).

###### Carrying Amount:

Approximates fair value.

##### Liabilities - leases

###### Accounting Policy:

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

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## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2023

## Note 13. Financial instruments (continued)

\$ '000	Due < 1 year	Due > 1 year and ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
<b>Financial assets and liabilities</b>					
<b>2023</b>					
<b>Financial assets</b>					
Cash and Cash Equivalents	10,970	–	–	10,970	10,970
Receivables	5,738	47	–	5,785	5,785
Other financial assets	–	–	615	615	615
<b>Total financial assets</b>	<b>16,708</b>	<b>47</b>	<b>615</b>	<b>17,370</b>	<b>17,370</b>
<b>Financial liabilities</b>					
Payables	19,070	–	–	19,070	19,070
Current borrowings	1,410	–	–	1,410	1,410
Non-current borrowings	–	2,254	105	2,359	2,359
Lease liabilities	430	1,126	–	1,556	1,556
<b>Total financial liabilities</b>	<b>20,910</b>	<b>3,380</b>	<b>105</b>	<b>24,395</b>	<b>24,395</b>
<b>Total financial assets and liabilities</b>	<b>37,618</b>	<b>3,427</b>	<b>720</b>	<b>41,765</b>	<b>41,765</b>
<b>2022</b>					
<b>Financial assets</b>					
Cash and Cash Equivalents	9,485	–	–	9,485	9,485
Receivables	5,237	393	–	5,630	5,630
Other financial assets	–	–	615	615	615
<b>Total financial assets</b>	<b>14,722</b>	<b>393</b>	<b>615</b>	<b>15,730</b>	<b>15,730</b>
<b>Financial liabilities</b>					
Payables	14,211	–	–	14,211	14,244
Current borrowings	1,321	–	–	1,321	1,321
Non-current borrowings	–	3,624	145	3,769	3,769
Lease liabilities	406	1,580	–	1,986	1,986
<b>Total financial liabilities</b>	<b>15,938</b>	<b>5,204</b>	<b>145</b>	<b>21,287</b>	<b>21,320</b>
<b>Total financial assets and liabilities</b>	<b>30,660</b>	<b>5,597</b>	<b>760</b>	<b>37,017</b>	<b>37,050</b>

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

\$ '000	2023		2022	
	Weighted Avg Interest Rate	Carrying Value	Weighted Avg Interest Rate	Carrying Value
Overdraft	10.47%	–	8.22%	–
Fixed interest rates	5.10%	3,715	6.08%	5,090
		<b>3,715</b>		<b>5,090</b>

**Net fair value**

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

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## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2023

## Note 13. Financial instruments (continued)

## Risk exposures

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

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

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

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

Set out below is the movement in the allowance for expected credit losses:

## Note 14. Capital expenditure and investment property commitments

\$ '000	2023	2022
<b>Capital commitments</b>		
<b>Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:</b>		
Buildings	2,493	9,769
Infrastructure	24,374	18,728
Plant and Equipment	1,763	1,343
	<u>28,630</u>	<u>29,840</u>
<b>These expenditures are payable:</b>		
Not later than one year	<u>28,630</u>	<u>29,840</u>
	<u>28,630</u>	<u>29,840</u>

## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2023

## Note 15. Financial indicators

\$ '000	Amounts 2023	Indicator 2023	Indicators 2022	Indicators 2021
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## Financial Indicators overview

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

## 1. Operating Surplus Ratio

Operating surplus	11,954	8.3%	9.8%	7.8%
Total operating income	144,272			

This ratio expresses the operating surplus as a percentage of total operating revenue.

## 2. Net Financial Liabilities Ratio

Net financial liabilities	23,947	16.6%	14.2%	11.3%
Total operating income	144,272			

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

## Adjusted Operating Surplus Ratio

Operating surplus	8,158	5.8%	8.4%	7.5%
Total operating income	140,476			

## Adjustments to Ratios

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

## 3. Asset Renewal Funding Ratio

Asset renewals	20,609			
Infrastructure and Asset Management Plan required expenditure	20,012	103.0%	88.6%	76.0%

Asset renewals expenditure is defined as capital expenditure on the renewal and replacement of existing assets relative to the optimal level planned, and excludes new capital expenditure on the acquisition of additional assets.

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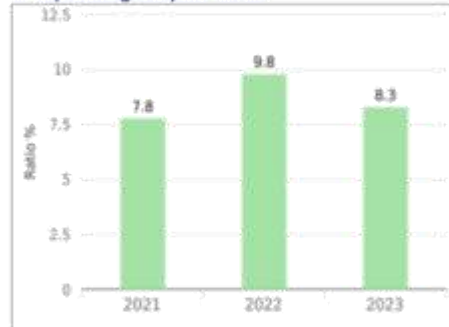
## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2023

## Note 15. Financial indicators (continued)

## Financial indicators - graphs

## 1. Operating Surplus Ratio



## Purpose of operating surplus ratio

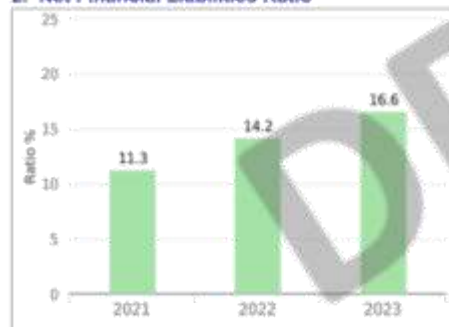
This indicator is to determine the percentage the operating revenue varies from operating expenditure

## Commentary on 2022/23 result

2022/23 ratio 8.3%

The target for the operating surplus ratio as per the 2022/23 Long Term Financial Plan and Annual Business Plan (LTFP & ABP) was 0.5% to 5.0% with the actual results sitting above the upper limit. This is primarily the result of delays in the capital program resulting in lower interest costs with borrowing levels remaining lower than expected and the 100% advanced payment of the Financial Assistance and Untied Local Roads Grant.

## 2. Net Financial Liabilities Ratio



## Purpose of net financial liabilities ratio

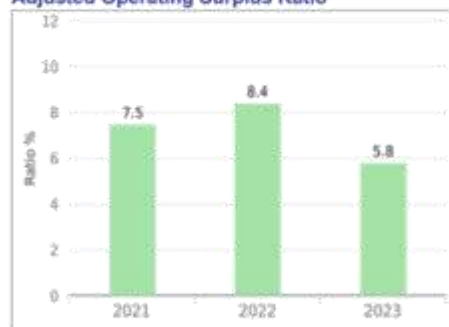
This indicator shows the significance of the net amount owed to others, compared to operating revenue

## Commentary on 2022/23 result

2022/23 ratio 16.6%

The target for the net financial liabilities ratio as per the 2022/23 LTFP & ABP was <70%, with the actual result remaining lower than target. This is the result of low levels of debt and the impacts of the advanced payment of the Financial Assistance Grant and Untied Local Roads Grant being received in late June 2023. Further contributing is the timing of the delivery of the capital program with significant carry forward into the 2023/24 financial year.

## Adjusted Operating Surplus Ratio



## Purpose of adjusted operating surplus ratio

This indicator is to determine the percentage the operating revenue (adjusted for timing differences in the Financial Assistance Grant) varies from operating expenditure

## Commentary on 2022/23 result

2022/23 ratio 5.8%

The target for the operating surplus ratio as per the 2022/23 LTFP & ABP was 0.5% to 5.0% with the actual results adjusted for the timing differences of the Financial Assistance Grant sitting above the upper limit. This is primarily the result of delays in the capital program resulting in lower interest costs with borrowing levels remaining lower than expected.

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## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2023

## Note 15. Financial indicators (continued)

## 3. Asset Renewal Funding Ratio



## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2023

## Note 16. Uniform presentation of finances

\$ '000	2023	2022
The following is a high level summary of both operating and capital investment activities of the Council prepared on a simplified Uniform Presentation Framework basis.		
All Councils in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis.		
The arrangements ensure that all Councils provide a common 'core' of financial information, which enables meaningful comparisons of each Council's finances.		
<b>Income</b>		
Rates	112,253	106,593
Statutory charges	3,933	3,656
User charges	5,385	5,193
Grants, subsidies and contributions - operating	20,258	18,650
Investment income	291	111
Reimbursements	536	421
Other income	1,276	1,034
Net gain - equity accounted council businesses	340	1,225
<b>Total Income</b>	<b>144,272</b>	<b>136,883</b>
<b>Expenses</b>		
Employee costs	40,404	38,303
Materials, contracts and other expenses	59,093	54,974
Depreciation, amortisation and impairment	32,106	29,746
Finance costs	394	491
Net loss - equity accounted council businesses	321	-
<b>Total Expenses</b>	<b>132,318</b>	<b>123,514</b>
<b>Operating surplus / (deficit)</b>	<b>11,954</b>	<b>13,369</b>
<b>Adjusted Operating surplus / (deficit)</b>	<b>11,954</b>	<b>13,369</b>
<b>Net outlays on existing assets</b>		
Capital expenditure on renewal and replacement of existing assets	(21,043)	(18,297)
Add back depreciation, amortisation and impairment	32,106	29,746
Add back proceeds from sale of replaced assets	434	547
	<b>11,497</b>	<b>11,996</b>
<b>Net outlays on new and upgraded assets</b>		
Capital Expenditure on New and Upgraded Assets (including Investment Property and Real Estate Developments)	(39,921)	(31,372)
Add back amounts received specifically for new and upgraded assets	6,799	2,895
Add back proceeds from sale of surplus assets (including investment property, real estate developments and non-current assets held for resale)	5,406	322
	<b>(27,716)</b>	<b>(28,155)</b>
<b>Annual net impact to financing activities (surplus/(deficit))</b>	<b>(4,265)</b>	<b>(2,790)</b>

## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2023

## Note 17. Leases

## (i) Council as a lessee

## Terms and conditions of leases

Council leases information technology equipment and a parcel of land utilised as part of its recycled water operations. The repayments for the information technology assets are fixed and the land is subject to yearly increases in-line with contractual requirements. Information technology leases are either 3 or 5 year terms, and the land has a contractual agreement in place until 2048, with another right of renewal.

Set out below are the carrying amounts of right-of-use assets recognised within Infrastructure, Property, Plant and Equipment and the movements during the period:

## (a) Right of use assets

\$ '000	Information Technology Assets	Land	Total
<b>2023</b>			
Opening balance	810	1,078	1,888
Additions to right-of-use assets	—	—	—
Adjustments to right-of-use assets due to re-measurement of lease liability	—	—	—
Depreciation charge	(378)	(42)	(420)
<b>Balance at 30 June</b>	<b>432</b>	<b>1,036</b>	<b>1,468</b>
<b>2022</b>			
Opening balance	1,136	1,119	2,255
Additions to right-of-use assets	53	—	53
Adjustments to right-of-use assets due to re-measurement of lease liability	—	—	—
Depreciation charge	(379)	(41)	(420)
<b>Balance at 30 June</b>	<b>810</b>	<b>1,078</b>	<b>1,888</b>

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## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2023

## Note 17. Leases (continued)

## (b) Lease liabilities

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

\$ '000	2023	2022
Balance at 1 July	1,985	2,338
Additions	—	53
Accretion of interest	56	78
Payments	(485)	(484)
Other	—	—
<b>Balance at 30 June</b>	<b>1,556</b>	<b>1,985</b>
<b>Classified as:</b>		
Current	429	405
Non-current	1,127	1,580

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

The Group had total cash outflows for leases of \$543k.  
The following are the amounts recognised in profit or loss:

Depreciation expense of right-of-use assets	420	420
Interest expense on lease liabilities	55	78
Expense relating to short term leases	134	123
<b>Total amount recognised in profit or loss</b>	<b>609</b>	<b>621</b>

## (ii) Council as a lessor

## Leases Providing Revenue to the Council

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

## Investment property

Rentals received, and outgoings reimbursed, in relation to investment Property are also disclosed in Note 2. These lease agreements, all of which are classified as operating leases, are made on a non-cancellable basis wherever practicable.

\$ '000	2023	2022
<b>Future minimum rentals receivable under non-cancellable operating leases as at 30 June, are as follows:</b>		
Not later than one year	1,011	1,011
Later than one year and not later than 5 years	2,063	2,219
Later than 5 years	1,611	2,133
	<b>4,685</b>	<b>5,363</b>



## City of Salisbury

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

#### Note 18. Superannuation

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

##### **Accumulation only members**

Accumulation only members receive both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of ordinary time earnings in accordance with superannuation guarantee legislation (10.50% in 2022/23; 10.00% in 2021/22). No further liability accrues to the Council as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

##### **Salarylink (Defined Benefit Fund) members**

Salarylink is a defined benefit scheme where the benefit payable is based on a formula determined by the member's contribution rate, number of years and level of contribution and final average salary. Council makes employer contributions to Salarylink as determined by the Fund's Trustee based on advice from the appointed Actuary. The rate is currently 6.3% (6.3% in 2020/21) of "superannuation" salary.

In addition, Council makes a separate contribution of 3% of ordinary time earnings for Salarylink members to their Accumulation account. Employees also make member contributions to the Salarylink section of the Fund. As such, assets accumulate in the Salarylink section of the Fund to meet the member's benefits, as defined in the Trust Deed, as they accrue.

The Salarylink section is a multi-employer sponsored plan. As the Salarylink section's assets and liabilities are pooled and are not allocated by each employer, and employees may transfer to another employer within the local government sector and retain membership of the Fund, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided by AASB 119.34(a), Council does not use defined benefit accounting for these contributions.

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

##### **Contributions to other superannuation schemes**

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

## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2023

## Note 19. Interests in other entities

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

\$ '000	Council's Share of Net Income		Council's Share of Net Assets	
	2023	2022	2023	2022
Joint Ventures - in profit	340	1,225	6,290	6,049
Joint Ventures - in loss	(321)	-	-	-
<b>Council's share of net income</b>				
Joint ventures	19	1,225	6,290	6,049
<b>Total Council's share of net income</b>	<b>19</b>	<b>1,225</b>	<b>6,290</b>	<b>6,049</b>

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

## (a) Carrying amounts

\$ '000	Principal Activity	2023	2022
Northern Adelaide Waste Management Authority	Waste Management	6,290	6,049
<b>Total Carrying Amounts - Joint Ventures and Associates</b>		<b>6,290</b>	<b>6,049</b>

**Northern Adelaide Waste Management Authority**

Manages the waste collection, recycling and waste disposal for the Cities of Salisbury and Playford and the Town of Gawler.

Whilst the City of Salisbury has a 57.11% share of equity in NAWMA for the 2023 financial year, Council is of the opinion that it does not have control over NAWMA's operations. The rationale being that all three Constituent Councils hold equal voting power at 33.33% and NAWMA's Chairperson and CEO are independent from the constituent Councils. Therefore the ability for Council to control NAWMA's operations is limited to Council's voting power at 33.33%, not its share of equity at 57.11%. Accordingly Council has utilised the equity accounting method to recognise its share of equity in NAWMA for the 2023 financial year.

## (b) Relevant interests

	Interest in Operating Result		Ownership Share of Equity		Proportion of Voting Power	
	2023	2022	2023	2022	2023	2022
Northern Adelaide Waste Management Authority	57.11%	54.07%	57.11%	54.07%	33.33%	33.33%

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## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2023

## Note 19. Interests in other entities (continued)

## (c) Movement in investment in joint venture or associate

\$ '000	Northern Adelaide Waste Management Authority	
	2023	2022
Opening Balance	6,049	4,824
Share in Operating Result	(321)	1,225
Share in Other Comprehensive Income	222	—
Adjustments to Equity	340	—
<b>Council's equity share in the joint venture or associate</b>	<b>6,290</b>	<b>6,049</b>

## (d) Summarised financial information of the equity accounted business

## Statement of Financial Position

Cash and Cash Equivalents	9,842	9,802
Other Current Assets	4,593	5,193
Non-Current Assets	19,337	20,679
<b>Total assets</b>	<b>33,772</b>	<b>35,674</b>
Current Trade and Other Payables	5,876	7,117
Current Financial Liabilities	2,503	2,243
Current Provisions	516	327
Non-Current Financial Liabilities	6,479	8,310
Non-Current Provisions	7,383	6,489
<b>Total liabilities</b>	<b>22,757</b>	<b>24,486</b>
<b>Net Assets</b>	<b>11,015</b>	<b>11,188</b>

## Statement of Comprehensive Income

Other Income	45,277	48,155
Management Fees	—	—
Interest Income	556	262
<b>Total income</b>	<b>45,833</b>	<b>48,417</b>
Employee Costs	4,767	4,147
Materials, Contracts and Other Expenses	37,482	38,174
Depreciation, Amortisation and Impairment	3,566	3,315
Finance Costs	576	467
<b>Total expenses</b>	<b>46,391</b>	<b>46,103</b>
<b>Operating Result</b>	<b>(558)</b>	<b>2,314</b>

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## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2023

## Note 19. Interests in other entities (continued)

**(e) Share of joint operations expenditure commitments**

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

<b>\$ '000</b>	<b>2023</b>	<b>2022</b>
<b>(i) Capital expenditures payable</b>		
Not later than one year	16,730	17,128
Later that one year and not later than 5 years	6,522	19,032
	<u>23,252</u>	<u>36,160</u>

The Northern Adelaide Waste Management Authority manages multiple external contracts with external suppliers for the collection, processing and disposal of waste on behalf on its Constituent Councils and customers. The commitments disclosed above reflect a consolidation of multiple contracts entered into with external suppliers. In future years, all contracts will be required to be renewed with external suppliers in accordance with adopted procurement policies and procedures of the Authority.

**(ii) Lease Payments Commitments Payable**

Not later than one year	1,313	1,100
Later that one year and not later than 5 years	2,364	3,005
	<u>3,677</u>	<u>4,105</u>

Council did not have any individually immaterial businesses

**((a)iii) Unconsolidated structured entities**

Council has no unconsolidated structured entities

## City of Salisbury

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

#### Note 20. Contingencies and Assets/Liabilities Not Recognised in the Balance Sheet

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

##### 1. Land under roads

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

##### 2. Potential insurance losses

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

Council insures against all known insurable risks using a range of insurance policies, each of which is subject to deductible "insurance excesses", the amount of which varies according to the class of insurance.

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

##### 3. Legal matters

Council is the planning consent authority for its area under the *Development Act 1993* (as amended). Pursuant to that Act, certain persons aggrieved by a planning decision of the Council may appeal. It is normal practice that parties bear their own legal costs. At the date of these reports, Council had notice of nil appeals against planning decisions made prior to reporting date. All known costs have been recognised, but the amount of further costs cannot be known until the appeals are determined.

##### 4. Cemetery

Council operates a Cemetery Facility - Salisbury Memorial Park. A Contingent Liability exists for the ongoing maintenance of this Cemetery. This liability remains for a period of 100 years after the expiry of the lease on the last burial of the site. In addition, Council is party to a leasing arrangement for the management and operations of the Mausoleum situated at Salisbury Memorial Park. As part of this lease the lessee is required to contribute to the Perpetual Care Fund which was established to fund the long term maintenance of the Mausoleum upon expiry of the lease.

#### Note 21. Events after the Statement of Financial Position Date

Events that occur after the reporting date of 30 June 2023, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the appropriate "authorised for issue" date relating to these General Purpose Financial Statements.

Council is unaware of any material or significant 'non adjusting events' that should be disclosed.



## City of Salisbury

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2023

## Note 22. Related party transactions

## Key management personnel

## Transactions with key management personnel

The Key Management Personnel (KMP) of the Council include the Mayor, Councillors, CEO, General Managers and certain prescribed officers under section 112 of the *Local Government Act 1999*, as well as other personnel that satisfy the criteria of KMP as contained within *AASB 124 Related Party Transactions*. In some circumstances members of the KMP have left Council during the financial year, however their compensation has still been included. In all, 53 persons were paid the following total compensation:

\$ '000	2023	2022
<b>The compensation paid to key management personnel comprises:</b>		
Short-term employee benefits	5,567	5,537
Post-employment benefits	485	485
Long-term benefits	953	750
<b>Total</b>	<b>7,005</b>	<b>6,772</b>

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

## Receipts from key management personnel comprise:

There have been no other material amounts received from KMP during the financial year, other than amounts paid in their capacity as ratepayers or residents (e.g. rates, swimming pool entry fees, etc).

## Transactions with Regional Subsidiaries:

In regards to Council's Regional Subsidiary being NAWMA, further information relating to their specific activities and carrying amounts are disclosed in Note 19. Council is an equity owner, along with other member Councils, of NAWMA. Member Councils have equal representation on the Board of NAWMA and accordingly have influence over both the financial and operational decisions of the Subsidiary. However, no one Member Council individually has control over these decisions. The following material transactions occurred with Council's Regional Subsidiary, during the financial year:

	Payments	Outstanding
Northern Adelaide Waste Management Authority (NAWMA)	16,333	1,293
<b>Total</b>	<b>16,333</b>	<b>1,293</b>

## Budgeted future year expenditure at the reporting date but not recognised in the financial statements as liabilities:

Northern Adelaide Waste Management Authority	14,694
<b>Total</b>	<b>14,694</b>

The budgeted expenditures are payable no later than one year from the reporting date

City of Salisbury

General Purpose Financial Statements  
for the year ended 30 June 2023

Independent Auditor's Report - Financial Statements

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City of Salisbury

General Purpose Financial Statements  
for the year ended 30 June 2023

Independent Auditor's Report - Internal Controls

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## City of Salisbury

### General Purpose Financial Statements for the year ended 30 June 2023

#### Certification of Auditor Independence

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of City of Salisbury for the year ended 30 June 2023, the Council's Auditor, BDO Australia has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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

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John Harry  
Chief Executive Officer

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Kylie Grenfell  
Presiding Member, Audit Committee

Date: 11 October 2023

## City of Salisbury

### General Purpose Financial Statements

for the year ended 30 June 2023

#### Statement by Auditor

I confirm that, for the audit of the financial statements of City of Salisbury for the year ended 30 June 2022, I have maintained my independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22 (5) *Local Government (Financial Management) Regulations 2011*.

\_\_\_\_\_  
Auditor's Name

Audit Firm Name

Date: dd MMMM yyyy

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<b>ITEM</b>	7.1.3
	<b>AUDIT AND RISK COMMITTEE</b>
<b>DATE</b>	10 October 2023
<b>HEADING</b>	Treasury Policy Review
<b>AUTHORS</b>	Melissa Hamilton, Team Leader Accounting Services, Business Excellence Kate George, Manager Financial Services, Business Excellence
<b>CITY PLAN LINKS</b>	4.2 We deliver quality outcomes that meet the needs of our community
<b>SUMMARY</b>	This report presents the Treasury Policy to the Audit and Risk Committee prior to presentation to Council for consideration and adoption.

## **RECOMMENDATION**

### That Council:

1. Adopts the amended Treasury Policy, as set out in Attachment 1 to this report (Audit and Risk Committee, 10 October 2023, Item 7.1.3) reflecting the change in format and minor editing changes, as considered appropriate by the Audit and Risk Committee.

## **ATTACHMENTS**

This document should be read in conjunction with the following attachments:

1. Treasury Policy

### **1. BACKGROUND**

- 1.1 The *Local Government Act, 1999*, sets out Council's powers in relation to investments and borrowings. The policy set out in Attachment 1 details Council's position in relation to Treasury Management and is aligned to the requirements of the legislation.
- 1.2 The attached Treasury Policy is effectively Council's mandate to the administration as it provides the direction and also limitations to undertake investment activities, to be exercised under appropriate delegations.
- 1.3 Council resolved in February 2020 when considering the Second Quarter Budget Review for 2019/2020 (Budget and Finance Item 6.5.1):

*That a further report be provided that reviews the Treasury Policy, Part E – Policy Statement, paragraph 1-2, for non-discretionary bids and sundry projects.* (Resolution 0426/2020 extract)

The Treasury Policy was updated in October 2020 to strengthen the policy in this regard.

- 1.4 The Policy was further updated in July 2022 to reflect that the borrowing mix is very difficult to achieve with low levels of debt, and would only be required when the Net Financial Liabilities Ratio is above 10%.

## **2. CONSULTATION / COMMUNICATION**

- 2.1 N/A

## **3. REPORT**

- 3.1 The Treasury Policy has been reviewed having regard to the legislative requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011*.
- 3.2 Further the policy has also been reviewed against the recommendations contained within the LGA 'Financial Sustainability' Information Paper No. 15: Treasury Management (revised February 2015) which provides guidance to councils in determining Treasury Management guidelines.
- 3.3 Given the changes to the policy in recent years, there are no significant changes proposed at this time, with minor edits shown in the attached document as track changes and relate to:
- 3.3.1 Change in reference to budget in paragraph 2.1 of the attached to include annual business plan.
  - 3.3.2 Removal in paragraph 5.1.1 of reference to interest cover ratio as this ratio is not utilised by Council for many years.
  - 3.3.3 Removal of the Council decision in 2011 that established the initial treasury policy.

## **4. CONCLUSION / PROPOSAL**

- 4.1 The Treasury Policy has been reviewed with regards to the Legislative provisions of the *Local Government Act 1999*, the *Local Government (Financial Management) Regulations 2011* and the guidance contained within LGA 'Financial Sustainability' Information Paper No. 15: Treasury Management.
- 4.2 The Treasury Policy as set out in Attachment 1 is provided to the Audit and Risk Committee for review and the provision of feedback prior to the policy being presented to Council for consideration.



City of Salisbury Values: Respectful, Accountable, Collaborative, Helpful

## TITLE: Treasury Policy

Adopted by:	Council
Responsible Division:	Financial Services
First Issued/Adopted:	23 March 2010
Last Reviewed:	19 October 2020
Next Review Date:	November 2027

### 1. Purpose

1.1 This Treasury Management Policy establishes a decision framework to ensure that:

- Funds are available as required to support approved outlays;
- Interest rate and other risks (e.g. liquidity and investment credit risks) are acknowledged and responsibly managed;
- The net interest costs associated with borrowing and investing are reasonably likely to be minimised on average over the longer term;
- Further clarifies the treatment of surplus funds, identified through the Budget Review process.

### 2. Scope

2.1 This policy provides clear direction to management, staff and Council in relation to the treasury function. It underpins Council's decision-making regarding the financing of its operations as documented in its annual budget business plan, budget and long-term financial plan and associated projected and actual cash flows receipts and outlays.

- 2.2 Council is committed to adopting and maintaining a long-term financial plan and operating in a financially sustainable manner.
- 2.3 Section 3 of the *Local Government Act 1999*, requires Council to act in a way that is effective, efficient and accountable. This is especially of importance when managing monies acquired by Council in order to provide benefit to the community.

### 3. Legislative Requirements and Corporate Policy Context

#### Borrowings

- 3.1 *Local Government Act 1999 Sections 44, 122 and 134*
- 3.2 *Local Government (Financial Management) Regulations 2011*

#### Investments

- 3.3 *Local Government Act 1999 Sections 47, 139 and 140*

### 5. Policy Statements

#### 5.1 Treasury Management Strategy

- 5.1.1 Council's operating and capital expenditure decisions are made on the basis of:
  - Identified community need and benefit relative to other expenditure options;
  - Cost effectiveness of the proposed means of service delivery;
  - The affordability of proposals having regard to Council's long-term financial sustainability (including consideration of the cost of capital and the impact of the proposal on Council's Net Financial Liabilities ~~and Interest Cover ratios~~).
- 5.1.2 Council manages its finances holistically in accordance with its overall financial sustainability strategies and targets. This means Council will:
  - Maintain target ranges for its Net Financial Liabilities ratio;
  - Generally, only borrow funds when it needs cash and not specifically for particular projects;
  - Apply any funds that are not immediately required to meet approved expenditure (including funds that are required to be expended for specific purposes but are not required to be kept in separate bank accounts) to reduce its level of borrowings or to defer and/or reduce the level of new borrowings that would otherwise be required.



Budget Review Process / Funding Requests arising throughout the financial year

- 5.1.3 Apply surplus contained within the Sundry Projects Fund, following adjustments for variations to existing estimates, to a reduction in borrowings.
- 5.1.4 To ensure ongoing financial sustainability and appropriate deliberation of arising matters, it is imperative that wherever possible any new bids/projects arising through the year are to be referred to the budget process for the subsequent year as this enables Council to consider the merits of these proposals with all other bids/projects.
- 5.1.5 To be considered for funding during the year the project must be urgent or advantageous to Council, and where possible Council should consider options for cancelling or deferring existing projects to enable funds to be made available. It should be considered a last resort to add to the program and increase borrowings as this does not enable Council to consider the merits of the specific project in light of all other proposed projects.
- 5.1.6 From time to time a matter may be referred to the next quarterly budget review as a 'Non-discretionary Budget Review Bid'. This mechanism is only to be used when funds must be expended without delay, and consequently should be regarded as an extraordinary situation or advantageous to Council.

5.2 Interest Rate Risk Exposures

- 5.2.1 Council has set range limits for both fixed and variable interest rate borrowings in order to minimise net interest costs on average over the longer term and at the same time manage interest rate movement risks within acceptable limits.
- 5.2.2 These limits defined below are to apply when Net Financial Liabilities Ratio exceed 10%. At times of NFL Ratio below 10% where possible limits defined before will be maintained.
- 5.2.3 **Fixed Interest Rate Borrowings**
  - To ensure an adequate mix of interest rate exposures, Council will structure its portfolio of borrowings to maintain on average in any year, not less than 20% of its facilities in the form of fixed interest rate borrowings.
  - In order to spread its exposure to interest rate movements, Council will aim to have a variety of maturity dates on its fixed interest rate borrowings over the available maturity spectrum.

#### 5.2.4 Variable Interest Rate Borrowings

- Council will structure its portfolio of borrowings to maintain not less than 20% of its average total borrowings in any year in the form of variable interest rate borrowings.
- Council will utilise long-term variable interest rate borrowings facilities, such as the LGFA's Cash Advance Debenture, that require interest payments only and that enables any amount of principal to be repaid or redrawn at call. The redraw facility will provide Council with access to liquidity when needed.

### 5.3 Investments

5.3.1 Council funds that are not immediately required for operational needs and cannot be applied to either reduce existing borrowings or avoid the raising of new borrowings will be invested. The balance of funds held in any operating bank account that does not provide investment returns at least consistent with 'at call' market rates shall be kept at a level that is no greater than is required to meet immediate working capital requirements.

5.3.2 Council funds available for investment will be lodged 'at call' or, having regard to differences in interest rates for fixed term investments of varying maturity dates, may be invested for a fixed term. In the case of fixed term investments, the term should not exceed a point in time where the funds otherwise could be applied to cost-effectively either defer the need to raise a new borrowing or reduce the level of Council's variable interest rate borrowing facility.

5.3.3 When investing funds, Council will select the investment type which delivers the best value, having regard to investment returns, transaction costs, and other relevant and objectively quantifiable factors.

5.3.4 Council management may from time to time invest surplus funds in:

- Deposits with the Local Government Finance Authority; and/or
- Bank interest bearing deposits
- Bank accepted/endorsed bank bills
- State/Commonwealth Government Bonds

5.3.5 Any other investment requires the specific approval of Council.

### 5.4 Reporting

5.4.1 During the year Council will receive a report detailing total fixed borrowings and variable borrowings at the end of the preceding month, also average variable facility drawdown year to date, details of all investments held, their term and interest rate. Timing of these reports will be November, February and May, unless there is an opportunity to report earlier, with the end of year reported as soon as practicable as part of our end of year reporting (*Council Resolution Item No 734 dated 28 November 2011*).

5.4.2 At least once a year Council shall receive a specific report regarding treasury management performance relative to this Policy. The report shall highlight:

- For each of Council's borrowings and investments – the quantum of funds, its interest rate and maturity date, and changes in the quantum since the previous report; and,
- The proportion of fixed interest rate and variable interest rate borrowings at the end date of the reporting period along with key reasons for significant variances compared with the targets specified in this policy.

## 6. Approval and History

Version	Approval Date	Approval By	Change
1	23 March 2010	Council	
2	27 April 2011	Council	
3	23 September 2013	Council	
4	26 April 2016	Council	Sundry projects fund policy was incorporated into the Treasury Policy and removed from being a stand alone policy
5	27 November 2017	Council	No material Changes
6	25 November 2019	Council	Reduction in the floor of each borrowing type from 30% to 20%
7	26 October 2020	Council	Policy was strengthened with regards to funding projects through budget reviews
8	25 July 2022	Council	Borrowing mix requirements applies only when NFL Ratio is above 10%

## 7. Availability

- 8.1 The Policy is available to be downloaded, free of charge, from Council's website [www.salisbury.sa.gov.au](http://www.salisbury.sa.gov.au)
- 8.2 The Policy will be available for inspection without charge at the Civic Centre during ordinary business hours and a copy may be purchased at a fee as set annually by Council.

City of Salisbury Community Hub  
34 Church Street, Salisbury SA 5108  
Telephone: 84068222  
Email: [city@salisbury.sa.gov.au](mailto:city@salisbury.sa.gov.au)

#### 8. Review

This Policy will be reviewed within 12 months of a Council election and thereafter as necessary; or If deemed necessary by Council.

#### Further Information

For further information on this Policy please contact:

Responsible Officer: Team Leader Accounting Services  
Address: 34 Church Street, Salisbury SA 5108  
Telephone: 8406 8222  
Email: [city@salisbury.sa.gov.au](mailto:city@salisbury.sa.gov.au)