



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

9 APRIL 2024

MEMBERS PRESENT

Cr Kylie Grenfell (Chair)
Ms P Davies (*via Video Conferencing Teams*)
Mr N Ediriweera
Mr D Powell

Consultants in Attendance: Andrew Tickle and Chelsea Aplin (BDO)

STAFF

Chief Executive Officer, Mr J Harry
A/General Manager Business Excellence, Ms K George
Manager Governance, Mr R Deco
Team Leader, Council Governance, Ms J O'Keefe-Craig
Manager Community Health and Wellbeing, Ms V Haracic
Manager Urban, Recreation and Natural Assets, Mr J Foong
Manager People and Performance, Ms K Logan
Manager Engineering Assets and Systems, Mr M Purdie

The meeting commenced at 6:30pm.

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

APOLOGIES

An apology was received from Cr B Brug.

LEAVE OF ABSENCE

Nil.

PRESENTATION OF MINUTES

Moved Mr D Powell
Seconded Ms P Davies

The Minutes of the Audit and Risk Committee Meeting held on 13 February 2024, be taken as read and confirmed.

CARRIED

The Chair sought leave of the meeting to bring forward item 7.1.2 BDO's Annual Audit Plan for 30 June 2024 as the first item of business. Leave was granted.

7.1.2 BDO's Annual Audit Plan for 30 June 2024

Moved Mr D Powell
Seconded Mr N Ediriweera

That Council:

1. Notes the report.

CARRIED
Unanimously

Ms P Davies left the meeting at 6:46 pm

Administration

7.0.1 LGA Financial and Sustainability Information Paper

Moved Mr N Ediriweera
Seconded Mr D Powell

That Council:

1. Notes the latest Local Government Association Financial Sustainability Information Paper (Attachment 1, Item 7.0.1, Audit and Risk Committee, 9 April 2024).

CARRIED

Ms P Davies returned to the meeting at 6:47 pm.

7.0.2 Internal Audit Resourcing

Moved Chair K Grenfell
Seconded Mr D Powell

That Council:

1. Notes the internal audit function of Council is currently reduced in level of activity whilst the recruitment for the Audit and Risk Manager position is in progress and the vacancy for the position remains unfilled.
2. Notes that consistent with the new section 125A of the *Local Government Act 1999*, the Audit and Risk Committee will continue to be consulted before appointing a new person to be primarily responsible for the internal audit function.

CARRIED

For Decision

7.1.1 Audit and Risk Committee Performance Self-Assessment Survey Outcome

Moved Mr N Ediriweera
Seconded Ms P Davies

That Council:

1. Notes the report.

CARRIED

7.1.3 Draft City Plan 2040 - For Consultation

Moved Ms P Davies
Seconded Mr D Powell

That Council:

1. Notes that, in accordance with the *Local Government Act 1999* Section 126(4)(b), the Audit and Risk Committee has reviewed the process and structure of the draft City Plan 2040 as outlined in this report (Item No. 7.1.3, Audit and Risk Committee, 9 April 2024), and that the draft City Plan has been prepared for Council's approval for the purposes of public consultation.

CARRIED

7.1.4 Draft Strategic Asset Management Plan 2024/2025

Moved Mr D Powell
Seconded Mr N Ediriweera

That Council:

1. Notes that, in line with Section 126 (4)(b) of *the Local Government Act 1999*, the Audit and Risk Committee considered and reviewed the Draft Strategic Asset Management Plan 2024/25 as attached in the report (Item 7.1.4, Draft Strategic Asset Management Plan 2024/25, Audit and Risk Committee, 9 April 2024).

CARRIED
Unanimously

7.1.5 Draft 2024/25 Long Term Financial Plan and Annual Business Plan

Moved Mr N Ediriweera
Seconded Mr D Powell

That Council:

1. Notes that the Audit and Risk Committee has reviewed the Council's Draft 2024/25 Long Term Financial Plan and Annual Business Plan in accordance with s126(4)(b) of the *Local Government Act 1999*.
2. Notes that the Audit and Risk Committee has considered and reviewed the scenarios provided within this report (Item No. 7.1.5, Audit and Risk Committee, 9 April 2024) and notes that Council should consider a rate increase within the range 5.5% and 6.5% with CPI + 0.6% for year two onwards to be appropriate to maintain Council's financial sustainability balanced with the needs of the community for affordability.

CARRIED
Unanimously

The Long Term Financial Plan presentation is included as attachment 1 to these minutes.

QUESTIONS ON NOTICE

There were no Questions on Notice.

MOTIONS ON NOTICE

There were no Motions on Notice.

OTHER BUSINESS

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

Mr N Ediriweera asked one question without notice on cyber security resourcing and filling the vacancy. This question was taken on notice.

ORDERS TO EXCLUDE THE PUBLIC

MWON1 Internal Audit Resourcing

Moved Chair K Grenfell
Seconded Mr D Powell

The Audit and Risk Committee orders

1. *Pursuant to Section 90(2) and (3)(a) of the Local Government Act 1999, that it is necessary and appropriate to exclude the public for the consideration of Agenda Item MWON1 - Internal Audit Resourcing with the exception of the following persons:*

- *Chief Executive Officer*
- *A/Deputy Chief Executive Officer*
- *Manager People and Performance*
- *Manager Governance*
- *Team Leader Council Governance*

On the basis that it:

- it relates to information concerning the personal affairs of any person (living or dead), the disclosure of which would be unreasonable being information relating to sensitive personal details.

CARRIED

The meeting moved into confidence at 8:04pm.

The meeting moved out of confidence and closed at 8.18pm.

CHAIRMAN.....

DATE.....

Audit and Risk Committee

9 April 2024

City of Salisbury
Business Excellence



Long Term Financial Plan

- Public Consultation Purpose



- Reality will be different
- Includes capital per the Bids / SAMP Projections
- Salisbury Aquatic Centre development & Operating Model
- Projects still being developed are not included

Intent of LTFP:

- Financial sustainability to ensure stable rate increases, capacity for the future and ability to respond to community needs and emerging issues

Challenges

- Reliance on Deloitte Access Economics forecasts for assumptions – reality will be different
- Capacity for new capital and Proposed updated SAMP fully funded (increased renewal spending)
- Depreciation – significant increases
- Expanded services – new infrastructure, verge mowing, additional public toilets, community bus, footpath maintenance, swimming pool coming on stream
- Cost pressures from contract renewals

- Choice: Income (Rates) versus costs (service levels & new capital investment)

Decisions yet to be made & not yet included in LTFP



Within 3 Yrs

- Salisbury North Oval Master Plan
- City Centre Redevelopment
- Sustainability Strategy
- SMP Implementation Plans (Dry creek, Adam Creek, GEP)
- Paddocks additional upgrade (Knights)
- Various club room upgrades

3Yrs+

- West Port Wakefield Road Redevelopment – Infrastructure Planning & Delivery
- Ingle Farm growth plan
- Regional Indoor Sports Facility
- Kings Rd Upgrade

5Yrs+

- Downstream Dry Creek Water Harvesting (Business Case)

LTFP Includes \$8.0M New Capital Expenditure Funds

Financial Sustainability Indicators

Indicator & Definition	Target Range
Operating Surplus Ratio	0.5%-5.0%
Operating Surplus / Operating Revenue	
Net Financial Liabilities Ratio	<70%
Net amount owed / Operating revenue	
Asset Renewal Funding Ratio	90% - 110%
Actual renewal spend / Renewal spend required by Asset management plans	

- Cost pressures
 - Supplier contracts
 - Wages
 - Service expansion
 - Verge & Tree maintenance/removal
 - Community Bus
 - Footpath maintenance
 - Green waste
 - Additional security costs
 - Cleaning costs (toilets and additional facilities)

- Infrastructure Program scale:
 - Significant increases in depreciation
 - Drives up operating costs (maintenance of new assets)
 - Continuing to grow – e.g. Carisbrooke/Harry Bowey
- Market cost pressures (Unit rates) impacts on depreciation (e.g. Roads \$1.8M)

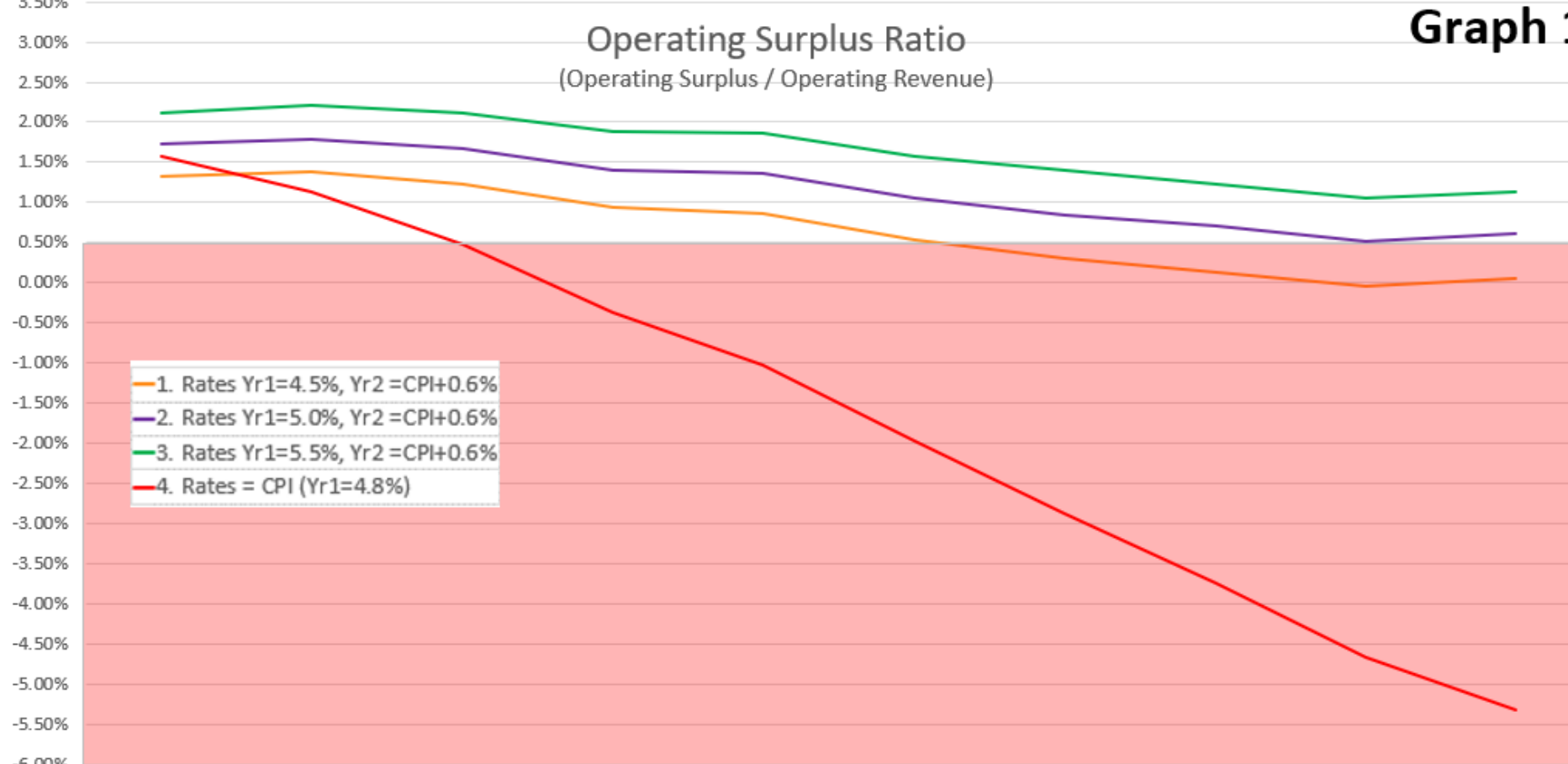
Assumptions

LTFP Assumptions	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
CPI	4.8%	2.9%	2.6%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Salary & Wages	3.5%	3.0%	3.0%	3.0%	3.1%	3.2%	3.2%	3.2%	3.3%	3.3%
Additional SGC	0.5%	0.5%								
BW3-1 Average Rate Increase Yr1=4.5%, Yr2 on CPI+0.6%	4.5%	3.5%	3.2%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%
BW3-2 ARI Yr1=5.0%, Yr2 onwards CPI+0.6%	5.0%	3.5%	3.2%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%
BW3-3 ARI Yr1=5.5%, Yr2 onwards CPI+0.6%	5.5%	3.5%	3.2%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%
BW3-5 Average Rate Increase = CPI	4.8%	2.9%	2.6%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Rates Growth Increase in Number of Rate Assessments	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
Rates Increase from Development Activity	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
Interest Rate	6.30%	6.10%	6.10%	6.10%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

LTFP Initiatives (Today's Dollars)	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Renewal Capital Expenditure	\$33.5M	\$30.4M	\$30.9M	\$35.3M	\$35.9M	\$36.1M	\$38.4M	\$37.8M	\$41.7M	\$41.3M
New & Upgrade Capital Expenditure	\$19.4M	\$23.0M	\$17.2M	\$15.3M	\$16.7M	\$15.7M	\$17.6M	\$16.5M	\$18.3M	\$17.3M
Uncommitted New Capital Funds		\$8M	\$8M	\$8M	\$8M	\$8M	\$8M	\$8M	\$8M	\$8M
Operating Bids		\$1M	\$1M	\$1M	\$1M	\$1M	\$1M	\$1M	\$1M	\$1M

- Note Uncommitted New capital is included in New & Upgrade Capital Expenditure

Operating Surplus Ratio (Operating Surplus / Operating Revenue)

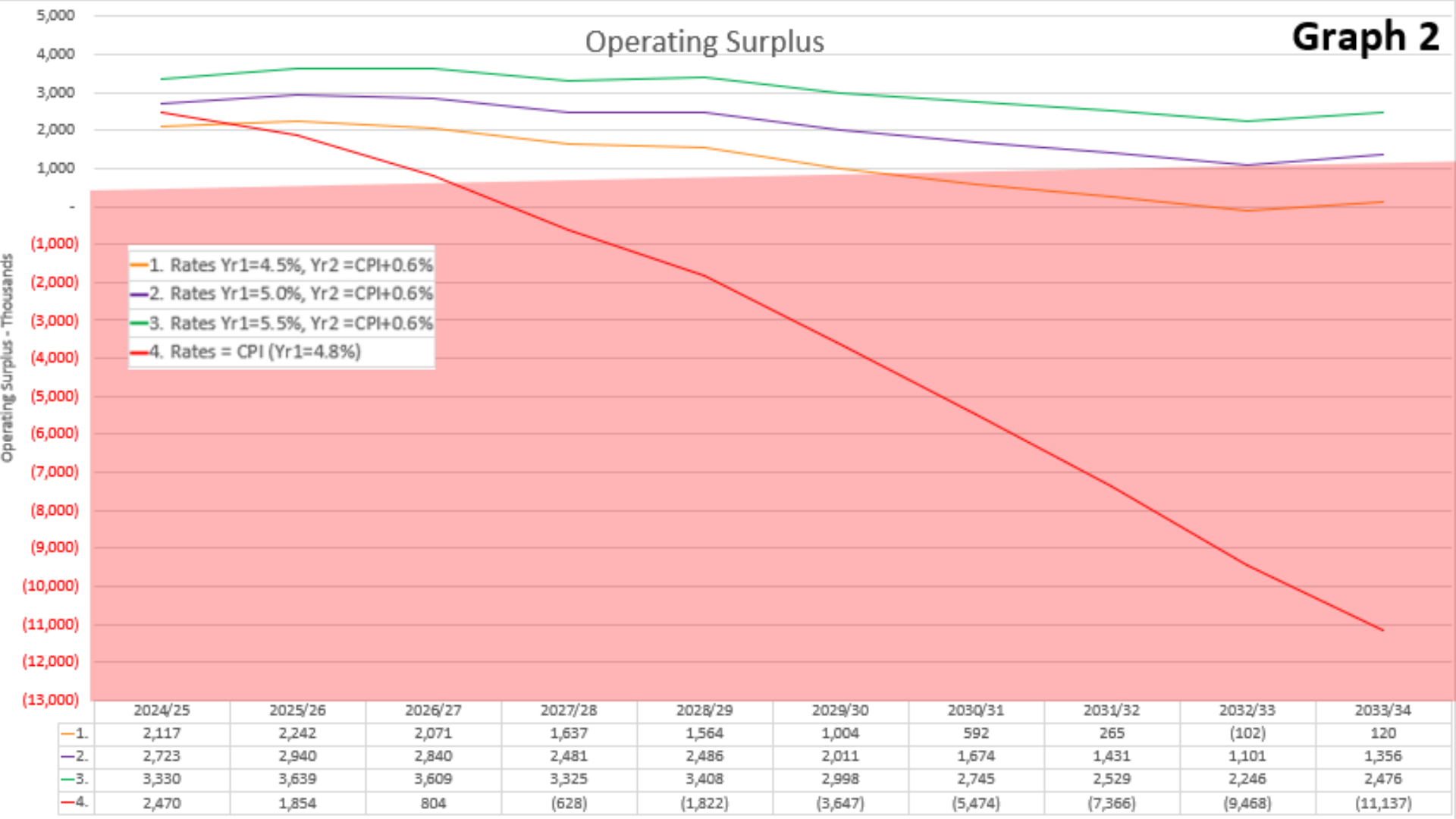


- 1. Rates Yr1=4.5%, Yr2 =CPI+0.6%
- 2. Rates Yr1=5.0%, Yr2 =CPI+0.6%
- 3. Rates Yr1=5.5%, Yr2 =CPI+0.6%
- 4. Rates = CPI (Yr1=4.8%)

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
1.	1.33%	1.38%	1.22%	0.93%	0.86%	0.53%	0.30%	0.13%	-0.05%	0.06%
2.	1.73%	1.80%	1.67%	1.41%	1.36%	1.06%	0.85%	0.70%	0.52%	0.62%
3.	2.12%	2.21%	2.12%	1.88%	1.86%	1.58%	1.39%	1.24%	1.06%	1.13%
4.	1.57%	1.14%	0.48%	-0.36%	-1.02%	-1.98%	-2.88%	-3.75%	-4.67%	-5.33%

Operating Surplus

Graph 2



- 1. Rates Yr1=4.5%, Yr2 =CPI+0.6%
- 2. Rates Yr1=5.0%, Yr2 =CPI+0.6%
- 3. Rates Yr1=5.5%, Yr2 =CPI+0.6%
- 4. Rates = CPI (Yr1=4.8%)

Operating Surplus - Thousands

(1,000)

(2,000)

(3,000)

(4,000)

(5,000)

(6,000)

(7,000)

(8,000)

(9,000)

(10,000)

(11,000)

(12,000)

(13,000)

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
1.	2,117	2,242	2,071	1,637	1,564	1,004	592	265	(102)	120
2.	2,723	2,940	2,840	2,481	2,486	2,011	1,674	1,431	1,101	1,356
3.	3,330	3,639	3,609	3,325	3,408	2,998	2,745	2,529	2,246	2,476
4.	2,470	1,854	804	(628)	(1,822)	(3,647)	(5,474)	(7,366)	(9,468)	(11,137)

Table of Outcomes – Operating Surplus Ratio

- Primary Indicator of Financial Sustainability

Year 1 Forecast CPI 4.4% (Deloitte Access Economics)		OSR
	BW3-1 Rates Yr1=4.5%, Yr2 onwards=CPI+0.6%	✘
	BW3-2 Rates Yr1=5.0%, Yr2 onwards =CPI+0.6%	✔
	BW3-3 Rates Yr1=5.5%, Yr2 onwards CPI+0.6%	✔
	BW3-4 Rates @ CPI	✘

OSR – Operating Surplus Ratio

Net Financial Liabilities Ratio



Net Debt / Operating Revenue

Current Status:

- Low debt levels with effective treasury management – however debt is growing
- Actual debt levels depends on timing of cash flows
- Short term borrowings through CADS, rather than long term borrowings - continue to monitor
- Debt has been offset by Property Development Proceeds

Cash balance \$2.9M & debt \$3.1M (Finance Report end January 2024)

Net Financial Liabilities Ratio

Graph 3

80%

70%

60%

50%

40%

30%

- 1. Rates Yr1=4.5%, Yr2 =CPI+0.6%
- 2. Rates Yr1=5.0%, Yr2 =CPI+0.6%
- 3. Rates Yr1=5.5%, Yr2 =CPI+0.6%
- 4. Rates = CPI (Yr1=4.8%)

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
1.	54%	57%	53%	52%	49%	48%	47%	44%	42%	39%
2.	54%	56%	51%	50%	47%	45%	43%	40%	38%	35%
3.	53%	55%	50%	48%	45%	42%	40%	37%	34%	31%
4.	54%	57%	54%	55%	54%	55%	57%	58%	61%	63%

Table of Outcomes – OSR & NFLR

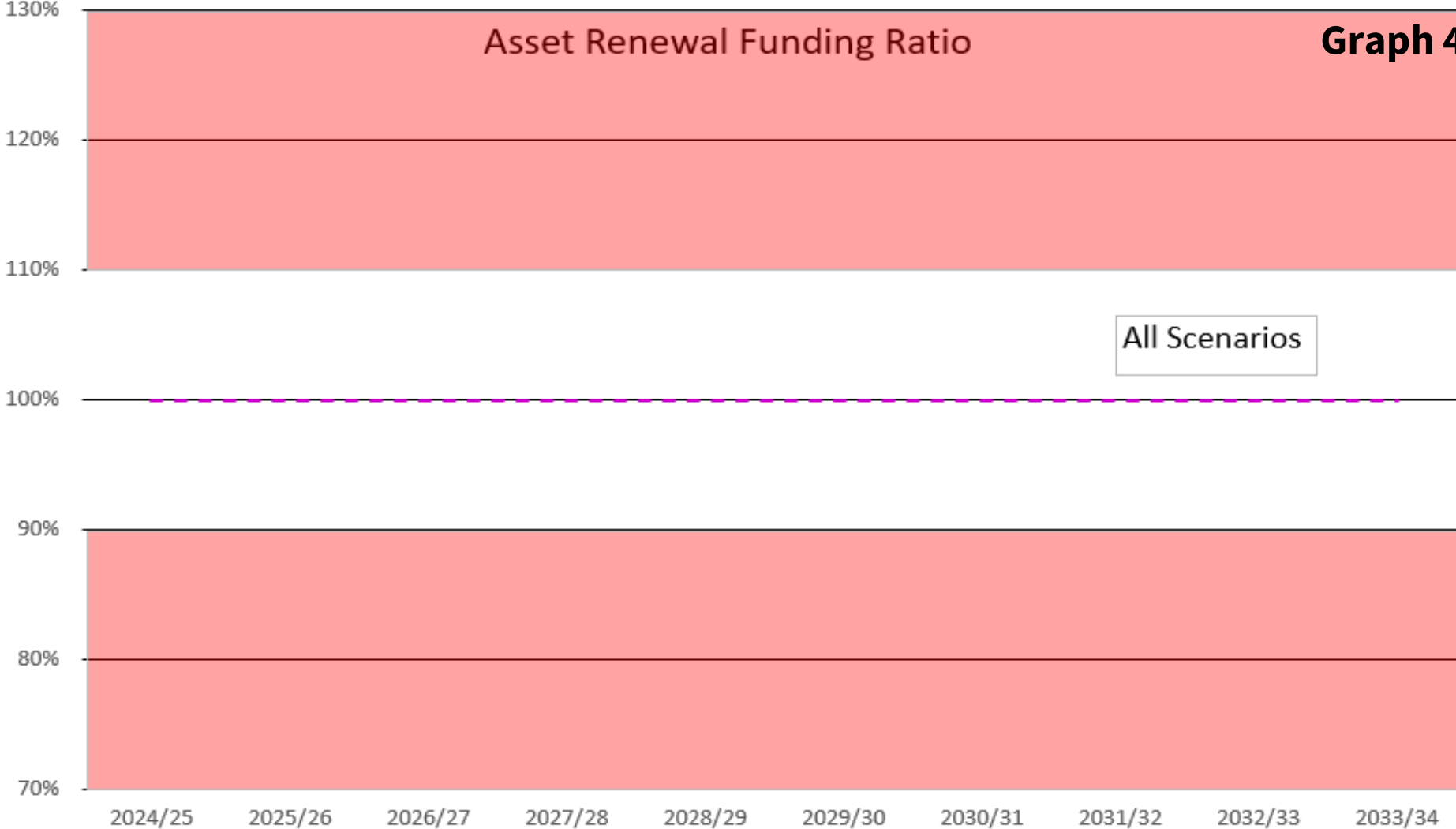
Year 1 Forecast CPI 4.4% (Deloitte Access Economics)		OSR	NFLR
	BW3-1 Rates Yr1=4.5%, Yr2 onwards=CPI+0.6%	✗	✓
	BW3-2 Rates Yr1=5.0%, Yr2 onwards =CPI+0.6%	✓	✓
	BW3-3 Rates Yr1=5.5%, Yr2 onwards CPI+0.6%	✓	✓
	BW3-4 Rates @ CPI	✗	✓

OSR – Operating Surplus Initiative
NFLR – Net Financial Liabilities Ratio

Asset Renewal Funding Ratio

Graph 4

All Scenarios



LTFP – Comparison of Scenarios

- OSR is the Primary Indicator of Financial Sustainability

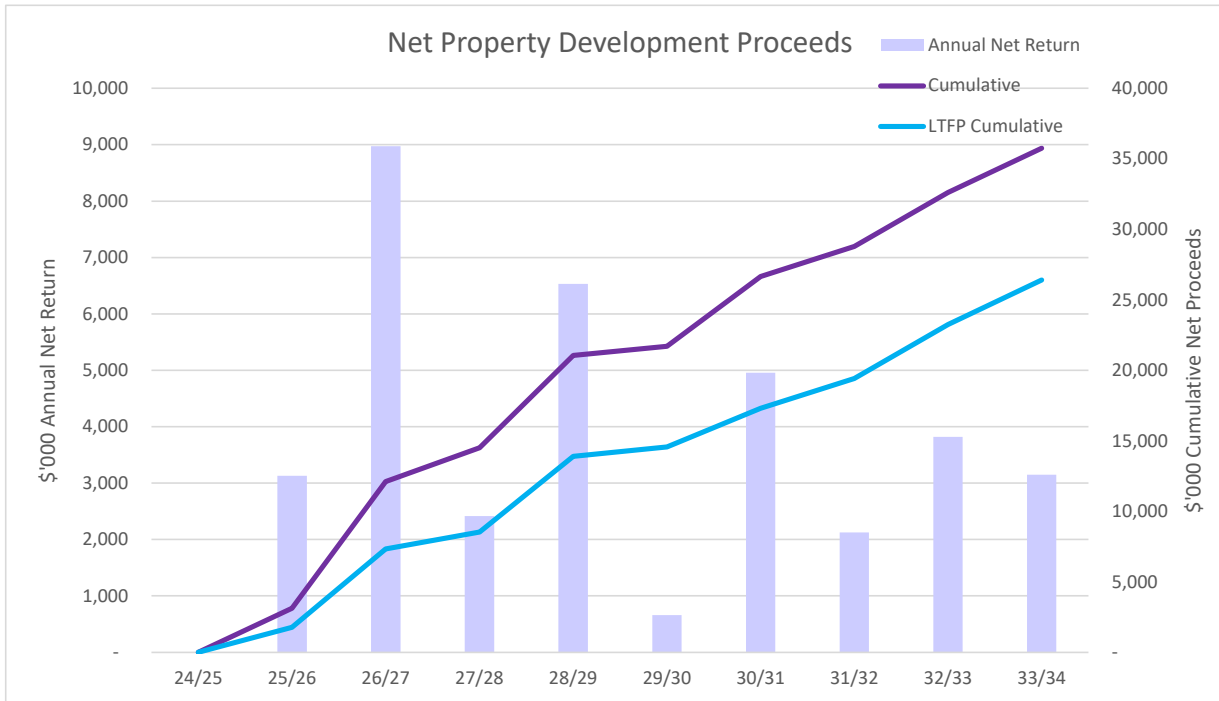
Year 1 Forecast CPI 4.8% (Deloitte Access Economics Dec '23)		OSR	NFLR	ARFR	Average Residential Rate Increase		Min Rate Increase	
					p.a.	p.wk	p.a.	p.wk
	BW3-1 Rates Yr1=4.5%, Yr2 onwards=CPI+0.6%	✘	✔	✔	\$ 71.60	\$ 1.38	\$ 52.02	\$ 1.00
	BW3-2 Rates Yr1=5.0%, Yr2 onwards =CPI+0.6%	✔	✔	✔	\$ 79.55	\$ 1.53	\$ 57.80	\$ 1.11
	BW3-3 Rates Yr1=5.5%, Yr2 onwards CPI+0.6%	✔	✔	✔	\$ 87.51	\$ 1.68	\$ 63.58	\$ 1.22
	BW3-4 Rates @ CPI	✘	✔	✔	\$ 76.37	\$ 1.47	\$ 55.49	\$ 1.07

OSR – Operating Surplus Ratio

NFLR – Net Financial Liabilities Ratio

ARFR – Asset Renewal Funding Ratio

Strategic Property Development Pipeline



- Basis is the Strategic Land Review, reflected at discounted baseline with major projects further discounted
- Underpins the financial capacity for new assets / debt reduction
- Impacts of ongoing opex of new assets need to be considered
- Achieved through ongoing commitment of Council
- May be impacted by more affordable housing in the mix

Rating Considerations

- Rate revenue cross subsidises:
 - Dog registrations \$800k
 - Grants (\$464k)– operating impact when not Council Assets, and places of worship do not pay rates
 - Club leases – in progress
- Increasing Cost of Capital Program
 - Upgrading sports field lighting (depreciation, interest, potential energy costs) yet to be decided
 - Additional Public Toilets, Dog Park, Pump Tracks, Lake Windermere amenities + BRs
- Short Term view v Long Term implications of budget decisions
 - Lower rate increase constrains future capacity
 - Service levels and implication of changes
- Need a reasonable Operating surplus to have capacity to respond

Budget Review Implications



BUDGET REVIEW BIDS	2022/23	2023/24 YTD
CAPITAL	4,052,548	3,336,839
Discretionary	230,000	22,600
Non-Discretionary	3,822,548	3,314,239
OPERATING	2,465,550	2,822,380
Discretionary	1,163,300	508,400
Non-Discretionary	1,302,250	2,313,980

Operating Surplus (23/24 budget \$3.8M)

Long Term Financial Plan Conclusion



- Principles
 - Infrastructure renewal fully funded
 - Costs reflect the “true cost”
 - Financial sustainability to ensure stable rate increases, capacity for the future and ability to respond to community needs and emerging issues
 - Business Unit Surpluses quarantined means that we are financially sustainable without these returns

Long Term Financial Plan Conclusion



- State of Play:
 - Expanded Services - Responding to community needs
 - Extensive infrastructure Program – Revised SAMP
 - Cost pressures continuing
 - Modest Operating surplus with capacity having being directed to expanded services
 - Known potential new projects greater than uncommitted New Capital
- Consideration of rate increase of 5% – 5.5% (5.5% preferred) to maintain financial sustainability (meet current financial targets) and deliver current and new initiatives

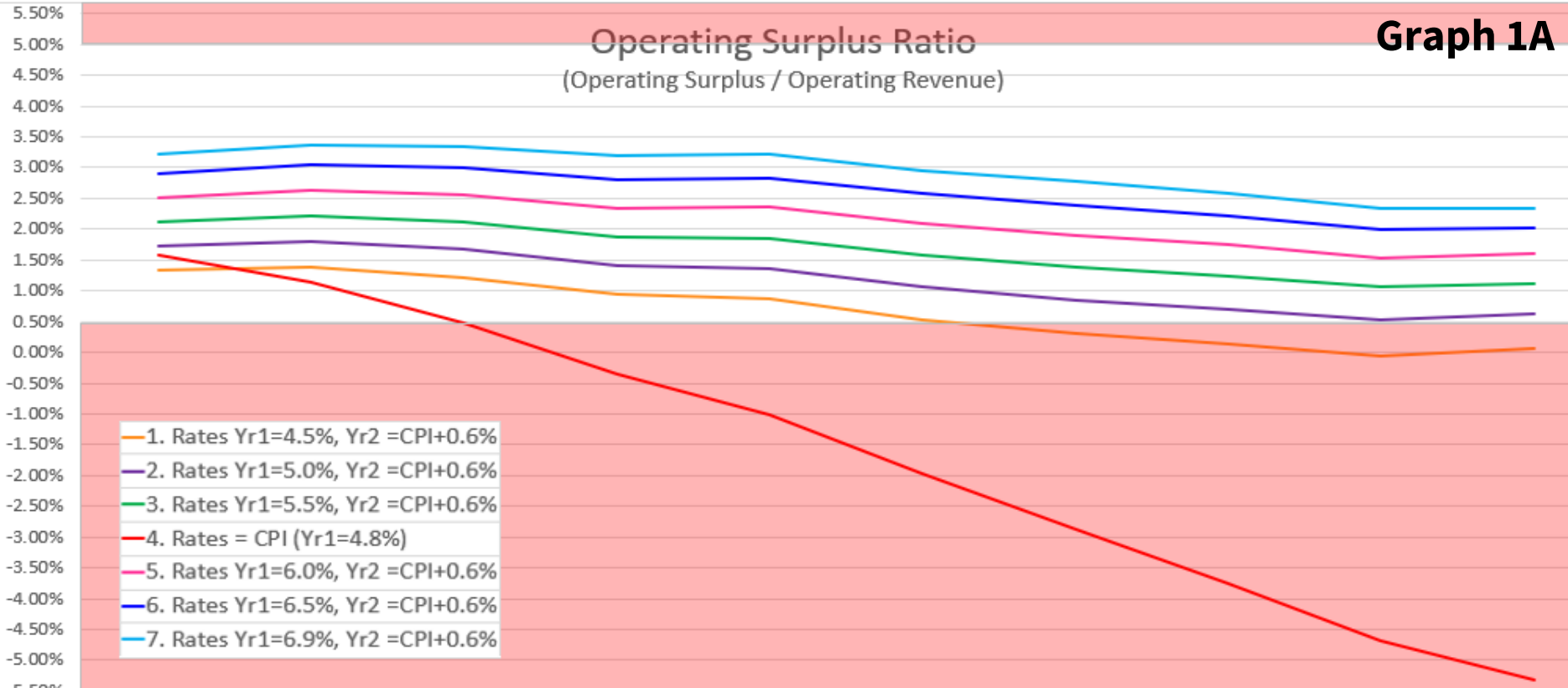


....more scenarios

Operating Surplus Ratio

(Operating Surplus / Operating Revenue)

Graph 1A

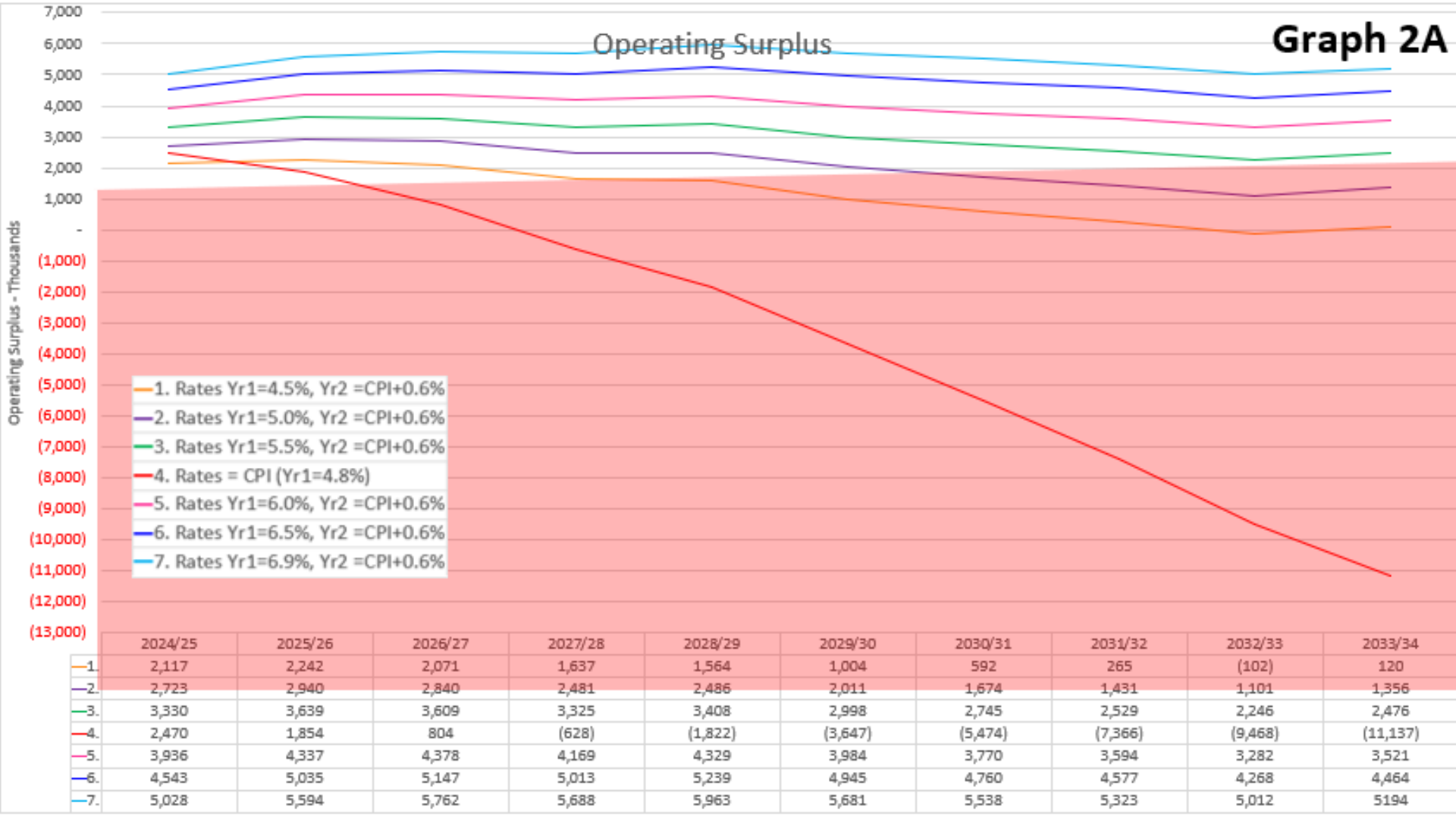


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- 2. Rates Yr1=5.0%, Yr2 =CPI+0.6%
- 3. Rates Yr1=5.5%, Yr2 =CPI+0.6%
- 4. Rates = CPI (Yr1=4.8%)
- 5. Rates Yr1=6.0%, Yr2 =CPI+0.6%
- 6. Rates Yr1=6.5%, Yr2 =CPI+0.6%
- 7. Rates Yr1=6.9%, Yr2 =CPI+0.6%

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
1.	1.33%	1.38%	1.22%	0.93%	0.86%	0.53%	0.30%	0.13%	-0.05%	0.06%
2.	1.73%	1.80%	1.67%	1.41%	1.36%	1.06%	0.85%	0.70%	0.52%	0.62%
3.	2.12%	2.21%	2.12%	1.88%	1.86%	1.58%	1.39%	1.24%	1.06%	1.13%
4.	1.57%	1.14%	0.48%	-0.36%	-1.02%	-1.98%	-2.88%	-3.75%	-4.67%	-5.33%
5.	2.51%	2.63%	2.56%	2.35%	2.35%	2.09%	1.91%	1.75%	1.54%	1.60%
6.	2.90%	3.04%	3.00%	2.81%	2.84%	2.58%	2.40%	2.22%	2.00%	2.01%
7.	3.21%	3.37%	3.34%	3.18%	3.22%	2.96%	2.78%	2.58%	2.34%	2.34%

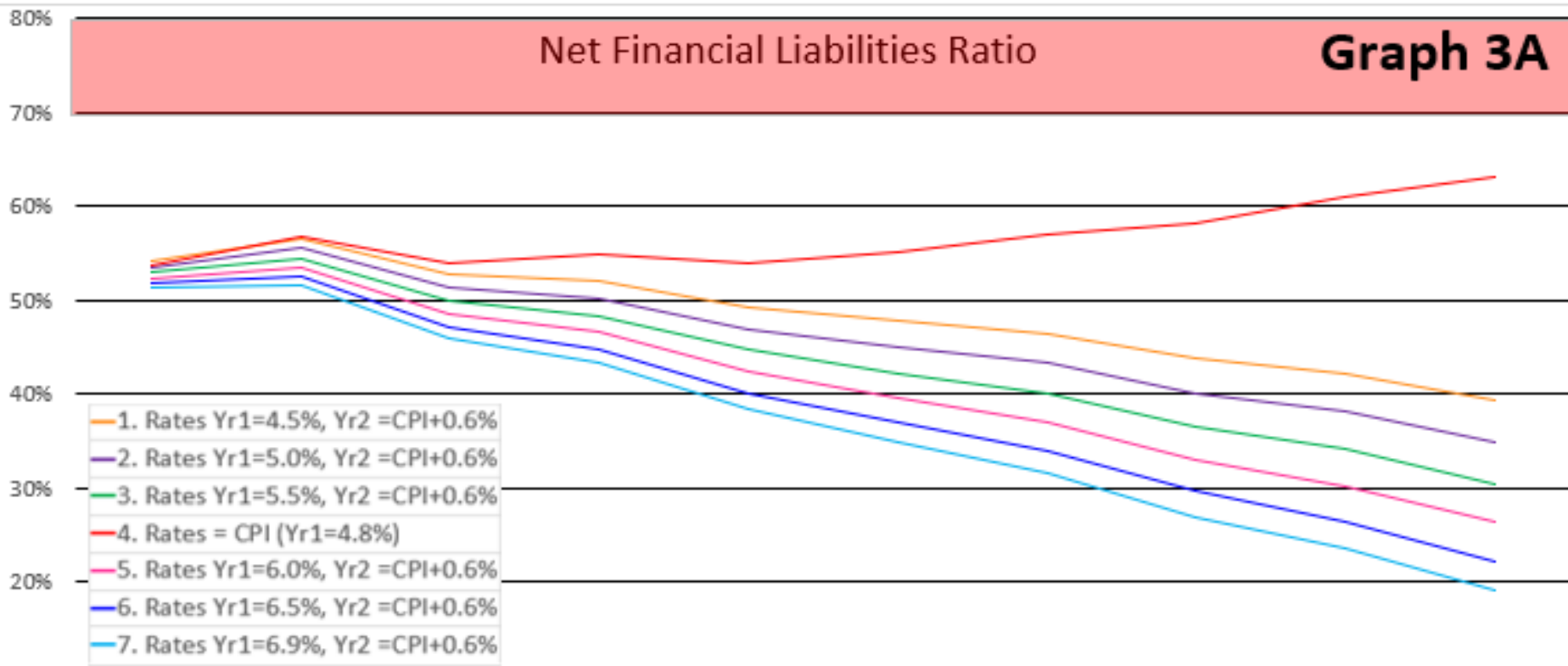
Graph 2A

Operating Surplus



Net Financial Liabilities Ratio

Graph 3A



- 1. Rates Yr1=4.5%, Yr2 =CPI+0.6%
- 2. Rates Yr1=5.0%, Yr2 =CPI+0.6%
- 3. Rates Yr1=5.5%, Yr2 =CPI+0.6%
- 4. Rates = CPI (Yr1=4.8%)
- 5. Rates Yr1=6.0%, Yr2 =CPI+0.6%
- 6. Rates Yr1=6.5%, Yr2 =CPI+0.6%
- 7. Rates Yr1=6.9%, Yr2 =CPI+0.6%

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
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3.	53%	55%	50%	48%	45%	42%	40%	37%	34%	31%
4.	54%	57%	54%	55%	54%	55%	57%	58%	61%	63%
5.	52%	53%	48%	47%	42%	40%	37%	33%	30%	26%
6.	52%	52%	47%	45%	40%	37%	34%	30%	27%	22%
7.	51%	52%	46%	43%	38%	35%	32%	27%	24%	19%

LTFP – Comparison of Scenarios

	OSR	NFLR	ARFR	Average Residential Rate Increase		Minimum Rate Increase	
				p.a.	p.wk	p.a.	p.wk
				1 Rates Yr1=4.5%, Yr2 onwards=CPI+0.6%	✗	✓	✓
2 Rates Yr1=5.0%, Yr2 onwards =CPI+0.6%	✓	✓	✓	\$ 79.55	\$ 1.53	\$ 57.80	\$ 1.11
3 Rates Yr1=5.5%, Yr2 onwards CPI+0.6%	✓	✓	✓	\$ 87.51	\$ 1.68	\$ 63.58	\$ 1.22
4 Rates @ CPI	✗	✓	✓	\$ 76.37	\$ 1.47	\$ 55.49	\$ 1.07
5 Rates Yr1=6.0%, Yr2 onwards=CPI+0.6%	✓	✓	✓	\$ 95.46	\$ 1.84	\$ 69.36	\$ 1.33
6 Rates Yr1=6.5%, Yr2 onwards =CPI+0.6%	✓	✓	✓	\$103.42	\$ 1.99	\$ 75.14	\$ 1.45
7 Rates Yr1=6.9%, Yr2 onwards CPI+0.6%	✓	✓	✓	\$109.78	\$ 2.11	\$ 79.76	\$ 1.53

OSR – Operating Surplus Ratio

NFLR – Net Financial Liabilities Ratio

ARFR – Asset Renewal Funding Ratio

- LTFP consideration by Audit & Risk Committee in April
- Council to further consider rating options for 2024/25 and associated LTFP scenarios & perspectives provided by A&RC
- Council to consider Financial Sustainability Indicator operating ranges in April
- LTFP included in the Annual Business Plan for public consultation in May
- LTFP will be updated for all Council decisions through to adoption planned for June

Our Values



CITY OF
Salisbury

CITY OF
Salisbury