



# NOTICE

of

## CORPORATE GOVERNANCE COMMITTEE MEETING

*Pursuant to the provisions of Section 84(1) of the  
Local Government Act 1999*

TO BE HELD IN

**COMMITTEE ROOM  
PLAYFORD CIVIC CENTRE  
10 PLAYFORD BOULEVARD, ELIZABETH**

MEMBERS MAY PARTICIPATE BY ELECTRONIC MEANS

ON

**TUESDAY, 2 APRIL 2024 AT 5:00PM**

THIS MEETING WILL ALSO BE VIEWABLE AT  
<https://www.youtube.com/user/CityOfPlayford>

**SAM GREEN  
CHIEF EXECUTIVE OFFICER**

Issue Date: Thursday, 28 March 2024

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### MEMBERSHIP

**MR MARK LABAZ – PRESIDING MEMBER**

Mr Peter Brass

Mayor Glenn Docherty

Cr Shirley Halls

Deputy Member Cr Jane  
Onuzans

Mr Martin White



**City of Playford**  
**Corporate Governance Committee Meeting**

**AGENDA**  
**TUESDAY, 2 APRIL 2024 AT 5:00PM**

**1 ATTENDANCE RECORD**

- 1.1 Present
- 1.2 Apologies
- 1.3 Not Present

**2 CONFIRMATION OF MINUTES**

**RECOMMENDATION**

The Minutes of the Corporate Governance Committee Meeting held 6 February 2024 be confirmed as a true and accurate record of proceedings.

**3 DECLARATIONS OF INTEREST**

**4 DEPUTATION / REPRESENTATIONS**

Nil

**5 STAFF REPORTS**

**Matters to be considered by the Committee and referred to Council**

*Matters which cannot be delegated to a Committee or Staff*

- 5.1 Financial Sustainability Ratios and Targets Policy and Procedure (Attachments) .....6
- 5.2 Treasury Policy and Treasury Management Procedure (Attachments).....30

**Matters to be considered by the Committee Only**

*Matters for Information*

- 5.3 Corporate Governance Committee Work Plan (Attachment) .....49
- 5.4 Local Government Advice Scheme 2023-24 (Attachments) .....52
- 5.5 Assurance Gap Analysis and Internal Audit Plan (Attachments) .....90

**6 INFORMAL DISCUSSION**

- 6.1 Content for Corporate Governance Committee Communique .....128

**7 INFORMAL ACTIONS****8 CONFIDENTIAL MATTERS****STAFF REPORTS***Matters which cannot be delegated to a Committee or Staff*

- 8.1 2024/25 Draft Annual Business Plan and Long Term Financial Plan  
(Attachment) .....130

*Matters delegated to the Committee*

- 8.2 Riverlea District Sportsground and Community Centre - Prudential Report  
(Attachments) .....133

**9 CLOSURE**

## **STAFF REPORTS**

### **MATTERS TO BE CONSIDERED BY THE COMMITTEE AND REFERRED TO COUNCIL**

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***Matters which cannot be  
delegated to a Committee or Staff***

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## 5.1 FINANCIAL SUSTAINABILITY RATIOS AND TARGETS POLICY AND PROCEDURE

**Responsible Executive Manager :** Luke Culhane

**Report Author :** Trisca Price

**Delegated Authority :** Matters which cannot be delegated to a Committee or Staff

**Attachments :**

1. Financial Sustainability Ratios and Targets Policy - Proposed
2. Financial Sustainability Ratios and Targets Policy - Markup
3. Financial Sustainability Ratios and Targets Procedure - Proposed
4. Financial Sustainability Ratios and Targets Procedure - Markup

### PURPOSE

For Council to endorse the proposed revised Financial Sustainability Ratios and Targets Policy and Procedure.

### STAFF RECOMMENDATION

1. Council endorse the proposed updates to the Financial Sustainability Ratios and Targets Policy and Procedure.
2. Council authorise the CEO to make further minor amendments to the Financial Sustainability Ratios and Targets Policy and Procedure that do not alter the intent of the document.

### EXECUTIVE SUMMARY

The Financial Sustainability Ratios and Targets Policy and Procedure supports the requirement for Council to ensure the sustainability of its long-term Financial Performance (LTFP) and position under section 8 and 123 of the *Local Government Act 1999* (the Act) and the *Local Government (Financial Management) Regulations 2011*, and to have the appropriate internal control policies under section 125 of the Act.

#### 1. BACKGROUND

A review was undertaken in May 2022 and a slightly revised suite of ratios and targets was endorsed by Corporate Governance Committee (CGC).

As part of the Annual Business Plan (ABP) for 2023/24 the new ratio was included in our LTFP and used as a key decision-making ratio in setting of the rate rise for 2023/24.

This update reflects the additional ratio that has been endorsed and a minor change to the target range for the Interest Expense Ratio.

This review ensures that legislative obligations are updated within this Policy are in line with the Act and the *Local Government (Financial Management) Regulations 2011* and the Framework for the Preparation and Presentation of Financial Statements published by the Australian Accounting Standards Board.

## 2. RELEVANCE TO STRATEGIC PLAN

### Community Theme 5: Using money wisely

The Financial Sustainability Ratios and Targets Policy and Procedure supports Community Theme 5 - Using money wisely as it ensures good decision-making support long term financial sustainability.

## 3. PUBLIC CONSULTATION

There is no requirement for public consultation regarding the review of this Policy and Procedure.

## 4. DISCUSSION

This Policy was last reviewed at the CGC meeting held on 3 May 2022, the revised policy and procedure did not include the recommended insertion of the Structural Surplus Ratios (under the Financial Performance section) and only included changes to the target ratio ranges for the other 5 ratios.

This update reflects the additional ratio that has been endorsed and a minor change to the target range for the Interest Expense Ratio.

## 5. OPTIONS

### Recommendation

1. Council endorse the proposed Financial Sustainability Ratios and Targets Policy and Procedure.
2. Council authorise the CEO to make further minor amendments to the Financial Sustainability Ratios and Targets Policy and Procedure that do not alter the intent of the document.

### Option 2

1. Council endorse the proposed Financial Sustainability Ratios and Targets Policy and Procedure subject to the following amendments:
  - \_\_\_\_\_
  - \_\_\_\_\_
2. Council authorise the CEO to make further minor amendments to the Financial Sustainability Ratios and Targets Policy and Procedure that do not alter the intent of the document.

## 6. ANALYSIS OF OPTIONS

### 6.1 Recommendation Analysis

#### 6.1.1 Analysis & Implications of the Recommendation

The recommendation to endorse the Financial Sustainability Ratios and Targets Policy and Procedure ensures the documentation is reflecting endorsed Ratios and legislative obligations.

## **Risk Appetite**

### *Financial Sustainability*

*Council has a low appetite for short-term financial risk that adversely impacts on the delivery of the long-term financial plan and the Council's overall stability and sustainability.*

This decision will ensure the updated Policies and Procedures are compliant with legislative requirements and support Councils Finance Strategy.

#### **6.1.2 Financial Implications**

There are no financial or resource implications.

## **6.2 Option 2 Analysis**

### **6.2.1 Analysis & Implications of Option 2**

Options 2 provides the opportunity for the Council to provide additional feedback to be incorporated into the updated Policy and Procedure prior to the approval of the Chief Executive Officer.

#### **6.2.2 Financial Implications**

There are no financial or resource implications.



# Financial Sustainability Ratios and Targets Policy



Policy Author	General Manager Corporate Services
Date of next review	May 2027

## 1. Statement of Intent

This Policy sets out strategic financial sustainability principles and outlines the measures by which Council will assess the implications of financial decisions on its financial position and financial sustainability. These principles are aimed at establishing, maintaining and assessing Council's long term financial sustainability.

The measures defined in this Policy will be used by Council in the development of the following:

- Annual budget
- Long Term Financial Plan
- Asset Management Plan
- Budget reviews
- Other financial decisions.

The policy establishes five measures to ensure Council assess, monitor and report the financial sustainability of its operations with a particular focus on intergenerational equity. In particular the ability to make financial decisions based around:

- Financial performance
- Asset Sustainability
- Debt management

The main six measures are:

Finance Strategy	Proposed Ratio	Mandated or Discretionary (External or Internal)	Target Range
Financial	Operating Surplus Ratio	Mandated (External)	Between 1% and 10%
Performance	Structural Surplus Ratio	Discretionary (External)	Between 1% and 4%
Debt	Net Financial Liabilities Ratio	Mandated (External)	Between 50% and 160%
Management	Interest Expense Ratio	Discretionary (External)	Between 0% and 8%
Asset	Asset Renewal Funding Ratio	Mandated (External)	Between 90% and 110%
Sustainability	Cash Flow from Operations	Discretionary (External)	Between 90% and 110%

Administration may utilise additional ratios to the above.

## 2. Scope

This Policy and the associated procedure applies to the development of the annual budget, long term financial plan, asset management plans, budget reviews and other financial decisions.

### 3. Application

Council	Adopt the Financial Sustainability Ratios and Targets Policy. Consider and approve the annual budget, long term financial plan, asset management plans, budget reviews and other financial decisions.
Chief Executive Officer	Responsible for implementing the Policy and monitoring the Organisation's financial position. Reports on Council's financial sustainability.
Corporate Governance Committee	Makes recommendations regarding targets. Reviews and provides input to financial plans. Reviews the financial sustainability of Council.
Senior Manager Finance	Leadership of the financial review process.
Finance Manager	Provides analysis of Council decisions that includes the impact on targets.
Directors and Managers	Provide quality inputs for Council's financial performance reviews and reporting.

### 4. Legislation and References

This Policy is to be read in conjunction with the Financial Sustainability Ratios and Targets Procedure.

Related documents include:

- Local Government Act 1999
  - Section 8 - Principles to be observed by a council
  - Section 44 - Delegations
  - Section 137 - Expenditure of funds
  - Chapter 8 - Administrative and financial accountability
    - Section 122 - Strategic management plans
    - Section 123 - Annual business plans and budgets
- Local Government (Financial Management) Regulations 2011
  - Regulation 7 - Budgets
  - Regulation 9 - Review of budgets
- Local Government Association, Financial Sustainability Information Paper 9
- Asset Management Policy
- Treasury Policy
- Annual Business Plan
- Annual Report
- Long-Term Financial Plan
- Infrastructure and Asset Management plans
- City of Playford Global Glossary

This Policy should not be considered as the only document that may relate to financial sustainability and targets, other tiers of government, agencies or organisations may have legislation or policies that also apply.

## 5. Relevance to Risk Appetite Statement

### Financial Sustainability

The City of Playford has a **LOW** appetite for short-term financial risk that adversely impacts the Council's income. The Financial Sustainability and Targets Policy sets the principles and criteria with regard to financial sustainability.

### Reputation

The City of Playford has a **LOW** appetite for negative perceptions that compromise its credibility and reputation. The Policy assists Council in responsibly managing its financial position and performance.

### Regulatory Compliance

The City of Playford has **ZERO TOLERANCE** for non-compliance with applicable legislation including the legislation listed within this policy.

## 6. Feedback

Your feedback on this policy is invited and can be directed to the Manager Governance via email to [governance@playford.sa.gov.au](mailto:governance@playford.sa.gov.au) or by calling the Customer Contact Team on 8256 0333.

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### Administration use only

ECM document set no.	3984933
Version no.	5
Procedure link	Financial Sustainability Ratios and Targets Procedure
Policy author	General Manager Corporate Services
Endorsed by	Council
Resolution no.	
Legal requirement	N/A
Review schedule	3 years
Date of current version	TBA 2024
Date of next review	May 2027

### Version history

Version no.	Approval date	Approval by	Change
1	22/03/2011	Council	New Policy



2	24/05/2016	Council	Policy updated to reflect current practice
3	25/05/2021	Council Resolution No. 4623	Policy document moved into new template. Document updated to include Risk Appetite Statement. Moved procedure content into procedure document, statement of intent expanded to ensure the intent of the policy is clear
4	24/05/2022	Council Resolution No. 4996	Policy updated to reflect the ability to review additional measures and to adjust application to current practice.
5		Council Resolution No.	Policy updated to reflect additional ratio, change in interest ratio target range and GM title.

## Financial Sustainability Ratios and Targets Policy



Policy Author	General Manager – <del>Corporate Services</del> <u>Strategy and Corporate</u>
Date of next review	<del>March 2025</del> <u>May 2027</u>

### 1. Statement of Intent

This ~~P~~olicy sets out strategic financial sustainability principles and outlines the measures by which Council will assess the implications of financial decisions on its financial position and financial sustainability. These principles are aimed at establishing, maintaining and assessing Council's long term financial sustainability.

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The measures defined in this ~~P~~Policy will be used by Council in the development of the following:

- Annual budget
- Long Term Financial Plan
- Asset Management Plan
- Budget reviews
- Other financial decisions.

The policy establishes five measures to ensure Council assess, monitor and report the financial sustainability of its operations with a particular focus on intergenerational equity. In particular the ability to make financial decisions based around:

- Financial performance
- Asset Sustainability
- Debt management

The ~~main six~~ five measures are:

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Finance Strategy	Proposed Ratio	Mandated or Discretionary (External or Internal)	Target Range
Financial Performance	Operating Surplus Ratio	Mandated (External)	Between 1% and 10%
Debt Management	<del>Structural Surplus Ratio</del>	<del>Discretionary (External)</del>	<del>Between 1% and 4%</del>
Asset Sustainability	Net Financial Liabilities Ratio	Mandated (External)	Between 50% and 160%
	Interest Expense Ratio	Discretionary (External)	Between <del>0</del> 4% and 8%
	Asset Renewal Funding Ratio	Mandated (External)	Between 90% and 110%
	Cash Flow from Operations	Discretionary (External)	Between 90% and 110%

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Administration may utilise additional ratios to the above.

### 2. Scope

This ~~P~~Policy and the associated procedure applies to the development of the annual budget, ~~long~~ term financial plan, asset management plans, budget reviews and other financial decisions.

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### 3. Application

Council	Adopt the Financial Sustainability Ratios and Targets Policy. Consider and approve the annual budget, long term financial plan, asset management plans, budget reviews and other financial decisions.
Chief Executive Officer	Responsible for implementing the Policy and monitoring the organisation's financial position. Reports on Council's financial sustainability.
Corporate Governance Committee	Makes recommendations regarding targets. Reviews and provides input to financial plans. Reviews the financial sustainability of Council.
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Related documents include:

- [Local Government Act 1999](#)[Local Government Act 1999](#)
  - [Section 8](#) - Principles to be observed by a council
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  - [Section 137](#) - Expenditure of funds
  - Chapter 8 - Administrative and financial accountability
    - [Section 122](#) - Strategic management plans
    - [Section 123](#) - Annual business plans and budgets
- [Local Government \(Financial Management\) Regulations 2011](#)[Local Government \(Financial Management\) Regulations 2011](#)
  - Regulation 7 - Budgets
  - Regulation 9 - Review of budgets
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- Treasury Policy
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### Reputation

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### Regulatory Compliance

The City of Playford has **ZERO TOLERANCE** for non-compliance with applicable legislation including the legislation listed within this policy.

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## 6. Feedback

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### Administration use only

ECM document set no.	3984933
Version no.	<u>54</u>
Procedure link	Financial Sustainability Ratios and Targets Procedure
Policy author	General Manager <del>Strategy &amp; Corporate</del> <u>Corporate Services</u>
Endorsed by	Council
Resolution no.	<u>4623</u>
Legal requirement	N/A
Review schedule	3 years
Date of current version	<u>Marche 2022</u> <u>TBA 2024</u>
Date of next review	<u>May 2027</u> <u>ch-2025</u>

### Version history

Version no.	Approval date	Approval by	Change
1	22/03/2011	Council	New Policy

2	24/05/2016	Council	Policy updated to reflect current practice		
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4	24/05/2022	Council Resolution No. 4996	Policy updated to reflect the ability to review additional measures and to adjust application to current practice.	Formatted Table	
5		<u>Council</u> <u>Resolution No.</u>	<u>Policy updated to reflect additional ratio, change in interest ratio target range and GM title.</u>		



## Financial Sustainability Ratios and Targets Procedure



Procedure Author	General Manager Corporate Services
Date of next review	May 2027

### 1. Purpose

This Procedure supports the Financial Sustainability Ratios and Targets Policy and outlines the financial measures to ensure a consistent approach in accordance with the Policy. The measures are designed to ensure that Council adheres to its plans and remains focused on achieving and maintaining financial sustainability.

### 2. Application

Chief Executive Officer	Ensure workers understand financial monitoring and reporting requirements.
General Managers and Senior Managers	Compile financial monitoring and review information for their respective areas of responsibility.
Finance Manager	Responsible for the carrying out and oversight of Council's annual reporting and budget process. Assist the General Managers and Senior Managers with monitoring and reviewing their respective areas of responsibility.
Senior Manager – City & Corporate Planning	Ensure public consultation in accordance with Section 123 of the <i>Local Government Act 1999</i> .

### 3. Procedure

#### 3.1 Ratio 1 – Operating Surplus Ratio (Financial Performance)

##### 3.1.1 Calculated as

The Operating Surplus Ratio is the Operating Result expressed as a percentage of Council's Total Operating Income, as prescribed by the Local Government Association (LGA).

##### 3.1.2 Purpose

This ratio is designed to highlight the financial performance for the year and is a key indicator for financial sustainability.

A positive result on this ratio indicates the services provided by Council are fully funded. It also suggests that income may be available to fund capital or repay debt. A negative result indicates that Council is operating at a level beyond its means which, if sustained, will present long term financial issues.

Administration may monitor additional supporting ratios to consider long-term operating impacts.

### 3.1.3 Target

In general, Council should not be targeting operating deficits, nor should it be targeting large operating surpluses. Both of these results negatively impact intergenerational equity.

The range was selected to target the generation of revenue sufficient to cover Council's operation without over rating the community. While the calculation should be done on a yearly basis, it is also beneficial to review the target in terms of a trend over time as opposed to a single year.

Target
Between 1% and 10%

## 3.2 Ratio 2 – Structural Surplus Ratio

### 3.2.1 Calculated as

The Structural Surplus Ratio is the Structural Result expressed as a percentage of Council's Total Structural Income.

### 3.2.2 Purpose

The structural surplus ratio excludes once-off operating grants and contributions which need to be spent on future infrastructure projects. It demonstrates whether Council has a sustainable source of revenue to cover its underlying operating costs.

A positive result on this ratio indicates the services provided by Council are fully funded. A negative result indicates that Council is operating at a level beyond its means which, if sustained, will present long term financial issues.

### 3.2.3 Target

In general, Council should not be targeting structural deficits, nor should it be targeting large structural surpluses. Both of these results negatively impact on intergenerational equity.

The range was selected to target the generation of revenue sufficient to cover Council's operation without over rating the community. While the calculation should be done on a yearly basis, it is also beneficial to review the target in terms of a trend over time as opposed to a single year.

Target
Between 1% and 4%

### 3.3 Ratio 3 - Cash Flow from Operations (Asset Management)

#### 3.3.1 Calculated as

Cash Flow from Operations divided by Asset Management Plan Replacement Annuity.

#### 3.3.2 Purpose

This ratio measures whether Council is generating enough cash from its operations to cover the replacement of assets over-time. This ensures that Council is delivering intergenerational equity and also provides the capacity to repay the borrowings used to fund the large capital cost over time from a sustainable income source, thus putting Council in a position to be able to re-borrow funds for asset replacement in the future.

#### 3.3.3 Target

The target range is designed to accommodate annual variation, but in general, Council should be targeting around 100%, to ensure enough cash from operations is available to cover the replacement of assets over time. This enables the delivery of intergenerational equity and a sustainable use of borrowings that can be repaid over the life of the asset and re-borrowed when the replacement is due.

A lower ratio indicates that Council is not generating enough cash from operations to cover asset replacement (less than 100%) and one of two things is potentially happening, neither of which are desirable. These are:

- Council is running down the condition of its assets by not replacing them at the rate they need to be replaced (declining service levels); or
- Council is funding the replacement of assets from unsustainable sources of income that will lead to an increasing level of borrowings over time.

Council has set its target range to reflect its desire to ensure it has sufficient funds from its operations to ensure that assets are being replaced regularly.

Target
Between 90% and 110%

### 3.4 Ratio 3 - Asset Sustainability Ratio (Asset Management)

#### 3.4.1 Calculated as

This ratio is calculated by measuring Capital outlays on renewal, net of sale proceeds from replaced assets / amount identified to be spent in Asset Management Plans (AMPs).

#### 3.4.2 Purpose

This is a measure of the extent to which Council is replacing assets at the rate that ensures consistent service delivery and levels determined by the AMPs.

Council's AMPs determine, for the given level of service, when assets need to be replaced to ensure that level of service is maintained. If Council is achieving close to 100% for this measure, then it is maintaining the current service levels delivered by

assets. This ratio measures if Council is performing the required work to replace assets and maintain the level of service.

#### 3.4.3 Target

In general, Council should be targeting around 100% of the replacement works determined by the AMPs to ensure consistent service delivery.

A lower ratio suggests that Council is not maintaining assets and infrastructure in order to optimise assets. A higher ratio suggests that Council is replacing assets earlier than needed.

Council has accepted the target range recommended by the LGA, to reflect its desire to ensure assets are renewed and replaced in a responsible manner to maintain service levels for the community.

Target
Between 90% and 110%

### 3.5 Ratio 4 - Net Financial Liabilities Ratio (Debt Management)

#### 3.5.1 Calculated as

The net financial liabilities expressed as a percentage of total operating income, as prescribed by the LGA.

#### 3.5.2 Purpose

This is a measure of the extent to which Council is managing its debt. It is a broader measure of debt than simply looking at borrowing levels. It highlights that borrowings are often an effective means of financial sustainability, rather than trying to fund all assets and services from operating income.

A steady ratio means council is balancing the need to borrow against their affordability of debt. An excessive ratio means Council is borrowing beyond its means and can't generate the income required to service assets and operations.

#### 3.5.3 Target

In order to ensure this target is meaningful, it needs to be set and aligned with the planning strategy of the Council. If Council is in a significant development stage, then a higher range may be acceptable. The target needs to be flexible based on community needs and long-term financial sustainability.

The target range has been approved by Council acknowledging its position as a high growth council. It also reflects Council's long term financial strategy, which includes using debt as a mechanism for funding new services and assets, as a way of achieving intergenerational equity.

Target
Between 50% and 160%

### 3.6 Ratio 5 - Interest Expense Ratio (Debt Management)

#### 3.6.1 Calculated as

Interest expense (less interest income) / General Rate Income (less Natural Resource Management levy).

#### 3.6.2 Purpose

This ratio measures the affordability of Council's debt and articulates the proportion of Council's general rate income that is being used to service debt.

#### 3.6.3 Target

Interest expense greater than 8% of general rate revenue is considered to be an unacceptable level of servicing costs for borrowings. The target indicates Council's ability to afford the level of debt, as well as continue operations as usual.

A higher percentage means that more of Council's revenue is required to pay for debt rather than paying for community services and other benefits, which may require higher rate rises to maintain service standards.

If Council is in a significant development stage, then a higher range may be acceptable and aligned with the planning strategy of the Council.

The target range set by Council acknowledges its position as a high growth council and its ability to use debt as a mechanism to fund new assets and services. It reflects Council's assessment of the interest expense that can be afforded, without impacting its ability to maintain services to the community.

Target
Between 0% and 8%

## 4. Feedback

Your feedback on this policy is invited and can be directed to the Manager Governance via email to [governance@playford.sa.gov.au](mailto:governance@playford.sa.gov.au) or by calling the Customer Contact Team on 8256 0333

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### Administration use only

ECM document set no.	3984937
Version no.	3
Policy link	Financial Sustainability Ratios and Targets Policy
Procedure author	General Manage Corporate Services
Endorsed by	Council
Resolution no.	4623
Legal requirement	N/A
Review schedule	3 years

Date of current version TBC

Date of next review TBC

**Version history**

Version no.	Approval date	Approval by	Change
1	25/05/2021	Council Resolution No. 4623	New Procedure document
2	24/05/2022	Council Resolution No. 4996	Adjusted target ranges on two ratios and minor updates to titles.
3		Council Resolution No	New ratio Structural Surplus. Adjusted target ranges for interest ratio and minor updates.

## Financial Sustainability Ratios and Targets Procedure



Procedure Author	General Manager <del>Strategy and Corporate</del> Corporate Services
Date of next review	May 202 <del>2</del> 4

### 1. Purpose

This ~~P~~procedure supports the Financial Sustainability Ratios and Targets Policy and outlines the financial measures to ensure a consistent approach in accordance with the ~~P~~policy. The measures are designed to ensure that Council adheres to its plans and remains focused on achieving and maintaining financial sustainability.

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### 2. Application

Chief Executive Officer	Ensure workers understand financial monitoring and reporting requirements.
General Managers and Senior Managers	Compile financial monitoring and review information for their respective areas of responsibility.
Finance Manager	Responsible for the carrying out and oversight of Council's annual reporting and budget process. Assist the General Managers and Senior Managers with the monitoring and reviewing <del>for</del> their respective areas of responsibility.
Senior Manager – City & Corporate Planning	Ensures public consultation in accordance with <del>S</del> section 123 of the <i>Local Government Act 1999</i> .

### 3. Procedure

#### 3.1 Ratio 1 – Operating Surplus Ratio (Financial Performance)

##### 3.1.1 Calculated as

The Operating Surplus Ratio is the Operating Result expressed as a percentage of Council's Total Operating Income, as prescribed by the Local Government Association (LGA).

##### 3.1.2 Purpose

This ratio is designed to highlight the financial performance for the year and is a key indicator for financial sustainability.

A positive result on this ratio indicates the services provided by Council are fully funded. It also suggests ~~that~~ income may be available to fund capital or repay debt. A negative result indicates that Council is operating at a level beyond its means which, if ~~chronic~~sustained, will present long term financial issues.

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Administration may monitor additional supporting ratios to consider long-term operating impacts.

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### 3.1.3 Target

In general, Council should not be targeting operating deficits, nor should it be targeting large operating surpluses. Both of these results negatively impact on intergenerational equity.

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The range was selected to target the generation of revenue sufficient to cover Council's operation without over rating the community. While the calculation should be done on a yearly basis, it is also beneficial to review the target in terms of a trend over time as opposed to a single year.

Target
Between 1% and 10%

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## 3.2 Ratio 2 – Structural Surplus Ratio

### 3.2.1 Calculated as

The Structural Surplus Ratio is the Structural Result expressed as a percentage of Council's Total Structural Income.

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### 3.2.2 Purpose

The structural surplus ratio excludes once-off operating grants and contributions which need to be spent on future infrastructure projects. It demonstrates whether Council has a sustainable source of revenue to cover its underlying operating costs.

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A positive result on this ratio indicates the services provided by Council are fully funded. A negative result indicates that Council is operating at a level beyond its means which, if sustained, will present long term financial issues.

### 3.2.3 Target

In general, Council should not be targeting structural deficits, nor should it be targeting large structural surpluses. Both of these results negatively impact on intergenerational equity.

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The range was selected to target the generation of revenue sufficient to cover Council's operation without over rating the community. While the calculation should be done on a yearly basis, it is also beneficial to review the target in terms of a trend over time as opposed to a single year.

Target
Between 1% and 4%

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### 3.2.3.3 Ratio 2.3 - Cash Flow from Operations (Asset Management)

#### 3.2.3.3.1 Calculated as

Cash Flow from Operations divided by Asset Management Plan Replacement Annuity.

#### 3.2.3.3.2 Purpose

This ratio measures whether Council is generating enough cash from its operations to cover the replacement of assets over-time. This ensures that Council is delivering intergenerational equity and also provides the capacity to repay the borrowings used to fund the large capital cost over time from a sustainable income source, thus putting Council in a position to be able to re-borrow funds for asset replacement in the future.

#### 3.2.3.3.3 Target

The target range is designed to accommodate annual variation, but in general, Council should be targeting around 100%, to ensure enough cash from operations is available to cover the replacement of assets over time. This enables the delivery of intergenerational equity and a sustainable use of borrowings that can be repaid over the life of the asset and re-borrowed when the replacement is due.

A lower ratio indicates that Council is not generating enough cash from operations to cover asset replacement (less than 100%) and one of two things is potentially happening, neither of which is are desirable. These are:

- Council is running down the condition of its assets by not replacing them at the rate they need to be replaced (declining service levels); or
- Council is funding the replacement of assets from unsustainable sources of income that will lead to an increasing level of borrowings over time.

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Council has set its target range to reflect its desire to ensure it has sufficient funds from its operations to ensure that assets are being replaced regularly.

Target
Between 90% and 110%

### 3.3.4 Ratio 3 - Asset Sustainability Ratio (Asset Management)

#### 3.3.4.1 Calculated as

This ratio is calculated by measuring Capital outlays on renewal, net of sale proceeds from replaced assets / amount ~~planned~~-identified to be spent in Asset Management Plans (AMPs).

#### 3.3.4.2 Purpose

This is a measure of the extent to which Council is replacing assets at the rate that ensures consistent service delivery and levels determined by the AMPs.

Council's AMPs determine, for the given level of service, when assets need to be replaced to ensure that level of service is maintained. If Council is achieving close to 100% for this measure, then it is maintaining the current service levels delivered by assets. This ratio measures if Council is performing the required work to replace assets and maintain the level of service.

#### 3.3.4.3 Target

In general, Council should be targeting around 100% of the replacement works determined by the AMPs to ensure consistent service delivery.

A lower ratio suggests that Council is not maintaining assets and infrastructure in order to optimise assets. A higher ratio suggests that Council is replacing assets earlier than needed.

Council has accepted the target range recommended by the LGA, to reflect its desire to ensure assets are renewed and replaced in a responsible manner to maintain service levels for the community.

Target
Between 90% and 110%

### 3.4.5 Ratio 4 - Net Financial Liabilities Ratio (Debt Management)

#### 3.4.5.1 Calculated as

The net financial liabilities expressed as a percentage of total operating income, as prescribed by the LGA.

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#### 3.4.23.5.2 Purpose

This is a measure of the extent to which Council is managing its debt. It is a broader measure of debt than simply looking at borrowing levels. It highlights that borrowings are often an effective means of financial sustainability, rather than trying to fund all assets and services from operating income.

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A steady ratio means council is balancing the need to borrow against their affordability of debt. An excessive ratio means Council is borrowing beyond its means and can't generate the income required to service assets and operations.

#### 3.4.33.5.3 Target

In order to ensure this target is meaningful, it needs to be set and aligned with the planning strategy of the Council. If Council is in a significant development stage, then a higher range may be acceptable. The target needs to be flexible based on community needs and long-term financial sustainability.

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The target range has been approved by Council acknowledging its position as a high growth council. It also reflects Council's long term financial strategy, which includes using debt as a mechanism for funding new services and assets, as a way of achieving intergenerational equity.

Target
Between 50% and 160%

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### 3.5.6 Ratio 5 - Interest Expense Ratio (Debt Management)

#### 3.5.13.6.1 Calculated as

Interest expense (less interest income) / General Rate Income (less Natural Resource Management levy).

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#### 3.5.23.6.2 Purpose

This ratio measures the affordability of Council's debt and articulates the proportion of Council's general rate income that is being used to service debt.

#### 3.5.33.6.3 Target

Interest expense greater than 8% of general rate revenue is considered to be an unacceptable level of servicing costs for borrowings. The target indicates Council's ability to afford the level of debt, as well as continue operations as usual.

A higher percentage means that more of Council's revenue is required to pay for debt rather than paying for community services and other benefits, which may require higher rate rises to maintain service standards.

If Council is in a significant development stage, then a higher range may be acceptable and aligned with the planning strategy of the Council.

The target range set by Council acknowledges its position as a high growth council and its ability to use debt as a mechanism to fund new assets and services. It reflects Council's assessment of the interest expense that can be afforded, without impacting its ability to maintain services to the community.

Target
Between <u>0.4</u> % and 8%

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#### 4. Feedback

Your feedback on this policy is invited and can be directed to the Manager Governance via email to [governance@playford.sa.gov.au](mailto:governance@playford.sa.gov.au) or by calling the Customer Contact Team on 8256 0333

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#### Administration use only

ECM document set no. 3984937

Version no.

32

Policy link

Financial Sustainability Ratios and Targets Policy

Procedure author

~~General Manager—Strategy and Corporate~~  
General Manager Corporate Services

Endorsed by

Council

Resolution no.

4623

Legal requirement

N/A

Review schedule

3 years

Date of current version

April 2024TBC

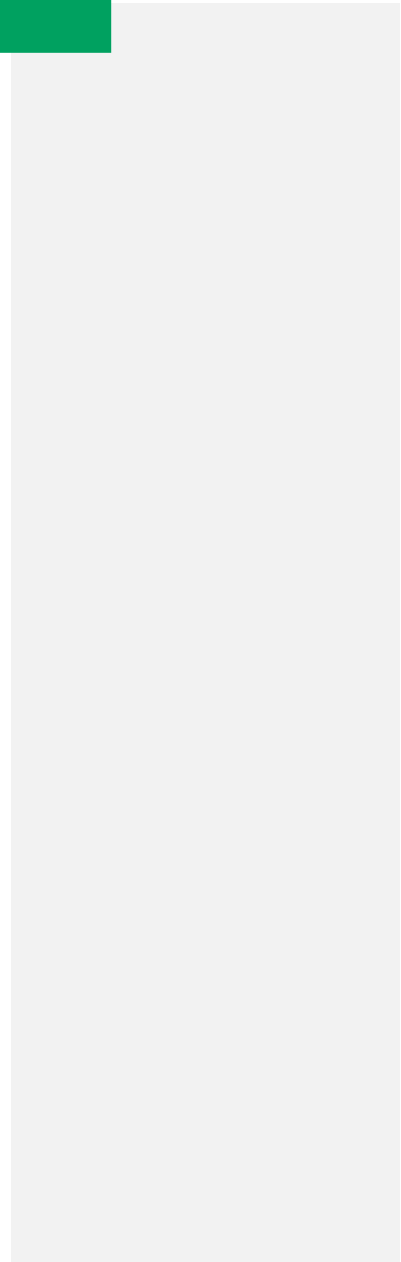
Date of next review

May 2027TBC

#### Version history

Version no.	Approval date	Approval by	Change
1	25/05/2021	Council Resolution No. 4623	New Procedure document
2	24/05/2022	Council Resolution No. 4996	Adjusted target ranges on two ratios and minor updates to titles.
<u>3</u>		<u>Council</u> <u>Resolution No</u>	<u>New ratio Structural Surplus.</u> <u>Adjusted target ranges for interest ratio and minor updates.</u>

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## 5.2 TREASURY POLICY AND TREASURY MANAGEMENT PROCEDURE

**Responsible Executive Manager :** Luke Culhane

**Report Author :** Trisca Price

**Delegated Authority :** Matters which cannot be delegated to a Committee or Staff

**Attachments :**

- 1. Treasury Policy - Proposed
- 2. Treasury Policy - Markup
- 3. Treasury Management Procedure - Proposed

### PURPOSE

For Council to endorse the revised Treasury Policy and implementation of the Treasury Management Procedure.

### STAFF RECOMMENDATION

1. Council endorse the proposed Treasury Policy and new Treasury Management Procedure to support the Policy and treasury management practices.
2. Council authorise the CEO to make further minor amendments to the Treasury Policy and new Treasury Management Procedure that do not alter the intent of the document.

### EXECUTIVE SUMMARY

The Treasury Management Procedure supports the Treasury Policy and underpins Council's decision-making regarding the financing of its operations as documented in its Annual Business Plan (ABP) and Long-Term Financial Plan (LTFP) and associated projected and actual cash flow receipts and outlays. Good treasury management practices ensure sufficient cash flow is available to meet council deliverables with the most appropriate interest cost that supports a risk averse appetite.

#### 1. BACKGROUND

The Treasury Policy was last reviewed in 2021 and is subject to a 3-year review schedule as part of the Policy Governance Framework, and is therefore scheduled to be reviewed in May 2024.

It was proposed that the review of the Treasury Policy was undertaken early in order to align review schedules moving forward. This review ensured that the Policy meets current legislative requirements, aligns with organisational processes and is now consistent with development of the Treasury Management Procedure.

This review and implementation ensured that legislative obligations were updated within the Policy in line with the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* and the Framework for the Preparation and Presentation of Financial Statements published by the Australian Accounting Standards Board.

## 2. RELEVANCE TO STRATEGIC PLAN

### Community Theme 5: Using money wisely

The Treasury Policy and Treasury Management Procedure supports Community Theme 5: Using money wisely as it ensures good treasury management practices to ensure sufficient cash flow is available to meet council deliverables with the most appropriate interest cost that supports a risk averse appetite.

## 3. PUBLIC CONSULTATION

There is no requirement for public consultation regarding the review of this Policy and Procedure.

## 4. DISCUSSION

This Policy was last reviewed in 2021 and is subject to a 3-year review schedule as part of the Policy Governance Framework, and is therefore scheduled to be reviewed in May 2024

However, minimal changes are proposed such as, Legislative references, reference to borrowing facility and Application.

There is currently no Procedure to support the existing Treasury Policy.

The proposed procedure provides guidance and recommendation on good Treasury Management practices and a balance approach to managing interest costs with the risk associated with interest rate changes. It considers cost effectiveness, risk management and flexibility and the interest expense ratio when making these decisions.

## 5. OPTIONS

### Recommendation

1. Council endorse the proposed Treasury Policy and new Treasury Management Procedure to support the Policy and treasury management practices.
2. Council authorise the CEO to make further minor amendments to the Treasury Policy and new Treasury Management Procedure that do not alter the intent of the document.

### Option 2

1. Council endorse the proposed Treasury Policy and new Treasury Management Procedure subject to the following amendments:
  - \_\_\_\_\_
  - \_\_\_\_\_
2. Council authorise the CEO to make further minor amendments to the Treasury Policy and new Treasury Management Procedure that do not alter the intent of the document.

## 6. ANALYSIS OF OPTIONS

### 6.1 Recommendation Analysis

#### 6.1.1 Analysis & Implications of the Recommendation

There is currently no Procedure to support the existing Treasury Policy.

Without this Procedure to provide guidance on Treasury Management the risk is that Council is exposed to interest rate movements which may result in a detrimental impact to Council's Interest Expense and Operating Surplus ratios and a budget impact in interest costs and an additional burden on rate payers.

There is also a risk of having limited access to funds impacting on our ability to undertake Council business as required.

### Risk Appetite

#### Financial Sustainability

*Council has a low appetite for short-term financial risk that adversely impacts on the delivery of the long-term financial plan and the Council's overall stability and sustainability.*

This decision will ensure the updated Policies and Procedures are compliant with legislative requirements and support Council's Finance Strategy.

#### 6.1.2 Financial Implications

There are no financial or resource implications.

### 6.2 Option 2 Analysis

#### 6.2.1 Analysis & Implications of Option 2

Options 2 provides the opportunity for the Council to provide additional feedback to be incorporated into the updated Policy and Procedure prior to the approval of the Chief Executive Officer.

#### 6.2.2 Financial Implications

There are no financial or resource implications.



## Treasury Policy



Policy Author	General Manager – Corporate Services
Date of next review	August 2026

### 1. Statement of Intent

The primary objectives of Council's Treasury Policy include the optimisation of earnings, operating in a financially sustainable manner, ensuring risks are identified and managed, and maintaining compliance with appropriate legislation.

This Policy sets the principles for effectively managing Council's treasury management in the context of the annual business plan and budget, long-term financial plan, and associated projected and actual cash flows. It outlines how required borrowings will be raised and how cash and investments will be managed to fund Council operations.

#### 1.1. Borrowings

Borrowing is an appropriate mechanism for the provision of services to the community with regard to strategic directions. Borrowings will be considered in the context of long-term financial forecasts and objectives, and as a mechanism to fund temporary cash shortfalls.

1.1.1 Council manages cash and borrowings holistically within the constraints of the overall financial sustainability strategies and targets outlined in the long-term financial plan.

Council will:

- Maintain target ratios as outlined in the Financial Sustainability Ratios and Targets Policy.
- Not retain or quarantine money for particular purposes unless required to do so by legislation, agreement with other parties, or by Council resolution.
- Apply any surplus funds not immediately required to reduce the level of variable interest borrowings.
- Not match borrowings to specific projects, unless required to do so by agreement with other parties.

1.1.2 Borrowings are not a form of revenue and ideally should not be used to service operating deficits.

1.1.3 Under Section 134 of the *Local Government Act 1999*, Council may borrow through any market mechanism but not directly issue its own instruments.

1.1.4 Future movements in interest rates are uncertain in direction, timing and magnitude. Council recognises the importance of balancing risk and cost and therefore should use a combination of fixed and variable interest borrowings to spread the risk exposure.

1.1.5 Council must maintain sufficient levels of variable interest borrowings to ensure surplus cash inflows can be immediately applied to reducing borrowings.

1.1.6 Under the *Local Government Act 1999*, Council must set a borrowings facility limit as part of the annual budget process and adopt any amendments to budget reviews during the year.

1.1.7 When setting the borrowings facility limit, Council should maintain both its interest cover and net financial liabilities ratios.

## 1.2. Investments

1.2.1 Investments will be made in a prudent manner having regard for the prevailing economic climate, projected interest rate movements and future cash requirements.

1.2.2 In accordance with this Policy and the *Local Government Act 1999*, any funds that are not immediately required for operational needs and cannot be applied to reduce borrowings, will be invested.

1.2.3 To reduce the level of risk in treasury operations, Council must limit investments to secure organisations and therefore the following investments (i.e., with a term of less than 12 months) can be utilised without Council approval:

- Deposits with the Local Government Finance Authority (LGFA)
- Interest bearing deposits with APRA regulated banks
- State / Commonwealth Government Bonds
- Bank bills accepted / endorsed by APRA regulated banks

1.2.4 In terms of investments, the role of the Finance team is to:

- Optimise the use of its excess funds and ensure adequate security of those funds invested;
- Consider terms that will align with liquidity requirements; and
- Consider the diversification of investment types in order to mitigate risk.

1.2.5 All investments are to be made exercising care, diligence and skill in the consideration of:

- The likely yield and term of the investment
- The period in which the investment is likely to be required
- The cost of making and maintaining the investment
- An assessment of future interest rate movements
- An assessment of future cash flow requirements
- Diversification of risk.

## 1.3 Reporting

Section 140 of the *Local Government Act 1999* requires that Council review its borrowings and investments annually. A report will be presented to Council and the Corporate Governance Committee annually summarising the performance of Council's borrowings and investment portfolio.

## 2. Scope

This Policy applies to all financial assets/liabilities including finance leases and bank overdrafts.

This Policy applies to all staff authorised to administer treasury management functions under Council's Delegations Register.

This Policy does not cover:

- Creditors and Provisions.
- Bank Guarantees.

## 3. Legislation and References

The Treasury Policy should be read in conjunction with the Treasury Management Procedure.

Related documents include:

- *Local Government Act 1999*
  - For Borrowings, Section 44, 122, 123 and 134
  - For Investments, Section 47, 139 and 140
- *Local Government (Financial Management) Regulations 2011*
  - Regulation 5
- Framework for the Preparation and Presentation of Financial Statements, published by the Australian Accounting Standards Board
- City of Playford Global Glossary
- City of Playford Delegations register
- Financial Sustainability Ratio and Targets Policy
- Finance Strategy

This Policy should not be considered as the only document that may relate to treasury, other tiers of government, agencies or organisations may have legislation or policies that also apply.

## 4. Application

Council	On-going review of treasury performance and risks. Approve total borrowings facility limit. Approval of investments fixed for a period greater than 12 months
Chief Executive Officer	Endorse facility level, approve new borrowings in line with annual budget resolution and monitor interest expense ratio.
Senior Manager Financial Services	Oversee compliance, implementation and performance against investment and borrowing objectives and ensure reporting to Council.
Finance Manager	Prudently manage Council's liquidity and its borrowings and investments. Implementation of investment and financial risk management activities. Making recommendations in relation to borrowings. Ensure the principles of this policy are followed. Ensure appropriate financial processes are established and maintained to manage financial risks in accordance with this policy.

## 5. Relevance to Risk Appetite Statement

### Financial Sustainability

The City of Playford has a **LOW** appetite for short-term financial risk that adversely impacts the Council's income. The Treasury Policy enables borrowings and investments to be managed responsibly and prudently.

### Reputation

The City of Playford has a **LOW** appetite for negative perceptions that compromise its credibility and reputation. The Policy enables the council to apply a consistent and transparent approach to the management of its borrowings and investments.

### Regulatory Compliance

The City of Playford has **ZERO TOLERANCE** for non-compliance with applicable legislation including the legislation listed within this policy.

## 6. Feedback


Your feedback on this policy is invited and can be directed to the Manager Governance via email to [governance@playford.sa.gov.au](mailto:governance@playford.sa.gov.au) or by calling the Customer Contact Team on 8256 0333.

### Administration use only

ECM document set no.	3982431
Version no.	3
Procedure link	Treasury Management Policy
Policy author	General Manager - Corporate Services
Endorsed by	Council
Resolution no.	4624
Legal requirement	<i>Local Government Act 1999</i>
Review schedule	3 years
Date of current version	August 2023
Date of next review	August 2026

### Version history

Version no.	Approval date	Approval by	Change
1	23/09/2014	Council	New Policy – previously was part of Treasury (Cash) Management and Financial Reserves Policy



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2	25/05/2021	Council Resolution No. 4624	Updated in new template Legislative section reviewed and updated Included application section. Inclusion of Risk Appetite section Removal relevance to Council Plan section
3		Council Resolution No.	Update, author title, Legislative references, reference to borrowing facility and Application

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## Treasury Policy



Policy Author	General Manager – <del>Strategy and Corporate</del> Corporate Services
Date of next review	<del>May 2024</del> August 2026

### 1. Statement of Intent

The primary objectives of Council's Treasury Policy ~~is include~~ the optimisation of earnings, operating in a financially sustainable manner, ensuring risks are identified and managed, and maintaining compliance with appropriate legislation.

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This ~~P~~policy sets the principles for effectively managing Council's treasury management in the context of the annual business plan and budget, long-term financial plan, ~~and~~ associated projected and actual cash flows. It outlines how required borrowings will be raised and how cash and investments will be managed to fund Council operations.

#### 1.1. Borrowings

Borrowing is an appropriate mechanism for the provision of services to the community ~~with~~ regard to strategic directions. Borrowings will be considered in the context of ~~long-term~~long-term financial forecasts and objectives, and as a mechanism to fund temporary cash shortfalls.

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1.1.1 Council manages cash and borrowings holistically within the constraints of the overall financial sustainability strategies and targets outlined in the long-term financial plan.

Council will:

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- Maintain target ratios as outlined in the Financial Sustainability Ratios and Targets Policy.
- Not retain or quarantine money for particular purposes unless required to do so by legislation, agreement with other parties, or by Council resolution.
- Apply any surplus funds not immediately required to reduce the level of variable interest borrowings.
- Not match borrowings to specific projects, ~~unless required to do so by agreement with other parties.~~

1.1.2 Borrowings are not a form of revenue and ideally should not be used to service operating deficits.

1.1.3 Under ~~Section s~~134 of the *Local Government Act 1999*, Council may borrow through any market mechanism but not directly issue its own instruments.

1.1.4 Future movements in interest rates are uncertain in direction, timing and magnitude. Council recognises the importance of balancing risk and cost and therefore should use a combination of fixed and variable interest borrowings to spread the risk exposure.

1.1.5 Council must maintain sufficient levels of variable interest borrowings to ensure surplus cash inflows can be immediately applied to reducing borrowings.

1.1.6 Under the *Local Government Act 1999*, Council must set a borrowings facility limit as part of the annual budget process and adopt any amendments to budget reviews during the year.

1.1.7 When setting the borrowings facility limit, Council should maintain both its interest cover and net financial liabilities ratios.

## 1.2. Investments

1.2.1 Investments will be made in a prudent manner having regard for the prevailing economic climate, projected interest rate movements and future cash requirements.

1.2.2 In accordance with this policy and the *Local Government Act 1999*, any funds that are not immediately required for operational needs and cannot be applied to reduce borrowings, will be invested.

1.2.3 To reduce the level of risk in treasury operations, Council must limit investments to secure organisations and therefore the following investments (ie, with a term of less than 12 months) can be utilised without Council approval:

- Deposits with the Local Government Finance Authority (LGFA)
- Interest bearing deposits with APRA regulated banks
- State / Commonwealth Government Bonds
- Bank bills accepted / endorsed by APRA regulated banks

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1.2.4 In terms of investments, the role of the Finance team is to:

- Optimise the use of its excess funds and ensure adequate security of those funds invested; and
- Consider terms that will align with liquidity requirements; and.
- Consider the diversification of investment types in order to mitigate risk.

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1.2.5 All investments are to be made exercising care, diligence and skill in the consideration of:

- The likely yield and term of the investment
- The period in which the investment is likely to be required
- The cost of making and maintaining the investment
- An assessment of future interest rate movements
- An assessment of future cash flow requirements
- Diversification of risk.

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## 1.3 Reporting

Section 140 of the *Local Government Act 1999* requires that, Council review its borrowings and investments annually. —A report will be presented to Council and the Corporate Governance Committee annually which summarises summarising the performance of Council's borrowings and investment portfolio.

## 2. Scope

This Policy applies to all financial assets/liabilities including finance leases and bank overdrafts.

This Policy applies to all staff authorised to administer treasury management functions under Council's Delegations Register.

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This Policy does not cover:

- Creditors and Provisions.
- 
- Bank Guarantees.



### 3. Legislation and References

The Treasury Policy should be read in conjunction with the Treasury Management Procedure.

Related documents include:

- Local Government Act 1999
  - For Borrowings, Section 44, 122, 123 and 134
  - For Investments, Section 47, 139 and 140
- Local Government (Financial Management) Regulations 2011
  - Regulation 5
- Framework for the Preparation and Presentation of Financial Statements, published by the Australian Accounting Standards Board
- City of Playford Global Glossary
- City of Playford Delegations register
- Fees and Charges Policy
- Financial Sustainability Ratio and Targets Policy
- Finance Strategy

This Policy should not be considered as the only document that may relate to treasury, other tiers of government, agencies or organisations may have legislation or policies that also apply.

### 4. Application

Council	On-going review of treasury performance and risks. Approve total borrowings <u>facility limit</u> . Approval of investments fixed for a period greater than 12 months
Chief Executive Officer	<u>Endorse facility level, approve new borrowings in line with annual budget resolution and monitor interest expense ratio and monitor. Overseeing compliance, implementation and performance against investment objectives and ensuring reporting to Council.</u>
<u>Senior Manager Financial Services</u>	<u>Oversee compliance, implementation and performance against investment and borrowing objectives and ensure reporting to Council.</u>
Finance Manager	Prudently manage Council's liquidity and its borrowings and investments. Implementation of investment and financial risk management activities. Making recommendations in relation to borrowings. Ensure the principles of this policy are followed. Ensure appropriate financial processes are established and maintained to manage financial risks in accordance with this policy.

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## 5. Relevance to Risk Appetite Statement

### Financial Sustainability

The City of Playford has a **LOW** appetite for short-term financial risk that adversely impacts the Council's income. The Treasury Policy enables borrowings and investments to be managed responsibly and prudently.

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### Reputation

The City of Playford has a **LOW** appetite for negative perceptions that compromise its credibility and reputation. The Policy enables the council to apply a consistent and transparent approach to the management of its borrowings and investments.

### Regulatory Compliance

The City of Playford has **ZERO TOLERANCE** for non-compliance with applicable legislation including the legislation listed within this policy.

## 6. Feedback

Your feedback on this policy is invited and can be directed to the Manager Governance via email to [governance@playford.sa.gov.au](mailto:governance@playford.sa.gov.au) or by calling the Customer Contact Team on 8256 0333.

### Administration use only

ECM document set no. 3982431

Version no. ~~32~~

Procedure link [Treasury Management Policy N/A](#)

Policy author General Manager - ~~Strategy and Corporate~~ [Corporate Services](#)

Endorsed by Council

Resolution no. 4624

Legal requirement *Local Government Act 1999*

Review schedule 3 years

Date of current version ~~May 2024~~ [August 2023](#)

Date of next review ~~May 2024~~ [August 2026](#)

### Version history

Version no.	Approval date	Approval by	Change
1	23/09/2014	Council	New Policy – previously was part of Treasury (Cash) Management and Financial Reserves Policy
2	25/05/2021	Council Resolution No. 4624	Updated in new template

				Legislative section reviewed and updated Included application section. Inclusion of Risk Appetite section Removal relevance to Council Plan section
3	<a href="#">Xx/08/2023</a>	<a href="#">Council Resolution No.</a>	<a href="#">Update, author title, Legislative references, reference to borrowing facility and Application</a>	



## Treasury Management Procedure

Procedure Author	General Manager – Corporate Services
Date of next review	August 2027

### 1. Purpose

This Procedure supports the Treasury Policy and underpins Council's decision-making regarding the financing of its operations as documented in its Annual Business Plan (ABP), Long-Term Financial Plan (LTFP) and associated projected and actual cash flow receipts and outlays.

Borrowings enables councils to fund long term investment whilst ensuring affordability and intergenerational equity. Given variability in market conditions over time, it is important to monitor and manage interest rate risk. Debt management strategies require periodic review including the proportion of debt held at fixed and variable interest rates.

Good treasury management practices ensure sufficient cash flow is available to meet council deliverables with the most appropriate interest cost that supports a risk averse appetite.

Debt is a suitable way to provide intergenerational equity to ensure all generations share the responsibility for the assets and services they consume. Debt management therefore requires an understanding of debt purpose, profile e.g. fixed or variable and a clear repayment strategy.

### 2. References and Supporting Documentation

This Procedure should be read in conjunction with the Treasury Policy.

Related documents include:

- *Local Government Act 1999*
- *Local Government (Financial Management) Regulations 2011*
- Local Government Association, Financial Sustainability Information Paper No. 15 Treasury Management
- Finance Strategy
- City of Playford Global Glossary

### 3. Application

Council	On-going review of treasury performance and risks. Approve total borrowings facility limit. Approval of investments fixed for a period greater than 12 months
Chief Executive Officer	Endorse facility level, approve new borrowings in line with annual budget resolution and monitor interest expense ratio and monitor.

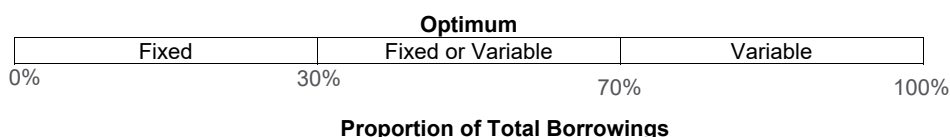
Senior Manager Financial Services	Oversee compliance, implementation and performance against investment and borrowing objectives and ensure reporting to Council.
Finance Manager	Prudently manage Council's liquidity, borrowings and investments. Implement investment and financial risk management activities. Make recommendations in relation to borrowings. Ensure the principles of this Procedure are followed. Ensure appropriate financial processes are established and maintained to manage financial risks in accordance with this Procedure

## 4. Procedure

### 4.1 Interest rate and liquidity risk management

Council structures the overall portfolio of borrowings and investments to balance interest costs with the risk of interest rate changes. Council considers cost effectiveness, risk management and flexibility, and interest expense ratio when making these decisions.

Council adopts the guidance of the LGA 'Financial Sustainability Information Paper No. 15: Treasury Management', which identifies best practice as having at least 30% of borrowings with a fixed interest rate and at least 30% with a variable interest rate as shown below.



#### 4.1.1 Fixed interest rate borrowings

- Council will maintain on average in any year, not less than 30% of gross borrowings in the form of fixed interest rate borrowings.
- To spread exposure to interest rate movements, Council will have a variety of maturity dates on its fixed interest rate borrowings over the available maturity profile.

#### 4.1.2 Variable interest rate borrowings

- Council will maintain on average in any year, not less than 30% of its gross debt in the form of variable interest rate borrowings.
- Council will utilise long-term variable interest rate borrowing 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 provides Council with access to liquidity when needed.

#### 4.1.3 Discretionary range

- The remaining 30-70% of borrowings will be managed with reference to the current economic environment and forecast interest rate markets. As a general guide, a falling interest rate market would facilitate a higher percentage of debt at variable

rates compared to a rising interest rate market where a higher percentage of debt at a fixed rate could be more appropriate.

#### 4.1.4 Cash Management

- Surplus cash inflows to be applied to reduce borrowings.
- Maintain a daily cash flow balance with a target daily balance of \$500,000.
- Monthly cashflow forecasting and reporting of forecast borrowings.

#### 4.2 Investment

- Council funds not immediately required for operational needs which 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.
- As there is usually a margin between borrowing and investment rates, Council should seek to avoid holding investments if Council has outstanding borrowings. Council should apply the funds to retire some of its outstanding borrowings.
- 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 defer the need to raise a new borrowing or reduce the level of Council's variable interest rate borrowing facility.
- 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.

#### 4.3 Borrowings

- When new borrowings are required to meet Council's cashflow requirements consistent with the Finance Strategy and ABP, consideration is to be given to the current interest environment, Council's LTFP and existing borrowings to assist with decisions around the maturity loan structure and interest type for the borrowing to be taken.
- In accordance with Section 134 of the Act, Council authorises borrowings of up to a maximum borrowing facility as approved each year in the Annual Business Plan and Budget Resolution.
- Council approves the CEO to enter into and apply the affixation of the common seal to any borrowings documentation within the approved borrowing facility limit.

#### 4.4 Risk

- Council currently has zero appetite to risk and all treasury management should be considered with this in mind.

## 5. Feedback

Your feedback on this procedure is invited and can be directed to the Manager Governance via email to [governance@playford.sa.gov.au](mailto:governance@playford.sa.gov.au) or by calling the Customer Contact Team on 8256 0333

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### Administration use only

ECM document set no.	4401690
Version no.	1
Policy link	Treasury Policy
Procedure author	General Manager – Corporate Services
Endorsed by	Council
Resolution no.	
Legal requirement	Local Government Act 1999
Review schedule	3 years – per Treasury Policy
Date of current version	2023
Date of next review	August 2027

### Version history

Version no.	Approval date	Approval by	Change
1		Council Resolution No.	New Procedure

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# STAFF REPORTS

## MATTERS TO BE CONSIDERED BY THE COMMITTEE ONLY

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### *Matters for Information*

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### 5.3 CORPORATE GOVERNANCE COMMITTEE WORK PLAN

**Responsible Executive Manager :** Luke Culhane

**Report Author :** Sarah Schutz

**Delegated Authority :** Matters for Information

**Attachments :** 1 [↓](#). 2024 Corporate Governance Committee Workplan

#### **Purpose**

The purpose of this report is for the Corporate Governance Committee to review and monitor the Committee's Work Plan and ensure it is meeting the obligations set out in the *Local Government Act 1999* (the Act) and its Charter.

#### **STAFF RECOMMENDATION**

The Committee receive the 2024 Corporate Governance Committee Workplan (Attachment 1).

#### **Relevance to Strategic Plan**

Decision-making filter: We will ensure that we meet our legislative requirements and legal obligations.

The Committee is a requirement under Section 126 of the Act, the Charter details how the Committee fulfils these obligations, and the Workplan (Attachment 1) is the planning tool to ensure that the Committee meets the requirements of the Charter.

#### **Relevance to Community Engagement Policy**

There is no requirement to undertake public consultation as part of this report.

#### **Background**

The Corporate Governance Committee was established at the commencement of the 2022 Council term and the Committee fulfils the legislative requirements to have an audit committee under Section 126 of the Act. The purpose of the Committee is to provide independent assurance and advice to Council on accounting, financial management, internal controls, risk management and governance matters.

#### **Current Situation**

The attached workplan has been developed as a tool to ensure that the business of the Committee is appropriately planned on an annual basis and the Committee is meeting the obligations of the Act and its Charter. At each meeting, the workplan is reviewed and updated if required.

---

**Future Action**

The Committee will receive a report on the forward workplan at each Committee meeting.

Corporate Governance Committee Work Plan 2024									
AGENDA	CGC Charter Reference	Report Type	Non-recurrent/ Recurrent	Meeting Dates					
				6 Feb 2024	2 Apr 2024	7 May 2024	6 Aug 2024	1 Oct 2024	3 Dec 2024
<b>POLICY REVIEW</b>									
Consider relevant Policies for CGC input (as needs basis)	2.6 Accounting, Internal Control, Reporting and other Financial Management Systems	Decision Report	N						
<b>FINANCIAL MANAGEMENT</b>									
External Audit:									
Annual External Audit Plan	2.5 Council's External Auditor	Information Report	R	External Audit Attend					
Management Update on Internal Control Findings (External Audit Interim Report)	2.3 Monitor Auditor Recommendations	Information Report	R						
Adoption of Annual Financial Statements & External Audit Report	2.1 Financial Reporting and 2.5 Council's External Auditor	Decision Report	R					External Audit Attend	
Meeting with External Auditor	2.5 Council's External Auditor	Informal Discussion (Committee Only)	R					External Audit Attend	
Mid Year Review - End of Year Forecast	2.1 Financial Reporting	Information Report	R						
Rates Review (as needs basis)	2.1 Financial Reporting	Decision Report / Information Session	N						
Rolling Asset Revaluation Update	2.1 Financial Reporting	Information Report	R						
<b>RISK MANAGEMENT</b>									
Strategic Risk Report	2.8 Risk Management	Information Report	R						
Risk and WHS Audit Action Plans - Progress Update	2.8 Risk Management	Information Report	R						
Insurance Portfolio	2.8 Risk Management	Information Report	R						
Major Project Update (as needs basis)	2.8 Risk Management	Information Report	N						
Disaster Recovery Plan	2.8 Risk Management	Information Report	R						
Business Continuity Plan	2.8 Risk Management	Information Report	R						
<b>INTERNAL AUDIT</b>									
Internal Audit Work Plan	2.7 Internal Audit Function	Information Report	R						
Internal Audit Finding Reports (as needs basis)	2.3 Monitor Auditor Recommendations	Information Report	N						
Internal Audit Status Update	2.3 Monitor Auditor Recommendations	Information Report	R						
<b>STRATEGIC MANAGEMENT PLANS</b>									
LTFP Update and Assumptions	2.2 Strategic Management Plans and Annual Business Plans	Informal Discussion	R						
Update on ABP, LTFP, SAMP	2.2 Strategic Management Plans and Annual Business Plans	Informal Discussion	R						
<b>PRUDENTIAL REPORTS</b>									
Prudential Reports (as needs basis)	2.9 Prudential Reports	Decision Report / Informal Discussion	N						
<b>PUBLIC INTEREST DISCLOSURES</b>									
Public Interest Disclosures (as needs basis)	2.10 Public Interest Disclosures	Information Report	N	Procedure review					
<b>COMMITTEE GOVERNANCE</b>									
Workplan & Schedule of Meetings	4. Delegations	Decision Report	R						
CGC Communique	11. Reporting and Review	Informal Discussion	R						
Appointment of Presiding Member	4. Delegations	Decision Report	R						
Committee Self Assessment and Annual Report	11. Reporting and Review	Decision Report	R				Process	Findings	October 2025
CEO update		Information Report	R						
Training and Development (Finance, Risk and Standards update) (as needs basis)	9. Independent Member Support		N						

## 5.4 LOCAL GOVERNMENT ADVICE SCHEME 2023-24

**Responsible Executive Manager :** Luke Culhane

**Report Author :** Trisca Price

**Delegated Authority :** Matters for Information

**Attachments :**

- 1 [↓](#). City of Playford - Advice
- 2 [↓](#). City of Playford - Attachment
- 3 [↓](#). Draft 2024-25 Annual Business Plan ESCOSA Layout

### Purpose

The purpose of this report is to provide the Corporate Governance Committee with an overview of the outcome of the Essential Services Commission SA (ESCOSA) review and proposed inclusion in the 2024-25 Annual Business Plan.

### STAFF RECOMMENDATION

1. The Committee receive and note the Advice Report (Attachment 1) and Technical Attachment from ESCOSA (Attachment 2).
2. The Committee note the proposed inclusion in the Draft 2024-25 Annual Business Plan (Attachment 3).

### Relevance to Strategic Plan

Community Theme 5: Using money wisely

The Advisory Report provides transparent reporting to the community that money is being used wisely and that Council is delivering on its Finance Strategy of long-term financial sustainability.

### Relevance to Community Engagement Policy

There is no requirement to consult with the community.

### Background

On 30 April 2022, amendments to the *Local Government Act 1999* came into operation and introduced an advisory scheme that aims to give ratepayers confidence that the rates they pay are set at the level necessary for their council to provide the services they value. The Essential Services Commission SA (ESCOSA) is the advisory body. The State's 68 councils are subject to the scheme.

The 68 councils were allocated across four tranches to be reviewed over a four-year cycle.

## Current Situation

The City of Playford was allocated to tranche two and ESCOSA have now completed the review process.

The ESCOSA advice relates to the appropriateness of councils' long-term financial plans, infrastructure and asset management plans and revenue sources as outlined in funding plans. It is an advisory scheme, identifying both risks and areas of good practice for councils to consider, with decision making remaining with councils.

The final report was published and released on 28 February 2024 as attached.  
(<https://www.escosa.sa.gov.au/advice/advice-to-local-government>)

ESCOSA found that Playford's current and projected financial performance sustainable, taking into account the councils average expected growth in properties of 2.3% p.a. over the next 10 years, and the planned average rate increases of 2.2% p.a. per property over this period.

ESCOSA highlight the following for Council to continue:

- Monitoring average rate rises annually.
- Reviewing rateable property growth forecasts annually.
- Focusing on selling and disposing of assets to help reduce debt.
- Reporting any actual and projected cost savings in its annual budget and long-term financial plan.

They highlighted the risk they saw impacting sustainability:

- Forecast growth in rateable properties lower than anticipated and not realised by council.
- Failure to reduce its exposure to debt.

ESCOSA have made three recommendations:

- Reduce the level of net financial liabilities.
- Improved transparency on borrowing assumptions.
- Include efficiency goals and cost savings in the long-term financial plan (LTFP).



## Council Response

Council's sustainable financial position is a result of many years of prudent financial management consistent with its Finance Strategy that seeks to ensure the Council has adequate funding to support the needs of a growing community. Supporting the Finance Strategy is a suite of policies, procedures, and reporting arrangements that ensure that Council decision making considers the ongoing financial sustainability of the Council when considering current and future service provision.

## Future Action

To consider ESCOSA recommendation of improved transparency on borrowing assumptions, by including loan facilities and loan terms, in the LTFP.

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Advice

Local Government Advice

City of Playford

February 2024

## OFFICIAL

**Enquiries concerning this advice should be addressed to:**

Essential Services Commission  
GPO Box 2605  
Adelaide SA 5001

Telephone: (08) 8463 4444  
Freecall: 1800 633 592 (SA and mobiles only)  
E-mail: [advice@escosa.sa.gov.au](mailto:advice@escosa.sa.gov.au)  
Web: [www.escosa.sa.gov.au](http://www.escosa.sa.gov.au)

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## City of Playford

### AT A GLANCE

## OVERVIEW

The Essential Services Commission finds the City of Playford's current and projected financial performance **sustainable** taking into account the council's average expected growth in properties of 2.3% p.a. over the next 10 years, and the planned average rate increases of 2.2% p.a. per property over this period

## RISKS IMPACTING SUSTAINABILITY

- ⚠️ Forecast growth in rateable properties is lower than anticipated and not realised by council
- ⚠️ Failure to reduce its exposure to debt

## CONTINUE

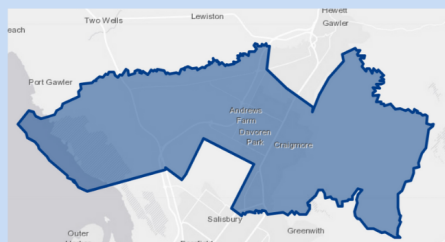
- ✅ Monitoring average rate rises annually
- ✅ Reviewing rateable property growth forecasts annually
- ✅ Focusing on selling and disposing of assets to help reduce debt
- ✅ Reporting any actual and projected cost savings in its annual budget and long-term financial plan

## COMMISSION'S RECOMMENDATIONS

- Reduce the level of net financial liabilities
- Improve transparency on borrowing assumptions
- Include efficiency goals and cost savings in the long-term financial plan

## KEY FACTS

- Population in 2021 was **99,190**
- Council covers **345 square kilometres**
- **44,407** rateable properties in 2022-23
- **\$91.8 million of rate income** in 2022-23
- Value of assets held in 2022-23 equals **\$1.621 billion**



The Essential Services Commission is an independent statutory authority with functions in a range of essential services including water, sewerage, electricity, gas, rail and maritime services, and also has a general advisory function on economic matters. For more information, please visit [www.escosa.sa.gov.au](http://www.escosa.sa.gov.au).



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## Table of contents

Glossary of terms.....	2
1 The Commission's key advice findings for the City of Playford .....	3
Current financial performance: .....	3
Projected financial performance (future): .....	3
Previous financial performance (past ten years): .....	3
2 About the advice .....	5
2.1 Summary of advice .....	5
2.2 Detailed advice findings .....	6
2.2.1 Advice on material plan amendments in 2023-24 .....	6
2.2.2 Advice on financial sustainability .....	7
2.2.3 Advice on current and projected rate levels .....	11
2.3 The Commission's next advice and focus areas .....	12

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## Glossary of terms

ABS	Australian Bureau of Statistics
AMP	Asset management plan (also called an IAMP)
Commission	Essential Services Commission, established under the <i>Essential Services Commission Act 2002</i>
CPI	Consumer Price Index (Adelaide, All Groups)
Council	City of Playford
CWMS	Community Wastewater Management System
ESC Act	<i>Essential Services Commission Act 2002</i>
F&A	<a href="#">Local Government Advice: Framework and Approach – Final Report</a>
FTE	Full Time Equivalent
IAMP	Infrastructure and asset management plan (also called an AMP)
LG Act	<i>Local Government Act 1999</i>
LGA SA Financial Indicators Paper	Local Government Association of South Australia, Financial Sustainability Information Paper 9 - Financial Indicators Revised May 2019
LGGC	Local Government Grants Commission
LGPI	Local Government Price Index
LTFP	Long-term financial plan
Regulations	<i>Local Government (Financial Management) Regulations 2011</i>
RBA	Reserve Bank of Australia
SACES	The South Australian Centre for Economic Studies
SEIFA	Socio-Economic Indexes for Areas
SMP	Strategic management plan
SG	Superannuation Guarantee
The scheme or advice	Local Government Advice Scheme


Legend:  Low-risk  Moderate-risk  High-risk

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## 1 The Commission's key advice findings for the City of Playford

The Essential Services Commission (**Commission**) finds the City of Playford's (**Council's**) current and projected financial performance **sustainable** as it prepares for continued high levels of projected population growth. After a period of significant infrastructure and service expansion, leveraged by substantial borrowings and grant funding, the Council appears, based on historical surpluses, to demonstrate sound operating performance.


### Current financial performance:

			
Unsustainable	Potentially Unsustainable	Mostly Sustainable	<b>Sustainable</b>

### Projected financial performance (future):

			
Unsustainable	Potentially Unsustainable	Mostly Sustainable	<b>Sustainable</b>

### Previous financial performance (past ten years):

			
Unsustainable	Potentially Unsustainable	<b>Mostly Sustainable</b>	Sustainable

The Commission notes the Council's strategy to reduce its borrowings via the sale of assets (repurpose of assets) and operating surplus growth. However, it is not clear what level of borrowing can be reduced via asset sales in the 10 years to 2032-33. If the Council is unable to fulfill its asset sale strategy, then it risks a greater burden of revenue shifting to its ratepayers.

In addition, the Council's ability to reduce its borrowings via operating surplus growth also highlights the importance of its forecast growth in rateable properties. If the Council overestimates the growth in rateable properties to 2032-33, the burden of debt repayment will fall on existing ratepayers.

Noting that the Council's projections are somewhat reliant on its high growth assumptions, the Commission considers it important for the Council to ensure that its costs align to actual growth achieved – including having contingency plans to defer or avoid costs and new infrastructure if forecast growth does not transpire. In addition, the Council should focus on achieving scalability so that the marginal cost of serving a new ratepayer is financially sustainable.

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## Budgeting considerations

1. **Continue** its good practice of reviewing inflation forecasts in its budget and forward projections from 2024-25, given the potential for higher short-term inflation outcomes, followed by a return to long-term averages.
2. **Continue** its good practice of reviewing the rateable property growth forecasts in budget projections each year, to ensure that they remain current and do not create a need for additional rate increases to generate the same level of projected revenue.

## Continue to provide evidence of ongoing cost efficiencies

3. **Continue** its good practice of reporting any actual and projected cost savings in its annual budget (and long-term financial plan, as appropriate), to provide evidence of constraining cost growth and achieving efficiency across its operations and service delivery.
4. **Include** efficiency goals and projected cost savings in its long-term financial plan, to provide further evidence of projected cost growth constraint and efficiencies across its operations and service deliveries.

## Continue to manage borrowing risk

5. **Reduce** its level of net financial liabilities, as forecast in its latest long-term financial plan, and continue to focus on asset sales or disposals as one of its strategies to help reduce debt.
6. **Improve** transparency on borrowing assumptions, including loan facilities and loan terms, in its long-term financial plan.

## Containing rate levels

7. **Continue** to monitor average rate rises to help reduce cost of living pressure on the community.

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## 2 About the advice

The Essential Services Commission (**Commission**), South Australia's independent economic regulator and advisory body, has been given a role by the Parliament to provide advice on material changes proposed by local Councils in relation to elements of their strategic management plans (**SMPs**) and on the proposed revenue sources, including rates, which underpin those plans.<sup>1</sup>

One of the main purposes of the Local Government Advice Scheme (**advice or the scheme**) is to support Councils to make 'financially sustainable' decisions relating to their annual business plans and budgets in the context of their long-term financial plans (**LTFPs**) and infrastructure and asset management plans (**IAMPs**)<sup>2</sup> – both required as part of a Council's SMP.<sup>3</sup> Financial sustainability is considered to encompass intergenerational equity,<sup>4</sup> as well as program (service level) and rates stability.<sup>5</sup> The other main purpose is for the Commission to consider ratepayer contributions in the context of revenue sources, as outlined in the LTFP.<sup>6</sup> In addition, the Commission has discretion to provide advice on any other aspect of a Council's LTFP or IAMP it considers appropriate, having regard to the circumstances of that Council.<sup>7</sup>

The first cycle of the scheme extends over four years from 2022-23 to 2025-26, and the Commission has selected 17 Councils for advice in the second scheme year (2023-24), including the Council.

This report provides the Local Government Advice for the Council in 2023-24.

The Council is obliged under the *Local Government Act 1999* (**LG Act**) to publish this advice and its response, if applicable, in its 2024-25 annual business plan (including any draft annual business plan) and subsequent plans until the next cycle of the scheme.<sup>8</sup> It does not need to publish the attachment to the advice (these will be available with the advice on the Commission's website<sup>9</sup>), nor is it compelled under the LG Act to follow the advice.

The Commission thanks the Council for providing relevant information and engaging with Commission staff to assist the Commission in preparing this advice.

### 2.1 Summary of advice

Historically, the Council's community has had strong rateable property growth, accompanied by strong infrastructure growth and increasing contributions from ratepayers and government grants. In general, the Commission finds the Council's current financial position sustainable, on balance, with small historical and projected operating surpluses. However, there are some risks to the income and expense forecasts and the Council's strategy to reduce its borrowings.

The Council is one of South Australia's fastest growing areas. In 2022-23, the Council had 44,407 rateable properties. The Council expects this to increase to 46,306 in 2023-24, a 4.3 percent growth in rateable properties.<sup>10</sup>

The Council's cost base is expected to rise in the short-term, driven by further growth projections, with the Council forecasting an average of 1,075 new properties each year from 2023-24 to 2032-33. This growth will become embedded into the underlying cost base of the Council. In addition, the Council has

<sup>1</sup> Amendments to the LG Act (s122(1c) to (1k) and (9)) specify the responsibilities for the Commission and local Councils for the Local Government Scheme Advice. The Commission must provide advice to each Council in accordance with the matters outlined in s122(1e), (1f) and (1g).

<sup>2</sup> Commonly referred to as asset management plans.

<sup>3</sup> The objectives of the advice with reference to a Council's LTFP and IAMPs are presented under LG Act, s122(1g). LG Act s122(1) specifies the requirements of a Council's SMP, including the LTFP and IAMPs.

<sup>4</sup> 'Intergenerational equity' relates to fairly sharing services and the revenue generated to fund the services between current and future ratepayers.

<sup>5</sup> Commission, *Framework and Approach – Final Report*, August 2022, pp. 2-3, available at [www.escosa.sa.gov.au/advice/advice-to-local-government](http://www.escosa.sa.gov.au/advice/advice-to-local-government).

<sup>6</sup> LG Act s122(1f)(a) and (1g)(a)(ii).

<sup>7</sup> LG Act s122(1f)(b) and (1g)(b).

<sup>8</sup> LG Act s122(1h).

<sup>9</sup> The Commission must publish its advice under LG Act s122(1i)(a).

<sup>10</sup> City of Playford, *2023-24 annual business plan*, June 2023, p. 60.

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factored this growth into its additional rate revenue estimates. Therefore, the future sustainability of the Council is strongly linked to its expectations regarding the further development of the community.

The Council has predominantly used borrowings from the Local Government Finance Authority of South Australia (LGFA) to fund its renewal of existing assets and acquisition of new and upgraded assets. In doing so, the Council's net financial liabilities ratio<sup>11</sup> has been outside (or above) the suggested target range (the 10-year average to 2021-22 was 121.3 percent). The Council has forecast a reduction in its net financial liabilities ratio from a peak of 88.4 percent in 2023-24 to an average of 49.9 percent in the five years to 2032-33. The reduction in the ratio from 2022-23 to 2031-32 is proposed to come from the progressive repayment of total borrowings (\$33.1 million over the next ten years to 2032-33), via the sale of assets and from operating surplus growth.

The Council's forward projections from 2023-24 (in its LTFP) forecast a slightly improved financial sustainability outlook as a result of the forecast rate of operating revenue growth set to slightly outpace the forecast rate of expense growth with:

- ▶ average growth in rates and expenses per property below the Reserve Bank of Australia (RBA)-based forecast inflation rate (and generally aligned with the Council's forecast inflation), and
- ▶ a reduction in its net financial liabilities ratio from a progressive repayment of total borrowings (of \$33.1 million over the next ten years to 2032-33), via the sale of assets<sup>12</sup> and forecast available net annual cashflow.

The Commission notes the Council's current good practice of reporting cost savings (the Council has identified \$0.6 million of savings during the 2023-24 budget process). However, these savings equate to only 0.4 percent of the Council's total forecast expenses in 2023-24.<sup>13</sup>

The Commission encourages the Council to include efficiency goals and challenging projected cost savings in its long-term financial plan that could provide some mitigation if the forecast increase in rateable properties does not arise. There are also other opportunities for the Council to be more transparent about its price, service level and efficiency-related assumptions in its forward cost projections. In general, a transparent focus on cost constraint should help the Council to identify opportunities to reduce any affordability risk emerging for residential ratepayers, who account for the major share of the rates revenue.

## 2.2 Detailed advice findings

The next sections summarise the Commission's more detailed observations and advice findings regarding the Council's material changes to its 2023-24 plans (compared with the previous year's plans), its financial sustainability (in the context of its long-term operating performance, net financial liabilities, and asset renewals expenditure) and its current and projected rate levels.

In providing this advice, the Commission has followed the approach explained in the Framework and Approach – Final Report (F&A). The attachment explores these matters further.<sup>14</sup>

### 2.2.1 Advice on material plan amendments in 2023-24

#### Key Point:

- ✔ Projected improvement in operating performance driven by higher rates and grant revenue and reduced level of net financial liabilities.

<sup>11</sup> The net financial liabilities ratio is defined as: Net financial liabilities ÷ Total operating income. This ratio measures the extent to which a Council's total operating income covers, or otherwise, its net financial liabilities. The suggested LGA target range is between zero and 100 percent of total operating income, but possibly higher in some circumstances (LGA SA Financial Indicators Paper, pp. 7-8).

<sup>12</sup> City of Playford, 2023-24 2032 long-term financial plan, June 2023, pp. 18.

<sup>13</sup> City of Playford's total expenses for 2023-24 are forecast to be \$131,187,342 City of Playford Council, 2024 – 2033 long-term financial plan, June 2023, p. 35

<sup>14</sup> The attachment will be available on the Commission's website with the Advice.

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The Council's 2023-24 LTFP includes an improvement in projected operating performance and increases in projected capital expenditure estimates, compared with the 2022-23 forecasts (for the nine-year overlapping period in both LTFPs: 2023-24 to 2031-32), as follows:

- ▶ An additional improvement of \$145.5 million (11 percent) in total operating income. Most of this increase is due to higher rates revenue, which increased by \$104.5 million (10.3 percent) on the 2022-23 estimates (for the period 2023-24 to 2031-32). Grants, subsidies and contributions have also increased by \$40.6 million (21 percent).
- ▶ An additional \$137.2 million or 11.2 percent in total operating expenses. This includes an additional \$57 million (12.7 percent) for 'materials, contracts and other' expenses, and an additional \$34.1 million (7 percent) in 'employee costs'. Depreciation also increased by \$39.9 million (14 percent).

The table below highlights the Council's 10-year CPI assumptions between the 2022-23 and 2023-24 LTFPs, the Commission has reviewed the nine overlapping years' CPI statistics: 2023-24 to 2031-32.

Consumer Price Index	23-24	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32
Deloitte Forecast Economics 2022-23 LTFP	2.30%	2.30%	2.40%	2.30%	2.40%	2.50%	2.30%	2.40%	2.30%
Deloitte Forecast Economics 2023-24 LTFP	7.90%	2.58%	2.47%	2.51%	2.52%	2.43%	2.29%	2.29%	2.38%

The Council's current inflation forecasts present a risk to its cost and income projections in the current inflationary environment. The RBA currently forecasts the CPI (Australia-wide) to increase by 3.6 percent in the year to the June 2024 quarter and by 3.1 percent in the year to June 2025. Thereafter, it is reasonable to anticipate a return to long-run averages (and growth of 2.5 percent per annum from 2025-26, based on the midpoint of the RBA's 2 to 3 percent target range).<sup>15</sup>

The Commission notes that the Council's stated assumptions for indexation in its 2023-24 LTFP are based on its annual review of these forecasts. The Commission considers that annual reviews of assumptions to reflect best practice and supports the Council in continuing to do so through its annual process. For this reason, it would be appropriate for the Council to:

1. **Continue** its good practice of reviewing its inflation forecasts in its budget and forward projections from 2024-25, given the potential for higher short-term inflation outcomes, followed by a return to long-term averages.

## 2.2.2 Advice on financial sustainability

### Operating performance

#### Key Points:

- ✓ Operating surpluses have been consistently achieved between 2016-17 to 2022-23.
- ✓ The operating surplus ratio is forecast to meet the suggested LGA target range in each year to 2032-33, averaging 3.3 percent.
- ⚠ Operating expenses from 2012-13 to 2022-23 have experienced moderate growth above CPI.

<sup>15</sup> RBA, Forecast Table - August 2023, available at <https://www.rba.gov.au/publications/smp/2023/aug/forecasts.html>

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- ✓ Average operating expenses per rateable property are projected to increase by 1.7 percent each year to 2032-33.
- ✓ Continuous improvements have resulted in cost savings of \$16.9 million since 2011.

The Council has consistently recorded operating surpluses<sup>16</sup> since 2016-17 and the operating surplus ratio<sup>17</sup> is forecast to meet the suggested LGA target range in each year to 2032-33. In the 10 years to 2021-22, the average operating surplus ratio performance was 3.5 percent. That is within the lower portion of the suggested LGA target range for the ratio. In the same period, the Council's operating income growth averaged 5.3 percent per annum, higher than the rate of operating expense growth (averaging 3.3 percent per annum).<sup>18</sup>

The Council received a combination of additional rates, statutory charges, user charges and 'grants, subsidies and contributions' income over this period to generate its relatively strong operating income growth.

On the cost side, its 'materials, contracts and other' expense increased at a conservative level (averaging 2.6 percent per annum) from 2012-13 to 2021-22, given the average annual CPI growth of 2.0 percent.<sup>19</sup> On the other hand, its 'employee' and depreciation expenses both increased by an average of 3.3 and 5.2 percent per annum.

The estimated increase in the rate of growth in operating expenses (to an average of 4.0 percent per annum to 2032-33, which is above the RBA-based forecast inflation<sup>20</sup>), combined with operating income growth of 3.7 percent per annum (also above the RBA-based forecast inflation), is expected to slightly reduce the Council's operating performance. The Council has projected smaller operating surpluses to 2032-33, averaging 3.3 percent.

Average operating expenses per rateable property are projected to increase at 1.7 percent (nominally) in the 10 years to 2031-32 (the increase in the 10 years to 2021-22 was also 1.7 percent). At the same time, average operating income per property is forecast to increase by 1.3 percent (nominally), below forecast inflation. These projections highlight the importance of the forecast growth in rateable properties in minimising the impact of rising costs on households. The Council's assumed average growth is 2.3 percent per annum (to 2031-32) in rateable properties, which is higher than historical growth of 1.7 percent per annum (10 years to 2021-22).

If the forecast growth in rateable properties does not occur, and the Council cannot reverse the increases in costs, this could place pressure on rate levels, while simultaneously reducing the speed at which borrowings are drawn down. This could result in the need for further asset sales. Notwithstanding this, the Commission notes the Council's good practice of reviewing its rateable property forecast annually and encourages the Council to:

2. **Continue** its good practice of reviewing the rateable property growth forecasts in its budget projections each year to ensure that they remain current and do not create a need for additional rate increases to generate the same level of projected revenue.

<sup>16</sup> This means the Council's operating income (including rates and other revenue sources but excluding capital grants, subsidies, and contributions) have exceeded operating expenses (including depreciation).

<sup>17</sup> The operating surplus ratio is defined as: Operating Surplus (Deficit) ÷ Total Operating Income. The general target is to achieve, on average over time, an operating surplus ratio of between zero and 10 percent (Local Government Association of South Australia, *Financial Sustainability Information Paper 9 - Financial Indicators Revised*, May 2019 (LGA SA Financial Indicators Paper), p. 6).

<sup>18</sup> Based on the compound average annual growth rate formula (which is the adopted approach to calculating average annual growth rates throughout the Commission's advice).

<sup>19</sup> CPI (All groups). Average annual growth in the LGPI published by the South Australian Centre for Economic Studies was similar (at 2.0 percent), available at <https://www.adelaide.edu.au/saces/economic-and-social-indicators/local-government-price-index>.

<sup>20</sup> The forecast average annual growth in the CPI from 2022-23 to 2031-32 is estimated to be 2.6 percent based on the RBA forecasts for the CPI (Australia-wide) to June 2025 (and the Commission's calculations of average annual percentage growth) and the midpoint of the RBA's target range (2.5 percent) from 2025-26.



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The Commission has observed the current good practice of the Council to focus on continuous improvement resulting in savings: over \$16.9 million since 2011.<sup>21</sup> As an example, it has factored in savings of approximately \$0.6 million to its expense estimates in 2023-24, compared to these items in 2022-23.<sup>22</sup> However, the Commission notes that the Council has not set any subsequent year efficiency goals in its LTFF.




To ensure that the Council is positioned to achieve the forecast real term reduction in its cost base and improve its operating performance (without the need for further rate increases above inflation), the Commission encourages it to:

3. **Continue** its good practice of reporting any actual and projected cost savings in its annual budget (and long-term financial plan, as appropriate), to provide evidence of constraining cost growth and achieving efficiency across its operations and service delivery.

4. **Include** efficiency goals and projected cost savings in its long-term financial plan, to provide further evidence of projected cost growth constraint and efficiencies across its operations and service deliveries.

### Net financial liabilities

#### Key Points:

-  The net financial liabilities ratio has been above the LGA target range between 2012-13 to 2021-22.
-  The net financial liabilities ratio in the ten years to 2032-33 is forecast to be an average of 49.9 percent as a result of progressive repayment of debt, asset sales and growth of operating income.
-  Current high level of debt of \$101 million with an average debt of \$105.8 million dollars between 2012-13 to 2021-22.

Over the past 10 years, the Council's net financial liabilities ratio has been above the suggested LGA target range (averaging 121.3 percent from 2012-13 to 2021-22).<sup>23</sup> The Council has consistently used a high level of borrowings to finance (in part) its capital expenditure (the average level of borrowings from 2012-13 to 2021-22 was \$105.8 million).

While the Council's performance is above the LGA target range, the Commission notes the significant outlays on new infrastructure required for a high growth Council. The Commission also notes that, in the 2023-24 budget process, the Council's public consultation report received only two mentions (out of a total of 48) that expressed concerns about how it is planning to reduce debt.<sup>24</sup> The Commission also notes that the Council has achieved consistent operating surpluses (seven operating surpluses in the 10 years to 2021-22).

The Council has forecast a reduction in its net financial liabilities ratio from a peak of 88.4 percent in 2023-24 to an average of 49.9 percent in the five years to 2032-33. The reduction in the ratio from 2023-24 to 2032-33 comes from the progressive repayment of total borrowings (of \$33.1 million over the next

<sup>21</sup> City of Playford, 2024 – 2033 long-term financial plan, June 2023, pp. 17, available at [City-of-Playford-LTFP-23-24\\_2023-07-05-033606\\_mqwd.pdf](#)

<sup>22</sup> City of Playford Council, 2024 – 2033 long-term financial plan, June 2023, p. 17.

<sup>23</sup> The net financial liabilities ratio is defined as: Net financial liabilities ÷ Total operating income. This ratio measures the extent to which a Council's total operating income covers, or otherwise, its net financial liabilities. The suggested LGA target range is between zero and 100 percent of total operating income, but possibly higher in some circumstances (LGA SA Financial Indicators Paper, pp. 7-8).

<sup>24</sup> City of Playford, Ordinary Council Meeting Agenda -27 June 2023, Item 14.5 Draft 2023/2024 annual business plan, What We Heard Report – Public Consultation, available at <https://cdn.playford.sa.gov.au/agendas-minutes/attachments/06-27-June-2023-Attachments-for-Items-14.5-14.7.pdf>

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ten years to 2032-33), via the sale of assets and operating income growth. In doing so, the Commission supports the Council's strategy to:

5. **Reduce** its level of net financial liabilities as forecast in its latest long-term financial plan and continue to focus on asset sales or disposals as one of its strategies to help reduce debt.

The Council only includes proposed asset sales when there is a high level of certainty associated with the disposal.<sup>25</sup> As a result, it is not clear what level of borrowing can be reduced via asset sales in the 10 years to 2032-33 relative to using operating surpluses to repay borrowings. If the Council is unable to fulfill its asset sale strategy, then it risks a greater burden of revenue shifting to its ratepayers in order to achieve operating surpluses that can be used to repay borrowings.

As previously mentioned, these projections (the progressive repayment of borrowings of \$33.1 million to 2032-33) also indicate the importance of the forecast growth in rateable properties and ensuring that the Council undertakes a robust process when forecasting rateable property growth. If the Council overestimates the growth in rateable properties to 2032-33, it also risks a greater burden of revenue shifting to existing ratepayers in order to achieve operating surpluses that can be used to repay borrowings.

In addition, the Council has not fully disclosed the assumptions underpinning its borrowing forecasts in its LTFP (such as loan facilities and/or terms, if applicable). However, the Council has disclosed its interest rate assumptions for its borrowing facilities, along with sensitivity analysis. According to its 2023-24 LTFP, the Council has a \$3.7 million impact to its operating expenditure over 10 years based on a 1 percent interest rate increase each year over its 10-year LTFP. The Commission considers that it would be appropriate for it to:

6. **Improve** transparency on borrowing assumptions, including loan facilities and loan terms, in the Council's long-term financial plan.

#### Asset renewals expenditure

##### Key Points:

- ▲ The asset renewal funding ratio averaged 86 percent from 2012-13 to 2021-22 and averaged \$16.3 million per annum.
- ✓ The forecast asset renewal funding ratio until 2032-33 is 100 percent with an average of \$25 million spend per annum.
- ✓ The forecast capital expenditure on new and upgraded assets will average \$19.8 million to 2032-33.
- ▲ Depreciation expenses are growing higher than forecast renewal expenditure, causing the Council to not meet the average rate of asset consumption based on current projected depreciation expenses.

The Council's asset renewal funding ratio<sup>26</sup> averaged 86 percent for the 10 years to 2022-23, which is close to but below the lower end of the suggested LGA target range of 90 to 110 percent. The Council is forecast to consistently meet the suggested target for the ratio in the 9 years to 2032-33 (averaging 100 percent).

The Council's spending on the renewal of assets averaged \$16.3 million per annum between 2012-13 to 2021-22. From 2023-24, the Council is adjusting its asset renewals spending profile, with higher

<sup>25</sup> City of Playford, 2023-24 2032 long-term financial plan, June 2023, pp. 18.

<sup>26</sup> The IAMP-based method is the current industry standard whereby asset renewal/replacement expenditure is divided by the recommended expenditure in the IAMP (or AMP). Ideally, this will show the extent to which a Council's renewal or replacement expenditure matches the need for this expenditure, as recommended by the plan. The suggested LGA target range for the ratio is 90 to 110 percent (LGA SA Financial Indicators Paper, p.9).

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projected annual renewal expenditure averaging \$25 million to 2032-33, in nominal terms. This compares to a projected capital spending on new and upgraded assets averaging \$19.8 million to 2032-33, and a projected slight increase in the value of assets per property over this period.

When the asset renewal funding ratio is calculated by the depreciation-based method,<sup>27</sup> it is forecast to average 68 percent over the period 2023-24 to 2032-33. The ratio is impacted by the Council's renewal expenditure which is quite low due to its relatively new asset base (average asset age is 21 years).<sup>28</sup> Renewal expenditure is expected to increase as the council's average asset age increases. The Commission notes that the Council is of a young age (the council was formed in 1997 through the merger of the City of Elizabeth and City of Munno Parra), in a high growth area with a high number of new assets recently acquired or gifted.<sup>29</sup>

### 2.2.3 Advice on current and projected rate levels

#### Key Points:

- ▲ Rate revenue per property growth has averaged 3.4 percent or \$52 per annum for each property in the period between 2012-13 and 2021-22, which is 1.4 percent above CPI for the same period.
- ▲ The forecast rate increase for 2023-24 is 10.7 percent or \$225 per property.
- ▲ The Council is one of South Australia's fastest growing council areas, with rateable properties forecast to increase by 4.3 percent in 2023-24 and averaging 3 percent until 2032-33.
- ✔ Based on current projected increases in rateable properties of 4.3 percent, between 2023-24 to 2032-33 the average rate across all categories is forecast to increase by 2.2 percent which is below the RBA-based forecast average of inflation of 2.6 percent per annum.

The Council's rate revenue per property growth has averaged 3.4 percent or \$52 per annum for each property in the period between 2012-13 and 2021-22. This has exceeded CPI growth of an average of 2.0 percent per annum over this period, resulting in rates increasing in real terms (but also encompassing 1.5 percent average annual growth in rateable property numbers).<sup>30</sup> Current rate levels partially reflect the Council's recent history of spending growth, predominantly on capital expenditure (on renewals, and new and upgraded assets), higher employee-related costs, and its focus to improve its operating performance.

The Council has budgeted for an average rate increase (for general and commercial ratepayers) of 10.7 percent, or \$225, per property for its existing ratepayers in 2023-24.<sup>31</sup> This was higher than anticipated in its 2022-23 LTFP projections (2.78 percent for existing rateable properties). The rates increase reflects higher short-term inflation (estimated by the Council to be 7.9 percent) along with the Council's target to meet a 1 percent structural surplus.<sup>32</sup> As noted earlier, the Council is one of South Australia's fastest growing council areas: in 2022-23, it had 44,407 rateable properties, and it expects this to increase to 46,306 in 2023-24 - a 4.3 percent growth in rateable properties.<sup>33</sup>

The Council's general rate revenue, consists of two components: one based on a fixed charge and the other on the value of the land (differential charge).

<sup>27</sup> Where asset renewal/replacement expenditure is divided by depreciation expenses as was known as the asset sustainability ratio until 2018.

<sup>28</sup> City of Playford, *2023-24 strategic asset management Plan*, June 2023, pp. 19

<sup>29</sup> City of Playford, Error of fact check letter, January 2024, pp1.

<sup>30</sup> CPI Adelaide (All groups). Average annual growth in the LGPI published by the South Australian Centre for Economic Studies was similar (at 2.0 percent). Available at <https://www.adelaide.edu.au/saces/economic-and-social-indicators/local-government-price-index>.

<sup>31</sup> Based on the Council's 2023-24 annual business plan and its Excel template (with the 2023-24 forecasts) provided to the Commission. The Commission has used \$105.615 million (in 2023-24 budgeted rates revenue) compared to unaudited 2022-23 estimates. Individual rate level changes may be higher or lower depending on the rates category and property value.

<sup>32</sup> City of Playford, *2023-24 long-term financial plan*, June 2023, p. 16.

<sup>33</sup> City of Playford, *2023-24 annual business plan*, June 2023, p. 60

## OFFICIAL

After applying rebates, the Council will collect general fixed rate revenue equal to 50 percent of its general rates revenue. This is the maximum amount that it can collect from the fixed charge under the Council's rating structure and LG Act.<sup>34 35</sup> In 2023-24, the Council's fixed charge will be \$1,111.90 per rateable property, with the remaining 50 percent of general rates (after rebates) to be collected from a differential charge.<sup>36</sup>

The differential charge payable per property is based on a rate in the dollar that is applied to the capital value of property. The rate in the dollar may vary based on land use and the Council currently has two rate types declared, commercial and general.

The Commission notes that the average differential charge per rateable property for the general type will increase to \$707 in 2023-24 (from \$664 in 2022-23). As such, the average rate per rateable property for the general type will be \$1,818.90, of which \$1,111.90 is the fixed charge applicable to all rateable properties.

The Commission also notes that there is no differentiation in the commercial rate to reflect the type of industry (for example light versus heavy) or type of commercial property (for example office versus retail).

On balance, affordability risk within the community for these further rate increases appears to be high. The current economic environment is likely to be putting more pressure on the communities' capacity to pay for further rate increases. The Council has a relatively low socio-economic index (SEIFA) economic resources ranking<sup>37</sup> and already has relatively high average rates (across most ratepayers). In the 2023-24 budget process, the Council's public consultation report received 23 submissions (out of a total of 48) that expressed concerns about further rate increases.<sup>38</sup> For these reasons, the Commission suggests that the Council:

7. **Continue** to monitor average rate rises to help reduce cost of living pressure on the community.

### 2.3 The Commission's next advice and focus areas

In the next cycle of the scheme, the Commission will review and report upon the Council's:

- ▶ progress in reducing its net financial liabilities,
- ▶ ongoing performance against its LTFP estimates (including review of growth assumptions),
- ▶ achievement of cost savings and efficiencies and its continued reporting of these in its plans, and
- ▶ actions to address any misalignment between the capital expenditure and depreciation estimates in its LTFP and various AMPs.

<sup>34</sup> City of Playford, *2023-24 annual business plan*, June 2023, p. 59.

<sup>35</sup> *Local Government Act 1999 (LG Act)* s151(10).

<sup>36</sup> City of Playford, Rating Policy, June 2023, p. 1 available at <https://cdn.playford.sa.gov.au/general-downloads/Rating-Policy-23-24.pdf>

<sup>37</sup> The City of Playford area is ranked 10 among 71 South Australian 'local government areas' (including Anangu Pitjantjatjara and Maralinga Tjarutja Aboriginal community areas and 'unincorporated SA') on the Australian Bureau of Statistics SEIFA Index of Economic Resources (2016), where a lower score (eg, 1) denotes relatively lower access to economic resources in general, compared with other areas, available at <https://www.abs.gov.au/statistics/people/people-and-communities/socio-economic-indexes-areas-seifa-australia/2021>.



<sup>38</sup> City of Playford, *Ordinary Council Meeting Agenda -27 June 2023, Item 14.5 Draft 2023/2024 annual business plan, What We Heard Report – Public Consultation*, available at <https://cdn.playford.sa.gov.au/agendas-minutes/attachments/06-27-June-2023-Attachments-for-Items-14.5-14.7.pdf>



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Advice

Local Government Advice - Attachment

City of Playford

February 2024

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## OFFICIAL

## Table of contents

A	The Commission's approach .....	2
B	Material plan amendments in 2023-24 .....	4
B.1	Changes to operating performance .....	4
B.2	Indexation adjustments .....	5
B.3	Increase to capital expenditure estimates .....	6
B.4	Increase in total liabilities .....	6
C	Financial sustainability .....	7
C.1	Operating performance .....	7
C.2	Net financial liabilities .....	9
C.3	Asset renewals expenditure .....	10
D	Current and projected rate levels .....	13
D.1	Historical rates growth .....	13
D.2	Proposed 2023-24 rate increases .....	14
D.3	Projected further rate increases .....	14
D.4	Affordability risk .....	14



## OFFICIAL

## A The Commission's approach

In providing the Advice for the City of Playford (**Council**), the Essential Services Commission (**Commission**) has followed the approach in the Framework and Approach – Final Report (**F&A**).<sup>1</sup>

The Commission has considered the Council's strategic management plan (**SMP**) documents (as in the box below), with a particular focus on its performance and outlook against three financial indicators: the operating surplus ratio, the net financial liabilities ratio and the asset renewal funding ratio.<sup>2</sup> Analysis of these three indicators captures financial and service sustainability, in addition to cost control and affordability risk.<sup>3</sup>

- ▶ 2023-24 Annual Business Plan (adopted June 2023)
- ▶ 2022-23 Annual Business Plan (adopted June 2022)
- ▶ 2023-2032 Long Term Financial Plan (adopted June 2022)
- ▶ 2024-2033 Long Term Financial Plan (adopted June 2023)
- ▶ 2023-2024 Strategic Asset Management Plan (adopted June 2023)
- ▶ 2021-22 Annual Report (adopted October 2022)

The Commission notes that most of the Council's asset base is covered by its existing strategic asset management plan, and asset valuations for those assets are carried out internally on an annual basis with an external independent review carried out every 5 years.

Given that the Commission must, in providing advice, have regard to the objective of Councils maintaining and implementing their infrastructure and asset management plans (**IAMPs**) (usually termed AMPs) and long-term financial plans (**LTFPs**),<sup>4</sup> it has also considered the Council's performance in that context. Findings regarding the content of the Council's AMPs, and the alignment between its LTFP and AMPs,<sup>5</sup> are discussed in section C.3.

The Commission has also reviewed the Council's template data, which contains its 2023-24 LTFP forecasts for 2023-24 to 2032-33, 2022-23 LTFP forecasts, historical financial data, the number of rateable properties and staff (Full Time Equivalent (**FTE**)) numbers from 2012-13 onwards.<sup>6</sup> <sup>7</sup> All charts and tables in the Advice are primarily sourced from these datasets. In addition, the Commission has reviewed the Council's audit committee reports and other public information.

The Commission has reported estimates in nominal terms, for consistency with the Council's plans and actual rate levels, but it has compared estimated inflation impacts to these trends as a guide to identify 'real' rather than 'inflationary' effects. In the charts, the Consumer Price Index (**CPI**) line shows the cumulative growth in the CPI (Adelaide) series from 2012-13, and then projections of this series from

<sup>1</sup> Commission, *Framework and Approach – Final Report*, August 2022, available at [www.escosa.sa.gov.au/advice/advice-to-local-government](http://www.escosa.sa.gov.au/advice/advice-to-local-government).

<sup>2</sup> The indicators are specified in the *Local Government (Financial Management) Regulations 2011*. Since 2011, each Council has been required to refer to these three indicators in its plans, annual budget, mid-year budget review and annual financial statements. The Councils can adopt their own target range for each ratio, but the Commission has adopted the previously suggested Local Government Association (**LGA**) target ranges as a basis for its analysis, which were established and agreed during the development of the LGA Financial Sustainability Papers (2006-2011).

<sup>3</sup> The F&A listed 29 analytical questions that the Commission has answered in assessing the Council's performance against these indicators to determine affordability, cost control and other sustainability risks.

<sup>4</sup> *Local Government Act 1999* (**LG Act**) s122(1g)(a)(i).

<sup>5</sup> As required under s122(1b) of the LG Act.

<sup>6</sup> Sourced from the Local Government Grants Commission (including data reported by the Office of the Valuer-General) and the Council's data.

<sup>7</sup> The Council's estimates for the 2022-23 financial year, relied on at the time of preparing this advice, were unaudited.

## OFFICIAL

2023-24 based on the Reserve Bank of Australia (RBA) (Australia-wide) inflation forecasts (to the December quarter 2025), and the midpoint of the RBA target range (2.5 percent) thereafter.

Finally, in formulating this Advice, the Commission has had regard to all discussions and engagement with the Council, including the face-to-face onsite meeting at the Council chambers and the individual circumstances of the Council, consisting of:

- ▶ its location as a metropolitan fringe Council,
- ▶ its income level (\$124.2 million), and
- ▶ the size of its rates base (more than 43,000 ratepayers<sup>8</sup>).

**Summary of the City of Playford's financial sustainability performance and the Commission's risk assessment**

Financial sustainability indicators:	Last 10 years from 2012-13 (Actual performance)		2022-23 estimate	Next 10 years from 2023-24 (Council forecasts)
Operating surplus ratio (target 0-10%)	Operating Deficits	Ratio within target range ----->		Surpluses projected to 2032-33 ----->
Net financial liabilities ratio (target 0-100%)	Ratio not met historically ----->		Ratio projected within target from 2022-23 ----->	
Asset renewal funding ratio (target 90-110%)	Spending on renewal works below target range ----->		Volatility in renewal works spending & some years below target range	Projected asset renewal in LTFP to align with AMP - required spending (ratio 100%)
Identified Risks:				
Cost control risk	Operating expenses per property average growth 1.9% pa to 2022-23 (CPI 2.6%) ----->			Projected operating expense per property average growth 1.7% to 2032-33 (CPI 2.6%)
Affordability risk	High rates revenue per property average growth of 3.3% pa to 2022-23 (CPI 2.6%)			Projected rate revenue per property average growth below forecast CPI (CPI 2.6%) ----->

- Ratio outside suggested LGA target range or higher risk
- Ratio close to suggested LGA target range or medium risk
- Ratio within suggested LGA target range or lower risk

<sup>8</sup> Based on the estimated number of property assessments in 2021-22.

## OFFICIAL

## B Material plan amendments in 2023-24

The Council has made various amendments to its 2023-24 budget and forward projections, partly for inflation and partly for other revenue and spending initiatives. The material amendments to some of its main financial forecasts are listed in the table below (in nominal terms).<sup>9</sup> To ensure a comparable analysis of estimates between the 2022-23 and 2023-24 LTFPs, the Commission has reviewed nine overlapping years' statistics, 2023-24 to 2031-32, and identified material amendments accordingly.

Selected Financial Item	Sum of 2023-24 to 2031-32 estimates in 2022-23 LTFP (\$ million)	Sum of 2023-24 to 2031-32 estimates in 2023-24 LTFP (\$ million)	Change in 2023-24 estimates (\$ million)	Change in 2023-24 estimates (percent)
Grants, subsidies and contributions operating income	188.7	229.4	40.7	21.6
Rates	1,011.0	1,115.5	104.5	10.3
Employee Expenses	490.6	524.7	34.1	7.0
Materials, contracts and other expenses	448.3	505.4	57.0	12.7
Depreciation, amortisation and impairment expenses	286.1	326.1	39.9	14.0
Total Expenses	1,256.9	1,394.1	137.2	10.9
Capital expenditure on renewal of assets <sup>10</sup>	152.9	218.4	65.5	42.9
Total Liabilities	1,001.4	1,053.3	51.8	5.2

### B.1 Changes to operating performance

In its 2023-24 LTFP, the Council increased its operating income projections to 2031-32 by 11.2 percent in total compared with its 2022-23 LTFP estimates (from 2023-24). Rates income projections increased by \$104.5 million (or 10.3 percent). Most of that increase is attributable to rate increases of \$63.9 million and a further \$8.8 million, due to growth in the number of rateable properties.<sup>11</sup> Grant income increased by 21.5 percent, or \$40.6 million, due to the Council receiving \$12.1 million in Federal assistance grants and \$10.6 million from the Roads to Recovery Program.<sup>12</sup>

The Council's operating expense estimates increased by \$137.2 million, or 10.9 percent, in its 2023-24 LTFP estimates (compared with its 2022-23 LTFP estimates), which exceeds the impact of revised inflation forecasts but incorporates continuous improvement savings of \$559,000 in 2023-24.<sup>13</sup> Those

<sup>9</sup> This table shows only selected financial items to demonstrate the material amendments made by the Council in its 2023-24 estimates. It excludes various financial items and individual items do not sum to totals.

<sup>10</sup> The capital expenditure estimates are based on the 2023-24 LTFP estimates provided by the Council to the Commission (in an Excel template).

<sup>11</sup> The rates income estimates are based on the material amendments reasons estimates for the set of nine years forecast in both the 2022-23 and 2023-24 LTFP projections provided by the Council to the Commission (in an Excel template).

<sup>12</sup> See footnote 11.

<sup>13</sup> City of Playford, 2024 – 2033 annual business plan, June 2023, pp. 7, available at [https://cdn.playford.sa.gov.au/general-downloads/City-of-Playford-ABP-23-24\\_2023-07-05-033559\\_uyyu.pdf](https://cdn.playford.sa.gov.au/general-downloads/City-of-Playford-ABP-23-24_2023-07-05-033559_uyyu.pdf)

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savings equate to 0.4 percent of the Council's total forecast expenses in 2023-24.<sup>14</sup> Employee costs increased by \$34.1 million or 7 percent, partly due to new budgeted roles to maintain services and infrastructure standards for the forecast growing number of residents and also due to higher superannuation charges to 2025<sup>15</sup> and higher inflation. Materials, contracts and other expenses increased by \$57 million, or 12.7 percent, due to increases in capital works of \$25.9 million, electricity of \$5.9 million and \$21.8 million to account for higher inflation.

The Council's historical and projected operating performance is discussed further in section C.1.

## B.2 Indexation adjustments

The table below highlights the Council's 10 year CPI assumptions between the 2022-23 and 2023-24 LTFPs.

Consumer Price Index	23-24	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32
Deloitte Forecast Economics 2022-23 LTFP	2.30%	2.30%	2.40%	2.30%	2.40%	2.50%	2.30%	2.40%	2.30%
Deloitte Forecast Economics 2023-24 LTFP	7.90%	2.58%	2.47%	2.51%	2.52%	2.43%	2.29%	2.29%	2.38%

Based on updated inflation assumptions in the Council's 2023-24 LTFP, an increase in cost and revenue estimates (excluding employee costs), by up to 6 percent over the 2023-24 to 2031-32 forecast period,<sup>16</sup> compared with the same estimates in its 2022-23 LTFP, could reflect higher inflation forecasts. The Council has adjusted its operating income and expense forecasts by amounts higher than its adjusted inflation forecasts (increases of 11.2 percent and 10.9 percent on 2022-23 estimates<sup>17</sup>). This suggests higher forecasts in real terms.

The Council's current inflation forecasts present a risk to its cost and income projections in the current inflationary environment. The RBA currently forecasts the CPI (Australia-wide) to increase by 3.9 percent in the year to the June 2024 quarter and by 3.3 percent in the year to June 2025. Thereafter, it is reasonable to anticipate a return to long-run averages (and growth of 2.5 percent per annum from 2025-26, based on the midpoint of the RBA's 2 to 3 percent target range).<sup>18</sup>

The Commission notes that the Council's stated assumptions for indexation in its 2023-24 LTFP are transparent and based on its annual review of these forecasts. The Commission considers that such annual reviews of assumptions to reflect best practice and supports the Council to do so through its annual process. For this reason, it would be appropriate for the Council to:

1. **Continue** its good practice of reviewing its inflation forecasts in its budget and forward projections from 2024-25, given the potential for higher short-term inflation outcomes, followed by a return to long-term averages.

<sup>14</sup> City of Playford's total expenses for 2023-24 are forecast to be \$131,187,342 City of Playford Council, 2024 – 2033 Long Term Financial Plan, June 2023, p. 35

<sup>15</sup> The Superannuation Guarantee Levy is the amount that an employer is required to pay into a superannuation account on behalf of an employee. From 1 July 2021, the Superannuation Guarantee was legislated to rise in half per cent increments from 9.5 percent each year, until it reaches 12 percent of wages in 2025.

<sup>16</sup> The set of nine years forecast in both the 2022-23 and 2023-24 LTFP projections.

<sup>17</sup> Based on the overlapping forecast period in both LTFPs (2022-23 to 2031-32 and 2023-24 to 2032-33).

<sup>18</sup> RBA, Forecast Table - August 2023, available at <https://www.rba.gov.au/publications/smp/2023/aug/forecasts.html>

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**B.3 Increase to capital expenditure estimates**

The Council's 2023-24 LTFP indicates an increase in capital expenditure for new and upgraded assets (by \$180.2 million), compared to the previous year's LTFP (for the period from 2023-24 to 2031-32). The Council has changed its methodology and adopted the good practice of including future work for capital expenditure on new and upgraded assets (previously this was excluded from the LTFP forecast. The Commission encourages the Council to continue this practice.

**B.4 Increase in total liabilities**

The Council's 2023-24 LTFP indicates an increase in total liabilities of \$51.8 million, or 5.2 percent, compared to the previous year's LTFP (for the period from 2023-24 to 2031-32). The Council's current liabilities decreased by \$42.1 million, or 14.1 percent, mostly due to a decrease in trade and other payables and borrowings of \$39.4 million and \$4.9 million (for the period from 2023-24 to 2031-32).

The Council's non-current liabilities have increased by \$93.9 million, or 13.4 percent, compared to the previous year's LTFP (for the period from 2023-24 to 2031-32). Long-term borrowings have increased by \$163.6 million, or 26.4 percent, to fund increased capital works (for the period from 2023-24 to 2031-32). Other non-current liabilities of \$70.2 million were for the Council's cash advance debenture facility, which was reduced to zero.

The Council's borrowings and net financial liabilities are forecast to be higher in the 2023-24 LTFP than the previous year's LTFP (for the period from 2023-24 to 2031-32). As a result, the Council's net financial liabilities ratio is forecast to achieve a higher average rate of 68.4 percent (for the period from 2023-24 to 2031-32). This compares to the 2022-23 LTFP which forecast the net financial liabilities ratio to achieve an average rate of 51 percent (for the period from 2023-24 to 2031-32).

The Council's net financial liabilities outlook is discussed further in section C.2.

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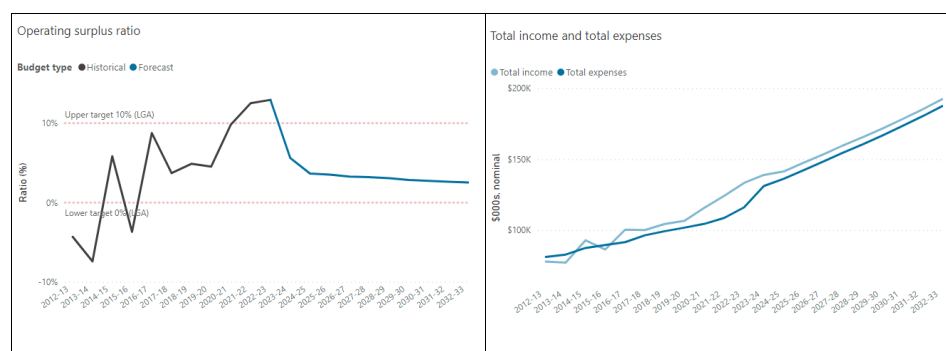
## C Financial sustainability

### C.1 Operating performance

The Council has consistently recorded operating surpluses<sup>19</sup> since 2016-17, and the operating surplus ratio<sup>20</sup> is forecast to meet the suggested LGA target range in each year to 2032-33 (see the left chart below).

Historically, the Council has ensured that its income growth exceeds its expense growth over time (see the right chart below), thereby providing for recurring surpluses. From 2012-13 to 2021-22, operating expenses increased by an average of 3.3 percent per annum, which compares with average operating income growth of 5.3 percent and annual inflation growth of 2.0 percent over this period.<sup>21</sup> Accordingly, the operating surplus ratio averaged 3.5 percent, which demonstrates prudent financial management without excessive surplus levels in the context of the growth in expenses experience.

The Council's operating expense growth (from 2012-13 to 2021-22) was primarily due to an average annual increase in 'Depreciation, amortisation and impairment' of 5.2 percent and a 3.3 percent increase in employee costs.<sup>22</sup> The right chart over the page shows the nominal increases by expense type in specific time periods. The estimated rate of growth in those expenses projected over the next 10 years (an average of 4 percent per annum and 4.8 percent per annum respectively), combined with higher rates increases, will help the Council's operating performance remains in surplus.



Rates revenue has increased on average by 4.9 percent per annum from 2012-13 to 2021-22 (when rateable property growth averaged 1.5 percent and CPI growth averaged 2.0 percent). Over the same period, user charges' (accounting for 3 percent of total operating income) increased by an average of 6.1 percent per annum. 'Grants, subsidies and contributions' (accounting for 23 percent of total operating income) increased by an average of 7.3 percent per annum; however, the Council is forecasting grants income to remain generally constant in the 10 years to 2032-33 (accounting for 14 percent by 2032-33).

As a result of the generally constant levels in grants income that is forecast to 2032-33, the Council is projecting total income growth of 3.7 percent to 2032-33, with average annual rates growth of 4.6

<sup>19</sup> This means that the Council's operating income (including rates and other revenue sources but excluding capital grants, subsidies, and contributions) have exceeded operating expenses (including depreciation).

<sup>20</sup> The operating surplus ratio is defined as: Operating Surplus (Deficit) ÷ Total Operating Income. The general target is to achieve, on average over time, an operating surplus ratio of between zero and 10 percent (Local Government Association of South Australia, *Financial Sustainability Information Paper 9 - Financial Indicators Revised*, May 2019 (LGA SA Financial Indicators Paper), p. 6).

<sup>21</sup> CPI (All groups). Average annual growth in the LGPI published by the South Australian Centre for Economic Studies was similar (at 2.0 percent), available at <https://www.adelaide.edu.au/saces/economic-and-social-indicators/local-government-price-index>.

<sup>22</sup> Based on the compound average annual growth rate formula (which is the adopted approach to calculating average annual growth rates throughout the Commission's advice).

## OFFICIAL

percent to 2032-33. Total income growth and average annual rates growth are forecast to increase above forecast long-term inflation.<sup>23</sup>

Higher forecast average expense growth of 4.0 percent per annum is also above the RBA-based forecast inflation growth<sup>24</sup> and higher than the Council's past performance (with average annual growth of 3.3 percent in the 10 years to 2021-22).

The Council's template data shows that employee numbers are assumed constant at current levels (453 FTEs), and its employee expenses are forecast to increase by an average of 4.8 percent per annum from 2023-24 to 2032-33. In addition, 'Materials, contracts and other' expenses and costs for depreciation are forecast to increase by an average of 4.2 percent and 4.0 percent per annum respectively, from 2022-23 to 2031-32.

The estimated rate of growth in the average total operating expense (for the 10 years to 2032-33) is slightly higher than the estimated rate of growth for total income for the same period. However, the Council is still forecasting that it will remain in surplus each year to 2032-33, with an annual average operating surplus ratio of 3.3 percent - slightly below the Council's past performance (with average operating surplus ratio of 3.5 percent in the 10 years to 2021-22).

Total expenses per property (a metric which accounts for growth) are expected to increase by an average of 1.7 percent per annum over this period, which would represent a significant cost reduction in real terms (based on current inflation projections) (see the right chart below). At the same time, average total income per property is forecast to increase by 1.3 percent (nominally), below the forecast inflation.



These projections highlight the importance of the forecast growth in rateable properties in minimising the impact of rising costs on households. The reduced costs and revenue per property in real terms is reliant on the Council's assumed average growth of 2.3 percent per annum (to 2031-32) in rateable properties, which is notably higher than historical growth of 1.5 percent per annum (10 years to 2021-22).

The Commission notes that, if the Council's growth in rateable properties remained at 1.5 percent instead of its forecast 2.3 percent for the 10 years to 2032-33, then there would likely be a negative impact on the Council's operating performance in those years.

If the forecast growth in rateable properties does not occur and the Council cannot reverse the increases in costs in the short-term (for example, if contracts are locked in), this could place pressure on

<sup>23</sup> The forecast average annual growth in the CPI from 2023-24 to 2032-33 is estimated to be 2.6 percent based on the RBA forecasts for the CPI (Australia-wide) to December 2025 (and the Commission's calculations of average annual percentage growth) and the midpoint of the RBA's target range (2.5 percent) from 2025-26.

<sup>24</sup> Footnote 23 applies.

## OFFICIAL

rate levels. Notwithstanding this the Commission notes the Council's good practice of reviewing its rateable property forecast annually and encourages the Council to:

2. **Continue** its good practice of reviewing the rateable property growth forecasts in its budget projections each year to ensure that they remain current and do not create a need for additional rate increases to generate the same level of projected revenue.

The Commission has observed the current good practice of the Council to focus on continuous improvement resulting in savings of over \$16.9 million since 2011.<sup>25</sup> As an example, it has factored in savings of approximately \$0.6 million to its expense estimates in 2023-24, compared to these items in 2022-23.<sup>26</sup> However, the Commission notes that the Council has not set out any efficiency goals in the subsequent years in its LTFP.

To ensure the Council is positioned to achieve the real terms reduction in its cost base that it has forecast and improve its operating performance (without the need for further rate increases above inflation), the Commission encourages it to:

3. **Continue** its good practice of reporting any actual cost savings in its annual budget (and long-term financial plan, as appropriate), to provide evidence of constraining cost growth and achieving efficiency across its operations and service delivery.
4. **Include** efficiency goals and projected cost savings in its long-term financial plan, to provide further evidence of projected cost growth constraint and efficiencies across its operations and service deliveries.

## C.2 Net financial liabilities

The Council has predominantly used borrowings from the Local Government Finance Authority of South Australia (LGFA) to fund its capital expenditure. As a result, its net financial liabilities ratio<sup>27</sup> has trended between 99.8 and 143.2 percent between 2012-13 and 2022-23 respectively (see the left chart over the page). This is outside (or above) the suggested LGA target range for the indicator of between zero and 100 percent.

While this could suggest that the Council is accumulating liabilities that its operating income cannot reasonably service (see the right chart over the page), the Commission notes that it has achieved operating surpluses in seven out of the last 10 years to 2021-22. In addition, as one of the fastest growing communities in South Australia, the Council is experiencing a period of significant development. By utilising debt within the Council's own target range of 160 percent, the Council is spreading the cost of acquiring the necessary assets, thereby more equitably reducing intergenerational risk. The Commission notes that there were minimal community concerns, with only two out of the 48 submissions received mentioning the need to reduce debt in the 2023-24 budget process.<sup>28</sup>

The Commission also notes the Council's strategy of reducing its net financial liabilities ratio from a peak of 88.4 percent in 2023-24 to an average of 49.9 percent in the five years to 2032-33. The reduction in the ratio from 2023-24 to 2032-33 comes from progressive repayment of total borrowings

<sup>25</sup> City of Playford, *2024 – 2033 Long Term Financial Plan*, June 2023, pp. 17, available at [City-of-Playford-LTFP-23-24\\_2023-07-05-033606\\_mqwd.pdf](https://cdn.playford.sa.gov.au/agendas-minutes/attachments/06-27-June-2023-Attachments-for-Items-14.5-14.7.pdf)

<sup>26</sup> City of Playford Council, *2024 – 2033 Long Term Financial Plan*, June 2023, p. 17.

<sup>27</sup> The net financial liabilities ratio is defined as: Net financial liabilities ÷ Total operating income. This ratio measures the extent to which a Council's total operating income covers, or otherwise, its net financial liabilities. The suggested LGA target range is between zero and 100 percent of total operating income, but possibly higher in some circumstances (LGA SA Financial Indicators Paper, pp. 7-8).

<sup>28</sup> City of Playford, *Ordinary Council Meeting Agenda -27 June 2023, Item 14.5 Draft 2023/2024 annual business plan, What We Heard Report – Public Consultation*, available at <https://cdn.playford.sa.gov.au/agendas-minutes/attachments/06-27-June-2023-Attachments-for-Items-14.5-14.7.pdf>



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(of \$33.1 million over the next ten years to 2032-33) via the sale of assets<sup>29</sup> and operating income growth. For this reason, the Commission supports the Council's strategy to:

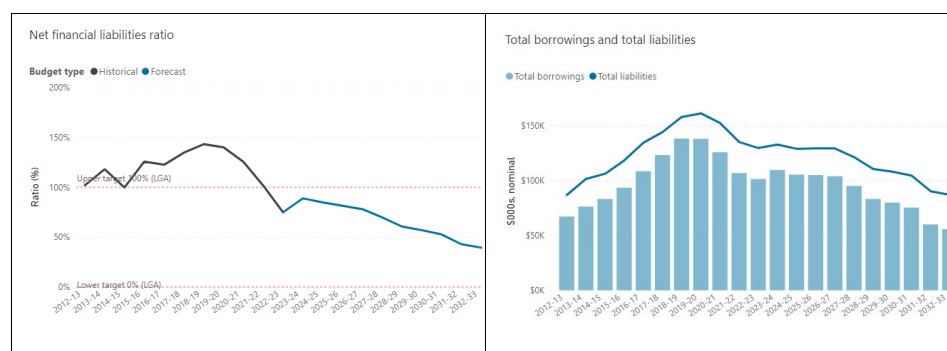
5. **Reduce** its level of net financial liabilities as forecast in its latest long-term financial plan and continue to focus on asset sales or disposals as one of its strategies to help reduce debt.

The Council only includes proposed asset sales when there is a high level of certainty associated with the disposal.<sup>30</sup> As a result it is not clear what level of borrowing can be reduced via asset sales in the 10 years to 2032-33 relative to using operating surpluses to repay borrowings. If the Council is unable to fulfill its asset sale strategy, then it risks a greater burden of revenue shifting to its ratepayers in order to achieve operating surpluses that can be used to repay borrowings.

As previously mentioned, those projections (the progressive repayment of borrowings of \$33.1 million to 2032-33) also highlight the importance of the forecast growth in rateable properties and of ensuring that the Council undertakes a robust process when forecasting rateable property growth. If the Council overestimates the growth in rateable properties to 2032-33, it also risks a greater burden of revenue shifting to existing ratepayers in order to achieve operating surpluses that can be used to repay borrowings.

The Council has not fully disclosed the assumptions underpinning its borrowing forecasts in its LTFP (such as loan facilities and/or terms, if applicable). However, the Council has disclosed its interest rate assumptions for its borrowing facilities, along with sensitivity analysis. According to its 2023-24 LTFP, the Council has a \$3.7 million impact over 10 years, based on a 1 percent interest rate increase each year over its 10-year LTFP. The Commission considers that it would be appropriate for it to:

6. **Improve** transparency on borrowing assumptions, including loan facilities and loan terms, in its long-term financial plan.



### C.3 Asset renewals expenditure

Between 2012-13 and 2021-22, the Council averaged 86 percent on its asset renewal funding ratio<sup>31</sup> (under the 'IAMP-based' approach),<sup>32</sup> signifying a slight underspend on the renewal and rehabilitation needs of its asset stock over this period (see left chart over the page). The Council's spending on renewal and rehabilitation of assets averaged \$16.3 million each year (over this period). From 2023-24

<sup>29</sup> City of Playford, 2023-24 2032 Long Term Financial Plan, June 2023, pp. 18.

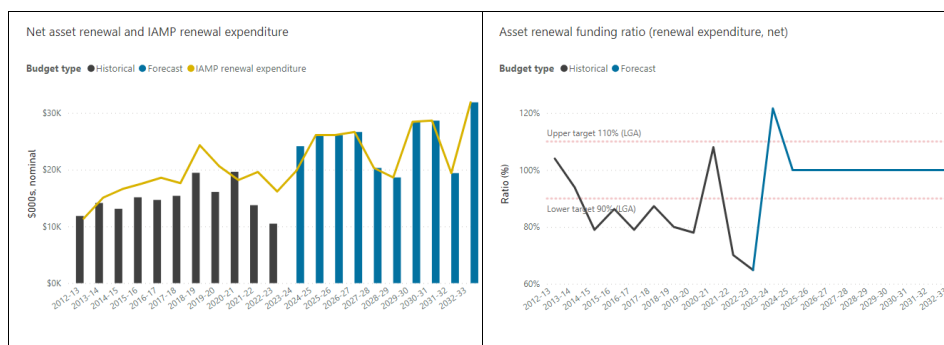
<sup>30</sup> City of Playford, 2023-24 2032 Long Term Financial Plan, June 2023, pp. 18.

<sup>31</sup> The IAMP-based method is the current industry standard whereby asset renewal/replacement expenditure is divided by the recommended expenditure in the IAMP (or AMP). Ideally, this will show the extent to which a Council's renewal or replacement expenditure matches the need for this expenditure, as recommended by the plan. The suggested LGA target range for the ratio is 90 to 110 percent (LGA SA Financial Indicators Paper, p. 9).

<sup>32</sup> The quoted averages for the ratio are based on 'net asset renewal expenditure' (after the sale of replaced assets) rather than 'gross asset renewal expenditure'.

## OFFICIAL

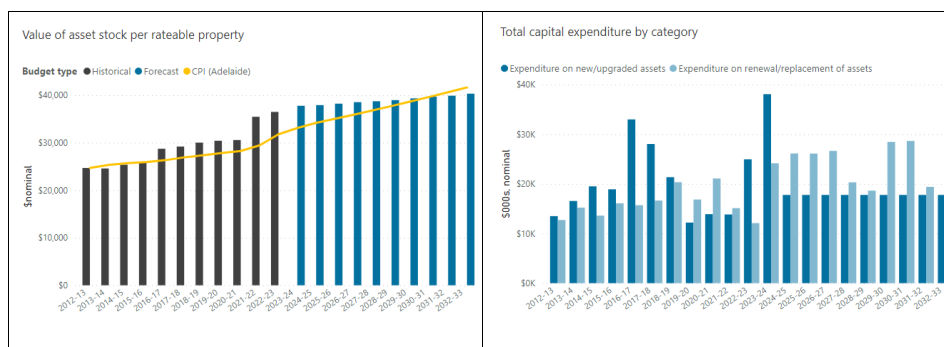
to 2032-33, the ratio is forecast to be within the appropriate range, at an average of 102 percent (see right chart below). Average annual spending on renewal or rehabilitation of assets is projected to increase to \$25 million (in nominal terms).



As one of the fastest growing communities in South Australia, the Council is experiencing a period of significant development. During 2012-13 to 2021-22, the Council spent more on new and upgraded assets than the renewal and rehabilitation of its existing stock, averaging \$19 million per annum on new or upgraded assets, compared with \$16.3 million per annum on the renewal of its asset base (see right chart above). The Council's accumulation of infrastructure reflects the demands of property growth (of 1.5 percent on average per annum over this period). As a result, the Council has grown its asset base over the past 10 years.

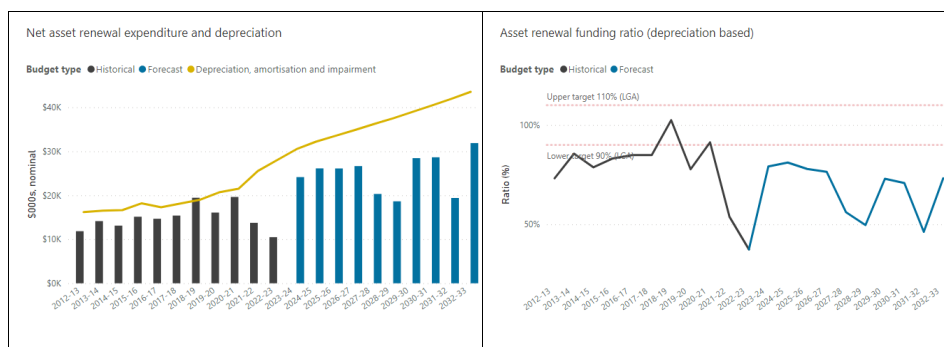
The expenditure on new and upgraded assets includes a portion of grant funding for certain projects. The growth in its asset base reflects a combination of capital expenditure and asset accumulation by the Council (including those assets provided by developers), as well as asset revaluations over this period. This has led to an average annual increase in the value of the asset stock per property of 4.1 percent, or \$1,198, each year over the 10 years to 2021-22 (see left chart above). By implication, this indicates that the Council's asset stock has increased in real terms (or the increase is higher than historical inflation).

The Council's forward projections indicate that the value of the assets per property will increase at a much lower rate to 2032-33, by an average of 0.7 percent per annum: lower than the RBA-based forecast rate of inflation (2.6 percent per annum). These projections, as they stand, would contribute to the Council's sustainability into the future and reflect a period of asset and service consolidation.



## OFFICIAL

When the asset renewal funding ratio is instead calculated by the depreciation-based method,<sup>33</sup> it is forecast to average 68 percent over the forecast period (2023-24 to 2032-33) (see right chart below). The ratio is impacted by the Council's renewal expenditure which is quite low due to its relatively new asset base (average asset age is 21 years) (see left chart below).<sup>34</sup> Renewal expenditure is expected to increase as the council's average asset age increases. The Commission notes that the Council is of a young age (the council was formed in 1997 through the merger of the City of Elizabeth and City of Munno Parra), in a high growth area with a high number of new assets recently acquired or gifted.<sup>35</sup>



According to its Strategic Asset Management Plan (**SAMP**) the Council has individual asset management plans (**AMP**) for the following asset classes: transport, streetscape, stormwater, parks and sports fields, buildings, water delivery, fleet and minor plant and technology office. The AMPs provide a breakdown of the assets within each respective asset class and the proposed capital works are fed into the Council's SAMP.

The Council's SAMP is reviewed annually and contains current asset portfolio and condition data, up-to-date improvement initiatives and any current risks and mitigations.<sup>36</sup> The SAMP also includes 10 years of asset renewal projections, in alignment with Council's long term financial plan.

The Commission notes that the 10-year forward renewal plan is a rolling indicator of future renewal investment requirements, based on the expected remaining life of the Council's assets and each asset class's renewal strategy.

In addition, the 10-year forward new capital projects plan uses the expected new capital projects forecast and multi-year new capital projects already commenced in prior years for year one and a historic average thereafter to forecast its remaining new capital expenditure requirements.<sup>37</sup>

The Commission's review of the SAMP has found that, on balance, the Council's strategic planning processes aligns with good practice for a Council of its size and complexity.

<sup>33</sup> Where asset renewal/replacement expenditure is divided by depreciation expenses.

<sup>34</sup> City of Playford, 2023-24 Strategic Asset Management Plan, June 2023, pp. 19

<sup>35</sup> City of Playford, Error of fact check letter, January 2024, pp1.

<sup>36</sup> City of Playford, 2023-24 Strategic Asset Management Plan, June 2023, pp. 11.

<sup>37</sup> City of Playford, 2023-24 Strategic Asset Management Plan, June 2023, pp. 37.

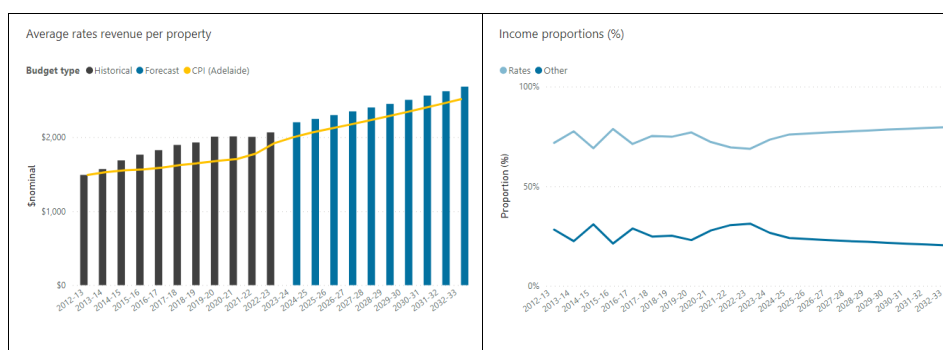
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## D Current and projected rate levels

### D.1 Historical rates growth

The Council's rate revenue per property growth has averaged 3.4 percent, or \$52, per annum for each property over the past 10 years,<sup>38</sup> reaching an estimated \$2,005 per property in 2021-22 (see the left chart below). This has exceeded CPI growth of an average of 2.0 percent per annum over this period, resulting in rates increasing in real terms (but also encompassing 1.5 percent average annual growth in rateable property numbers).<sup>39</sup> Current rate levels partially reflect the Council's recent history of spending growth, predominantly on capital expenditure (on renewals, and new and upgraded assets), higher employee-related costs, as well as its focus on improving operating performance.

The Council remains reliant on its rate base for its operating sustainability. As the chart below indicates (to the right), rates revenue is forecast to account for 74 percent of budgeted operating income in 2022-23, compared with 72 percent of income in 2012-13.



The Council's general rate revenue consists of two components: one based on a fixed charge and the other on the value of the land (differential charge). After applying rebates, the Council will collect general fixed rate revenue equal to 50 percent of its general rates revenue. This is the maximum amount that it can collect from the fixed charge as per the Council's rating structure and LG Act.<sup>40 41</sup> In 2023-24, the Council's fixed charge will be \$1,111.90 per rateable property, with the remaining 50 percent of general rates (after rebates) to be collected from a differential charge.<sup>42</sup>

The differential charge payable per property is based on a rate in the dollar that is applied to the capital value of property. The rate in the dollar may vary based on land use and the Council currently has two rate types declared, commercial and general.

The Commission notes that the average differential charge per rateable property for the general type will increase to \$707 in 2023-24 (from \$664 in 2022-23). As such the average rate per rateable property for the general type will be \$1,818.90 (of which \$1,111.90 is the fixed charge applicable to all rateable properties).

<sup>38</sup> From 2012-13 to 2021-22.

<sup>39</sup> CPI Adelaide (All groups). Average annual growth in the LGPI published by the South Australian Centre for Economic Studies was similar (at 2.0 percent). Available at <https://www.adelaide.edu.au/saces/economic-and-social-indicators/local-government-price-index>.

<sup>40</sup> City of Playford, 2023-24 annual business plan, June 2023, page. 59.

<sup>41</sup> Local Government Act 1999 (LG Act) s151(10).

<sup>42</sup> City of Playford, Rating Policy, June 2023, page 1 available at <https://cdn.playford.sa.gov.au/general-downloads/Rating-Policy-23-24.pdf>

## OFFICIAL

## D.2 Proposed 2023-24 rate increases

The Council has budgeted for an average rate increase (for general and commercial ratepayers) of 10.7 percent, or \$225, per property for its existing ratepayers in 2023-24.<sup>43</sup> This is higher than anticipated in its 2022-23 LTFP projections (2.78 percent for existing rateable properties). The increase reflects higher short-term inflation (estimated by the Council to be 7.9 percent) along with the Council's target to meet a 1 percent structural surplus.<sup>44</sup> As noted earlier, the Council is one of South Australia's fastest growing council areas: in 2022-23, it had 44,407 rateable properties and the Council expects this to increase to 46,306 in 2023-24, representing a 4.3 percent growth in rateable properties.<sup>45</sup>

There is no differentiation in the commercial rate to reflect the type of industry (for example light versus heavy) or type of commercial property (for example office versus retail) or the size of the various commercial ratepayers.

On a proportional revenue basis, commercial ratepayers account for 21 percent and general ratepayers 79 percent of total general rate revenue in 2023-24.

Other than 'general rates' income, the Council also collects the Regional Landscape Levy, on behalf of Green Adelaide, and is expected to collect \$1.2 million (net of rebates) in 2023-24.<sup>46</sup>

## D.3 Projected further rate increases

Between 2023-24 and 2032-33 the average rate across all categories is forecast to increase from \$2,202 to \$2,684,<sup>47</sup> a cumulative increase of \$482 per property. This equates to a 2.2 percent average annual increase (between 2023-24 and 2032-33), below to the RBA-based forecast average inflation of 2.6 percent per annum.<sup>48</sup>

## D.4 Affordability risk

The two rate types declared by the Council will have increases on 2022-23 levels. General ratepayers are to pay an increase of \$111 per property (6.6 percent) and commercial ratepayers are to pay an increase of \$1,356 per property (4.2 percent). On balance, the affordability risk for the community in respect of these further increases appears to be high. The current economic environment is putting more pressure on many communities' capacity to pay for further rate increases, including those of the Council. It has a relatively low socio-economic index (SEIFA) economic resources ranking<sup>49</sup> and already has relatively high average rates (across most ratepayers). In the 2023-24 budget process, the Council's public consultation report received 23 submissions (out of a total of 48) that expressed concerns about further rate increases.<sup>50</sup> For these reasons, the Commission suggests that the Council:

<sup>43</sup> Based on the Council's 2023-24 annual business plan and its Excel template (with the 2023-24 forecasts) provided to the Commission. The Commission has used \$105.615 million (in 2023-24 budgeted rates revenue) compared to unaudited 2022-23 estimates. Individual rate level changes may be higher or lower depending on the rates category and property value.

<sup>44</sup> City of Playford, *2023-24 long-term financial plan*, June 2023, p. 16.

<sup>45</sup> City of Playford, *2023-24 annual business plan*, June 2023, p. 60.

<sup>46</sup> City of Playford, *2023-24 annual business plan*, June 2023, p. 58.

<sup>47</sup> This includes rates growth of 2.3 percent expected each year.

<sup>48</sup> The forecast average annual growth in the CPI from 2023-24 to 2032-33 is estimated to be 2.6 percent based on Reserve Bank of Australia (RBA) forecasts for the CPI (Australia wide) to June 2025 (and the Commission's calculations of average annual percentage growth) and the midpoint of the RBA's target range (2.5 percent) from 2025-26.

<sup>49</sup> The City of Playford area is ranked 10 among 71 South Australian 'local government areas' (including Anangu Pitjantjatjara and Maralinga Tjarutja Aboriginal community areas and 'unincorporated SA') on the Australian Bureau of Statistics SEIFA Index of Economic Resources (2016), where a lower score (eg, 1) denotes relatively lower access to economic resources in general, compared with other areas, available at <https://www.abs.gov.au/statistics/people/people-and-communities/socio-economic-indexes-areas-seifa-australia/2021>.

<sup>50</sup> City of Playford, *Ordinary Council Meeting Agenda -27 June 2023, Item 14.5 Draft 2023/2024 annual business plan, What We Heard Report – Public Consultation*, available at

## OFFICIAL

7. **Continue** to monitor average rate rises to help reduce cost of living pressure on the community.

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<https://cdn.playford.sa.gov.au/agendas-minutes/attachments/06-27-June-2023-Attachments-for-Items-14.5-14.7.pdf>



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# ESCOSA Local Government Advice

On 30 April 2022, amendments to the Local Government Act 1999 came into operation and introduced an advisory scheme that aims to give ratepayers confidence that the rates they pay are set at the level necessary for their council to provide the services they value. The Essential Services Commission SA (ESCOSA) is the advisory body. The State's 68 councils are subject to the scheme and were allocated across four tranches to be reviewed over a four-year cycle.





# ESCOSA Local Government Advice



Council is obliged under the Local Government Act 1999 to publish ESCOSA's advice and its response, if applicable, in its 2024/25 annual business plan and subsequent plans until the next cycle of the scheme. Note that Council is not compelled under the Local Government Act to follow the advice.

*A summary of ESCOSA's findings is provided below.*

## Financial Performance

The Essential Services Commission finds the City of Playford's current and projected financial performance is **sustainable** taking into account the council's average expected growth in properties of 2.3% p. a. over the next 10 years, and the planned average rate increases of 2.2% p. a. per property over this period.

## Continue

- ✔ Monitoring average rate rises annually
- ✔ Reviewing rateable property growth forecasts annually
- ✔ Focusing on selling and disposing of assets to help reduce debt
- ✔ Reporting any actual and projected cost savings in its annual budget and long term financial plan

## Risks Impacting Sustainability

- ⚠ Forecast growth in rateable properties is lower than anticipated and not realised by Council
- ⚠ Failure to reduce its exposure to debt

## Commission's Recommendations

- Reduce its level of net financial liabilities, as forecast in its latest long-term financial plan, and continue to focus on asset sales or disposals as one of its strategies to help reduce debt.
- Improve transparency on borrowing assumptions, including loan facilities and loan terms, in its long-term financial plan.
- Include efficiency goals and projected cost savings in its long-term financial plan, to provide further evidence of projected cost growth constraint and efficiencies across its operations and service deliveries.

## Council Response

Council's sustainable financial position is a result of many years of prudent financial management consistent with its Finance Strategy that seeks to ensure the Council has adequate funding to support the needs of a growing community. Supporting the Finance Strategy is a suite of policies, procedures, and reporting arrangements that ensure that Council decision making considers the ongoing financial sustainability of the Council when considering current and future service provision.

*The full advice provided by ESCOSA can be found as Appendix X.*

## 5.5 ASSURANCE GAP ANALYSIS AND INTERNAL AUDIT PLAN

**Responsible Executive Manager :** Sam Green

**Report Author :** Ninad Sinkar

**Delegated Authority :** Matters for Information

**Attachments :**

- 1. Assurance Gap Analysis report
- 2. Internal Audit Plan 2024 onwards

### Purpose

Provide the Assurance Gap Analysis report and draft Internal Audit Plan and seek feedback from the Committee.

### STAFF RECOMMENDATION

The Committee receives the Assurance Gap Analysis report and draft Internal Audit Plan and provide the following feedback on the draft Internal Audit plan:

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

### Relevance to Strategic Plan

The City of Playford is committed to delivering efficient services and this includes the efficient management of its risks and effective internal audit function. The implementation of the recommendations will positively impact service delivery to our community through optimum utilisation of resources, greater accountability, transparency, and continuous improvement of our processes.

### Relevance to Community Engagement Policy

There is no requirement under the Council's Community Engagement Policy to consult on this matter.

### Background

The Internal Auditor is responsible for developing a flexible annual, strategic audit plan using an appropriate risk and consequence-based methodology, including any risks or control concerns identified by management, and submit the plan to the Corporate Governance Committee (CGC) for review and recommendations on any changes to the plan.

In order to provide the Committee with an independent assessment and evaluation of the level of assurance provided by the controls against every risk, the Internal Auditor conducted an Assurance Gap Analysis. The objective of the analysis was to analyse the strategic risk profile of the Council and to review, evaluate and report on the current assurances in place to inform management, and the CGC of any significant assurance gaps.

The results of this review informed the development of the Council's Internal Audit plan. It provides a proposed Internal Audit plan which relates to all areas of the Council.

## **Current Situation**

The Internal Auditor is responsible for developing a flexible annual and strategic audit plan using an appropriate risk and consequence-based methodology, including any risks or control concerns identified by management, and submit the plans to the CGCe for review and recommendations on any changes to the plans.

The Internal Auditor believes that the audits, which are included in the Internal Audit Plan, provide opportunities to enhance the Council's systems and procedures. These audits will contribute towards achievement of Council's strategic objectives and improving the risk culture at the Council. They would help in identifying and reporting better practices and provide assurance on the Council's internal controls and overall control environment.

The Internal Auditor has considered the following aspects for developing the Internal Audit Plan:

- The output of the Assurance Gap Analysis forms a basis of this plan.
- Detailed consultations and discussions with the Executive, Senior Managers and Managers, as a part of the Assurance Gap Analysis project. (Attachment 1).

The audits selected and scheduled to be conducted in financial year 2024-2025 have been agreed between the Internal Auditor and the Executive and are provided in the attached report (Attachment 2). Please refer to Annexure 1 and 2 of the attached report for further details.

## **Future Action**

The Internal Audits will be delivered as per the approved internal audit plan and final reports will be presented to the Committee. The Internal Auditor will be engaging with Executive to follow up on the outstanding action items. In addition to this, an assurance audit will be conducted, to ascertain the status of implementation of actions.

## Assurance Gap Analysis Report

**Submitted by**  
Mr Ninad Sinkar  
Internal Auditor

**City of Playford**

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March 2024

## Contents

<b>EXECUTIVE SUMMARY AND BACKGROUND TO ASSURANCE GAP ANALYSIS .....</b>	<b>3</b>
<b>RATING METHODOLOGY .....</b>	<b>6</b>
<b>EXPLANATION ON ASSURANCE LEVEL RATING .....</b>	<b>7</b>
<b>SUMMARY OF FINDINGS .....</b>	<b>8</b>
<b>ASSURANCE GAP HEAT-MAP – CURRENT RATINGS.....</b>	<b>9</b>
<b>SUMMARY OF KEY ASSURANCE GAPS, RECOMMENDATIONS AND SUGGESTED INTERNAL AUDITS .....</b>	<b>10</b>

## EXECUTIVE SUMMARY AND BACKGROUND TO ASSURANCE GAP ANALYSIS

### Summary of Objective and Scope

The overall objective of the Assurance Gap analysis review was to analyse the corporate risk profile of the Council and to review, evaluate and report on the current assurance programs in place to inform the Corporate Governance Committee (CGC) and the CEO of any significant assurance gaps

### Defining Assurance

For the purpose of this review, assurance constitutes activities that provide the CEO and the CGC with evidence that the entity's control systems are operating effectively.

### Objective

- The overall objective of the Assurance gap analysis is to analyse the enterprise risk profile of the Council and to review, evaluate and report on the current assurances in place to inform management, and CGC of any significant assurance gaps. An "Assurance Gap" will exist where insufficient assurance is being provided to the CEO and the CGC.
- The assurance mapping process assists in achieving these objectives by providing a visual representation of the various sources of assurance for each key risk and highlighting 'gaps' or 'overlaps' that exist.
- It is vital that the assurance program is balanced and the level of assurance activity provided by various sources, in relation to each key enterprise risk is appropriate.
- The results of this review will inform the Council's Internal Audit plan.

## City of Playford Risk Profile

Key overall observations:

- Following the previous Assurance gap analysis conducted in 2020, the Council has reduced the number of its strategic risks from 10 to 7, through consolidating similar risks.
- Risks 3 and 6 were noted to have a strong control environment and good level of overall assurance environment to appropriately support the critical nature of these risks.
- Key gaps were identified in the external assurance for risk 1 and risk 4. As a result, there is an opportunity to increase the level of external assurance over these risks.
- Limited overall assurance (see table below) was identified for risk 2, 5 and 7, therefore opportunity exists to strengthen assurance.
- Risk 1 and 2, which relates to major climatic events, were noted to have the low to medium level of assurance. Internal Audit recommends that these risks should be specifically considered as an area of focus for external/independent assurances.

The assurance gaps and recommendations in the report are purely based on discussion with the personnel and they will be formally audited as a part of the ongoing Internal Audit program delivery.

## Categories of Assurance

Internal Audit has classified the assurances provided by the Council within three main categories: operational, governance and external providers. These categories have been further divided into the following subcategories:

### Operational Level

- **Internal reviews:** These reviews are conducted internally within each department. Each department has an internal reporting and reviewing mechanism. The relevant reports are prepared and circulated by the responsible managers within the teams.
- **Risk and WHS:** The Risk and WHS team plays an important role in providing oversight over the activities of various divisions. The assurance is provided in the form of independent reviews and reports prepared for the CGC and the Council. Further the risks are updated based on the reviews.
- **Training provided by Organisational Development:** The employees at the Council are provided appropriate training which is coordinated by the Organisational Development team. This training is conducted at the time of induction as well as on the job and specialised training depending on individual and departmental requirements.
- **Legal:** Legal support is received from Norman Waterhouse lawyers and via circular and updates received from Local Government Association.
- **Governance:** The Governance team provides an oversight and reviews/updates various policies and procedures. These documents are approved by the management and/or Council and implemented by the responsible departments.

### Governance

- Council has developed delegations, frameworks, policies and procedures to support the various activities. The CEO has issued the delegations and authorisations which are mandatory and need to be complied with by all the employees.
- Oversight provided by the Executive, the CGC and the Council, provide assurance at an organisational wide corporate governance level. The senior management has an oversight function in the form of committees, and they take various steps to address the risks.

### External/Independent Providers

External assurance is provided by external audit, Local Government Risk Services, internal audit and industry/government representatives.


- External Audit's scope of work is defined by legislation. Audit reports are provided to the Council;
- The Internal Auditor undertakes independent Internal Audit of various processes. The Annual Audit Plan is prepared by the Internal Auditor. The final reports are presented to the CEO.
- The Council liaises with representatives from the Local Government Association, Local Government Risk Services, Local Government Financing Authority and State Government in order to assess its competency in meeting the demands of the sector.



## RATING METHODOLOGY

The rating scale used by Internal Audit for this project is based on the logic explained below:

- Contribution towards assurance is assessed based on level of independence and importance of the various contributories towards assurance.
- In the table below, the “Y” axis represents the level of independence of the assurance provider and the “X” axis represents the importance of the reporting. The higher the degree of independence, the greater the level of assurance and vice versa.
- Once the contribution to assurance rating by individual subcategories is confirmed, a final assessment is made on the level of assurance provided against the risk. The parameters for measurement are provided in in table below.

	Contribution to Assurance			
<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">Independence Level</div> <div style="margin-left: 10px;">  </div> </div>	Independent/External	Moderate	Significant	Significant
	Independent/Internal	Moderate	Moderate	Significant
	Internal only	Minor	Minor	Moderate
		Operational reporting	CGC	External/Third party reporting/Internal Audit Council/Community/LGA
	<div style="display: flex; align-items: center;"> <div style="flex-grow: 1; border-top: 1px solid black; position: relative;"> <div style="position: absolute; right: 0; top: -5px;">→</div> </div> </div>			

## EXPLANATION ON ASSURANCE LEVEL RATING

- If significant external assurances and strong internal governance mechanisms exist to mitigate the risk being analysed, the final assessment is that a high level of assurance exists.
- If there is strong internal review mechanism which has a level of internal independence a final risk assessment of medium is possible.
- If there are only internal reviews conducted by the risk owners or there is no assurance activity to address the risk, then the final assurance assessment for that risk will be low.

	High	Has external assurance and strong internal governance/review
	Medium	Has strong internal governance/review
	Low	Internal review or no evidence of assurance

The Council aims to achieve a satisfactory level of assurance for each enterprise risk. Under the methodology used in this Internal Audit, a 'high' level of assurance is only possible when assurance from external parties is obtained. In certain instances, it may not be feasible or necessary to obtain external assurance over certain risks, and hence for these risks, a "medium" or "low" level of assurance would be the maximum rating possible.

The assurance gap heat map section to this report shows current level of assurance ratings for each risk.

## SUMMARY OF FINDINGS

The following table highlights the results of the assurance gap analysis based on observations and discussions with risk owners, Executive management and Senior Managers. Detailed analysis is provided in the next section of this report.

Risk Number	Risk Descriptions	Current Level of Assurance
1	Failure to plan for a hotter and drier climate	
2	Failure to plan for increased natural disasters (flood, fire and heatwave)	
3	Council's financial position affects its decision making to invest appropriately in the community	
4	Unauthorised malicious access to computer systems or disclosure of sensitive data	
5	Inability to meet the needs of a rapidly growing community	
6	The inability to attract and retain skilled and experienced employees	
7	Failing to keep up with technological advances	

9

## ASSURANCE GAP HEAT-MAP – CURRENT RATINGS

The heat map provided below identifies the assurance gaps associated with the Council's enterprise risks and the current ratings based on the current level of assurance. Ratings have been made in accordance with the background.

Legend	Contribution to assurance				Assessment of level of assurance							
	Significant		Minor			High						
	Moderate		None			Medium						
						Low						
	Operational				Corporate Governance				External Providers			Current level of assurance
	Internal Review	Risk and Security	HR and Training	Governance	Authorisations, policies, and procedures	Exec Review	CGC review	Council review	External Audit	Internal Audit	External Consultants / LGA	
Risk #												
1												
2												
3												
4												
5												
6												
7												

## SUMMARY OF KEY ASSURANCE GAPS, RECOMMENDATIONS AND SUGGESTED INTERNAL AUDITS

The following are key assurance gaps and recommendations made against each relevant risk. Implementation of these recommendations will strengthen the Council's assurance environment:

Risk & Description		1 - Failure to plan for a hotter and drier climate
Relevant Controls (as identified in the Strategic Risk Register)		<ul style="list-style-type: none"> <li>➤ Climate Adaptation Plan</li> <li>➤ Tree Canopy Strategy</li> <li>➤ Urban Design Guidelines</li> <li>➤ Maintenance plans factor in increased costs due to climate change</li> <li>➤ Asset Management Policy and Procedure gives considerations to climate change impacts</li> <li>➤ Consideration of climate change impacts within Strategic Planning Framework (includes Annual Business Plan, 4 Year Delivery Plan, City Strategy and Long-Term Financial Plan)</li> <li>➤ Undertaking climate research which will provide information to assist planning process</li> <li>➤ Selection of appropriate plants and turfs</li> <li>➤ Recycled water network</li> <li>➤ Stormwater Management Plans (Adams Creek and Helps Road Drain, Greater Edinburgh Parks and St Kilda, Smith Creek, Gawler River)</li> <li>➤ Advocacy with other tiers of Government</li> </ul>
Assurances		
Current Assurances	Operational	<ul style="list-style-type: none"> <li>➤ The Council has developed a comprehensive tree program, which has received official endorsement and is regularly referenced in decision-making processes. Moreover, the program is consistently funded by the Council, demonstrating a commitment to preserving and managing the city's green infrastructure. Additionally, tree removal program has been streamlined through integration into the fees and charges register, ensuring transparency and accountability in the process.</li> <li>➤ All tools and equipment within the Council's inventory have undergone scrutiny and have approved maintenance plans. These plans outline systematic schedules and procedures for servicing and upkeep, ensuring that all tools and equipment remain in optimal working condition. By adhering to these maintenance plans, the Council can enhance operational efficiency, prolong the lifespan of assets, and minimize unexpected downtime or repairs.</li> </ul>

11

		<ul style="list-style-type: none"> <li>➤ The Asset Management Plan (AMP) has been implemented, reflecting a thorough understanding of asset management principles and practices. Additionally, the Council has identified an opportunity to expand cooling initiatives to more parks across the city. By leveraging the AMP's framework, resources can be allocated strategically to enhance park amenities, such as installing shade structures or water features, thereby improving public comfort and enjoyment during hot weather. This expansion aligns with the Council's commitment to enhancing community well-being and environmental sustainability.</li> <li>➤ The Stormwater Management Plan (SMP) and tree management strategies are crucial components in addressing the challenges posed by climate change. These plans are instrumental in mitigating the impacts of increased precipitation and extreme weather events, which are becoming more frequent due to climate change. Furthermore, the Council has established stormwater infrastructure deeds to effectively manage water flow and reduce the risk of flooding in vulnerable areas.</li> <li>➤ Informal discussions surrounding climate change take place during executive meetings, reflecting the Council's proactive approach to addressing environmental challenges. These discussions provide a platform for executives to share insights, exchange ideas, and explore potential strategies for mitigating the impacts of climate change on the community. By fostering open dialogue and awareness at the executive level, the Council demonstrates its commitment to incorporating climate considerations into decision-making processes and advancing sustainability initiatives for the well-being of its constituents.</li> <li>➤ The Stormwater Management Plan (SMP) has been developed and formalized, marking a significant milestone in the Council's efforts to address stormwater challenges. While implementation is still in its infancy stage, progress is ongoing. The Council is actively working to implement the SMP, focusing on initiatives such as infrastructure upgrades, green stormwater solutions, and community engagement programs.</li> <li>➤ The Council has embarked on a gradual expansion of its recycle water business, reflecting a commitment to sustainable water management practices. A comprehensive business plan has been developed to guide this expansion, which includes exploring additional reserves, expanding infrastructure development, and implementing water harvesting techniques. By strategically investing in the recycle water business, the Council aims to not only meet current water demands but also contribute to long-term water conservation efforts and environmental sustainability within the community.</li> </ul>
	<b>Governance</b>	<ul style="list-style-type: none"> <li>➤ Tree canopy strategy in place and it will take years to implement it fully. However, there are discussion around how the overall tree canopy can help with improving the shading resulting in sustainable housing developments. Council has been provided information sessions on the tree canopy strategy. Work circle has been established for tree management across the organisation. This will be closely linked to the Tree Canopy strategy.</li> <li>➤ Planning and design code is followed for all development approvals. Executive, Council, and its sub committees have oversight on significant developments. Land division guidelines (landscape requirements) are implemented during the assessment of land divisions within which gifted assets like road, footpaths are handed over to the Council.</li> <li>➤ The urban design guidelines are currently in the draft stage and have been presented to the Council for review and consideration. These guidelines serve as a framework to inform decision-making processes, guiding future development projects and initiatives. Emphasizing the enhancement of the cityscape, the guidelines prioritize landscape outcomes, aiming to create cohesive and</li> </ul>

12

		aesthetically pleasing environments throughout the city. By adhering to these guidelines, the Council aims to foster sustainable growth, improve the quality of urban life, and create vibrant and resilient communities.
	<b>External</b>	➤ Currently there are no external assurances for this risk.
<b>Planned Assurances</b>		➤ Vehicles constitute a significant portion of the assets owned and operated by the Council. The management is exploring the implementation of a comprehensive vehicle management system to streamline the operations. The potential of transitioning the fleet to electric vehicles (EVs), considering factors such as environmental impact, cost-effectiveness, and technological advancements, is also being assessed. This strategic consideration aligns with the commitment to sustainability and innovation.
<b>Assurance Gaps &amp; Recommendations</b>		<ul style="list-style-type: none"> <li>➤ The current climate plan is described as quite generic, lacking in detailed specifics. To address this, the management has initiated a project in collaboration with external consultants, 42 Science, aimed at developing comprehensive climate modeling. This collaboration reflects the Council's keen interest and commitment to enhancing its understanding of climate dynamics and implementing targeted strategies to mitigate risks and adapt to changing environmental conditions effectively. Through this project, the management seeks to lay a solid foundation for informed decision-making and proactive climate action.</li> <li>➤ Develop the Environmental, Social and Governance (ESG) strategy for the Council.</li> <li>➤ Consider a comprehensive review and update of Climate Adaption Strategy. This approach will enable the Council to anticipate challenges and implement targeted measures to enhance resilience and adaptability to address any risks arising out of climate change.</li> <li>➤ Asset Management Plans (which include vehicles owned and operated by the Council) need to be reviewed and verified independently to provide assurance to the Executive and the Council.</li> </ul>
<b>Recommended internal audits</b>		<ol style="list-style-type: none"> <li>1. Internal Audit of the Environmental, Social and Governance strategy</li> <li>2. Bushfire mitigation plan Internal audit</li> <li>3. Stormwater Management plan Internal audit</li> <li>4. Vehicle management internal audit</li> </ol>

13

Risk & Description:		2 Failure to plan for increased natural disasters (flood, fire and heatwave).
Relevant Controls (as identified in the Strategic Risk Register)		<ul style="list-style-type: none"> <li>➤ Stormwater Management Plans (Adams Creek and Helps Road Drain, Greater Edinburgh Parks and St Kilda, Smith Creek, Gawler River)</li> <li>➤ Crisis Management Framework</li> <li>➤ Community Emergency Management Plan</li> <li>➤ Urban Design Guidelines</li> <li>➤ Asset Management Policy and Procedure considers climate change impacts.</li> <li>➤ Consideration of climate change impacts within Strategic Planning Framework (includes Annual Business Plan, 4 Year Delivery Plan, City Strategy and Long-Term Financial Plan)</li> <li>➤ Council participates on the Gawler River Flood Management Authority</li> <li>➤ Staff prioritising work on development in growth areas</li> <li>➤ Rural tractor slashing program</li> <li>➤ A dedicated Fire Prevention Officer is employed by Council</li> </ul>
Assurance Activities		
Current Assurances	Operational	<ul style="list-style-type: none"> <li>➤ The Crisis Management Framework has proven its usefulness, notably during the COVID-19 pandemic. The framework facilitated a coordinated response, enabling the Council to swiftly adapt to evolving circumstances and effectively manage the crisis.</li> <li>➤ The current emergency relief centers have been assessed as fit for purpose, meeting the necessary requirements to effectively respond to emergencies and provide support to affected individuals and communities.</li> <li>➤ The planning team diligently follows established land use planning regulations and controls when assessing all applications and approvals.</li> <li>➤ The Fire Prevention Officer (FPO) is actively engaged during the six-month fire danger season, prioritizing fire prevention and safety measures within the community. Their role extends to attending state-level meetings, where they collaborate with agencies like the Country Fire Service (CFS) to ensure alignment and coordination of fire prevention efforts. By maintaining consistent messaging that mirrors the State Government's initiatives, the FPO contributes to cohesive and effective communication strategies aimed at raising awareness and promoting fire safety practices among residents. This proactive approach helps mitigate fire risks and enhances the community's preparedness and resilience during fire seasons.</li> <li>➤ The Fire Prevention Officer (FPO) furnishes essential reports, offering insights into various aspects such as expiations and the status of fire trucks, contributing to informed decision-making processes. Additionally, data collected through these reports aids in evaluating the effectiveness of fire prevention measures and planning future initiatives.</li> <li>➤ The integration of bushfire mapping into land use planning underscores a proactive approach to mitigate risks and enhance</li> </ul>



14

		<p>community safety. By incorporating geographical data into planning processes, the Council can identify high-risk areas and implement targeted strategies to minimize the impact of bushfires.</p> <ul style="list-style-type: none"> <li>➤ Verge mowing and tractor slashing programs demonstrate a commitment to fire prevention and management. These initiatives help reduce fuel loads, mitigate fire hazards, and maintain clear access for emergency responders. Their effectiveness underscores the Council's dedication to safeguarding residents and properties against the threat of wildfires.</li> </ul>
	<b>Governance</b>	<ul style="list-style-type: none"> <li>➤ All development approvals adhere to the Planning and Design Code, ensuring compliance with regulatory standards and guidelines. Oversight on significant developments is provided by the Executive, Council, and its sub-committees, ensuring that decisions align with strategic objectives and community interests.</li> <li>➤ The draft urban design guidelines, presented to the Council, serve as an essential tool in shaping decision-making processes related to city development. By utilizing these guidelines, the Council can make informed decisions that promote sustainable growth, enhance public spaces, and contribute to the overall well-being and attractiveness of the community.</li> <li>➤ An active bushfire management presentation was delivered to the Council, highlighting strategies and measures aimed at mitigating the risk of bushfires within the community.</li> <li>➤ A quarterly report detailing the status of the Asset Management Plan (AMP) is presented to the Council, providing a comprehensive overview of asset management activities and progress made during the reporting period.</li> </ul>
	<b>External</b>	<ul style="list-style-type: none"> <li>➤ Mandatory reporting to the Country Fire Service (CFS) is conducted using a systematic checklist approach, ensuring comprehensive and consistent reporting of essential information.</li> <li>➤ Stormwater management plans (SMPs) are submitted to both the Council and the Stormwater Management Authority for approval. These plans undergo thorough review to ensure compliance with regulatory standards and alignment with environmental best practices. Notably, biodiversity conservation is a central focus within the SMP, with strategies aimed at preserving and enhancing natural ecosystems integrated into the planning process.</li> <li>➤ Public Health Plan approved by Dept. of Health, reported annually to the Council and the Plan is reviewed every 4 years.</li> </ul>
<b>Planned Assurances</b>		<ul style="list-style-type: none"> <li>➤ None</li> </ul>
<b>Assurance Gaps &amp; Recommendations</b>		<ul style="list-style-type: none"> <li>➤ Further detailing and reporting on Stormwater Management Plans (SMPs) for specific areas, including Adams Creek and Helps Road Drain, Greater Edinburgh Parks and St Kilda, Smith Creek, and Gawler River, are imperative for comprehensive stormwater management. These plans should include detailed assessments of existing infrastructure, hydrological modeling, flood risk analyses, erosion control measures, and strategies for biodiversity conservation.</li> <li>➤ Improvements to the Fire Prevention Officer (FPO) reporting framework can be achieved by leveraging available data from various systems. By integrating data sources such as incident reports, inspection records, and community outreach activities, the reporting framework can provide a more comprehensive and insightful analysis of fire prevention efforts.</li> <li>➤ Regular reviews of the Urban Design Guidelines are essential to ensure their accuracy and relevance over time. Conducting annual or biennial reviews, involving technical-level assessments by stakeholders involved in implementation, followed by senior management approval, will help to keep the guidelines aligned with evolving urban development trends, regulatory requirements, and community needs. These reviews allow for timely updates and refinements to the guidelines, ensuring they continue to serve</li> </ul>

15

	as effective tools for guiding decision-making and promoting quality urban design practices within the community.
Recommended internal audits	<ul style="list-style-type: none"><li>➤ Internal Audit of the Environmental, Social and Governance strategy</li><li>➤ Bushfire mitigation plan Internal audit</li><li>➤ Asset Management Plan audit (including its link to long term financial plan and community benefits).</li></ul>

16

Risk & Description:		3 - Council's financial position affects its decision making to invest appropriately in the community.
Relevant Controls (as identified in the Strategic Risk Register)		<ul style="list-style-type: none"> <li>➤ Finance Strategy</li> <li>➤ Financial sustainability ratios</li> <li>➤ Strategic Planning Framework (includes Annual Business Plan, 4 Year Delivery Plan, City Strategy and Long Term Financial Plan)</li> <li>➤ Elected Members have undertaken financial training</li> <li>➤ Monthly budget update reports to Council</li> <li>➤ Rating Policy &amp; Procedure</li> <li>➤ Prudential Management Policy &amp; Procedure</li> <li>➤ Processes in place to identify grant opportunities</li> <li>➤ Corporate Governance Committee have oversight of financial matters"</li> </ul>
Assurance Activities		
Current Assurances	Operational	<ul style="list-style-type: none"> <li>➤ The Annual Business Plan serves as a publicly available document, providing a high level of assurance to community regarding the Council's operational and strategic priorities. By making the plan accessible to the public, the Council demonstrates transparency and accountability in its decision-making processes and resource allocation.</li> <li>➤ Strategic Plan is reviewed within 12 months after the Council election.</li> <li>➤ The monitoring of debts and rates is conducted internally within the Council, ensuring efficient management and oversight of financial obligations. While the specific details of the investment strategy may not be publicly disclosed, the Council maintains oversight of its investment activities. This oversight ensures that investments align with the Council's financial objectives, risk tolerance, and regulatory requirements.</li> <li>➤ Financial management framework strategy in place and it could be used more efficiently and effectively</li> </ul>

17

	<b>Corporate Governance</b>	<ul style="list-style-type: none"> <li>➤ The finance strategy undergoes oversight from multiple stakeholders, including the Council, External Audit, and the Corporate Governance Committee (CGC).</li> <li>➤ Community engagement in major decisions and significant input into Annual Business Plan. During the development of the Annual Business Plan, community engagement processes are integrated to ensure that the plan reflects the aspirations and priorities of the community.</li> <li>➤ Financial delegations undergo internal review, with any proposed changes subject to approval by the Chief Executive Officer (CEO). This process ensures that financial decision-making authority is appropriately allocated and aligned with organizational objectives and risk tolerance levels.</li> <li>➤ Credit card transaction are monitored by Finance department. This information is now publicly disclosed on Council's website.</li> <li>➤ Monthly financial reports are provided to the Council and publicly available on Council's website.</li> <li>➤ Detailed reports presented to Executive regarding full-time employee, capital projects, debt collection, etc.</li> <li>➤ Project capital reporting has been recently implemented by the Council</li> </ul>
	<b>External</b>	<ul style="list-style-type: none"> <li>➤ Monthly reports are submitted to Council and the Corporate Governance Committee (CGC), ensuring regular updates on key financial and operational matters.</li> <li>➤ The rates setting process undergoes rigorous oversight and review by the Essential Services Commission of South Australia (ESCOSA), ensuring fairness and transparency in setting rates.</li> <li>➤ External auditors conduct an annual review of internal financial controls, providing assurance on the effectiveness of financial management practices.</li> <li>➤ Sustainability ratios are presented in the LTFP and are also verified by the external auditors.</li> <li>➤ Annual Business Plan is a public process and also involves review by CGC.</li> <li>➤ Long Term Financial Plan flows through a public process and also involves review by CGC.</li> <li>➤ Budget reviews are submitted to Council for approval and are available publicly.</li> <li>➤ The Asset Management Plan undergoes a public process and review by the CGC, ensuring effective management and maintenance of organizational assets.</li> </ul>
<b>Planned Assurances</b>		<ul style="list-style-type: none"> <li>➤ Ongoing review of the rating model and taking into account the predicted future growth in the Council population. Work is underway on a new Rating strategy, to be presented to the Council in future.</li> <li>➤ Prudential management policy needs update- The actual number of \$4mil needs to be indexed to reflect the current value. The policy is due for review on 31 May 24.</li> </ul>
<b>Assurance Gaps &amp; Recommendations</b>		<ul style="list-style-type: none"> <li>➤ One of the biggest risks faced by the Council is the inherently political nature of financial information, where perception may diverge from reality. This risk arises from the potential for financial data to be interpreted or misrepresented for political gain, leading to misunderstandings, mistrust, and challenges in decision-making processes. To mitigate this risk, the Council must prioritize transparency, accuracy, and clear communication in financial reporting and decision-making.</li> <li>➤ The finance and project teams are collaborating to address the issue of losing grants and ensure their appropriate utilization throughout the year. Monthly reporting to the executive provides timely updates on grant fund status, aiding in proactive</li> </ul>

	<p>identification of underutilised funds.</p> <p>➤ The finance strategy is outdated and requires a review and update, although a specific timeframe has not been confirmed yet. This process will involve a comprehensive assessment considering economic changes, regulatory requirements, and internal priorities. Input from key stakeholders will be sought to inform the revision, aiming to strengthen financial management practices and support organizational objectives.</p>
Recommended internal audits	<p>➤ Treasury management audit.</p> <p>➤ Accounts payable and cash management audit.</p> <p>➤ Grants funding audit.</p> <p>➤ Rates revenue assurance process.</p> <p>➤ Contract outcomes review</p> <p>➤ Financial Controls audit</p>

19

Risk & Description:		4 - Unauthorised malicious access to computer systems or disclosure of sensitive data.
Relevant Controls		<ul style="list-style-type: none"> <li>➤ Critical system information and data is regularly backed up.</li> <li>➤ Remote access requires two factor authentication.</li> <li>➤ Email and web browser filtering and protections</li> <li>➤ Business Continuity Plan and ICT Disaster Recovery Plan</li> <li>➤ Cyber security insurance</li> <li>➤ Access request form must be completed for system access changes.</li> <li>➤ Patches and upgrades applied as required.</li> <li>➤ Network vulnerability assessments and penetration testing completed.</li> <li>➤ Crowd Strike intrusion detection system</li> <li>➤ Cyber security training</li> <li>➤ Phrendly Phishing Program</li> <li>➤ Police checks completed for identified positions.</li> <li>➤ ICT Acceptable Use Procedure</li> <li>➤ Software renewal program</li> <li>➤ ICT staff with appropriate knowledge, skills, and experience</li> <li>➤ Adherence to Essential 8-</li> <li>➤ Cloud first strategy"</li> </ul>
Assurance Activities		
Current Assurances	Operational	<ul style="list-style-type: none"> <li>➤ Back-up mechanisms for data retrieval include regular reports sent to the manager for offsite storage, ensuring data redundancy and protection against loss. Transitioning to cloud-based storage enhances accessibility and security, enabling efficient data management and retrieval.</li> <li>➤ A friendly phishing exercise conducted in October 2023 targeted email and web browsing habits to assess and improve cybersecurity awareness among staff, mitigating the risk of falling victim to malicious cyberattacks.</li> <li>➤ Testing of the Disaster Recovery Plan (DRP) in the past 6 months ensured readiness for potential disruptions, with insights gained from these exercises incorporated into updates to enhance the plan's effectiveness.</li> <li>➤ Insurance policies are subject to biennial reviews for renewal, overseen by the Risk Officer, ensuring adequate coverage and protection against potential liabilities.</li> <li>➤ Access change forms facilitate the proper management of user permissions, with thorough approval processes and ticket closure procedures to maintain security and accountability.</li> </ul>

20

		<ul style="list-style-type: none"> <li>➤ CrowdStrike's active monitoring services provide continuous threat detection and response, bolstering the council's cybersecurity posture and safeguarding against emerging threats.</li> <li>➤ Plans to achieve Essential 8 compliance signify a commitment to implementing cybersecurity best practices, enhancing protection against cyber threats and vulnerabilities.</li> <li>➤ Full disclosure of controls from cloud vendors during procurement ensures transparency and enables informed decision-making to ensure data protection and compliance with security standards.</li> <li>➤ Access to secure destruction bins ensures confidential document disposal, mitigating the risk of unauthorized access to sensitive information.</li> <li>➤ Information management training and frameworks ensure that access to data is restricted to authorized personnel, minimizing the risk of data breaches and ensuring compliance with privacy regulations.</li> <li>➤ Confidential agendas are distributed securely through hand delivery and marked emails, maintaining confidentiality and integrity in communication processes.</li> <li>➤ The ECM system's confidential classification enhances data security by ensuring sensitive information is appropriately identified and protected from unauthorized access.</li> <li>➤ Device monitoring services enable proactive monitoring of network devices, detecting and addressing potential security threats and ensuring compliance with security policies.</li> <li>➤ The active ICT project factory ensures projects are tracked regularly, facilitating efficient project management and timely completion of initiatives to meet organizational objectives.</li> <li>➤ Council members' use of official Playford email IDs for official business purposes enhances communication security and accountability, ensuring that official correspondence is conducted through secure channels.</li> </ul>
	<b>Corporate Governance</b>	<ul style="list-style-type: none"> <li>➤ Feedback from audits and key recommendations are actively implemented, ensuring continuous improvement in organizational processes and adherence to best practices identified through audit findings.</li> <li>➤ Active implementation of behavioral standards and Council member support procedures fosters a positive work environment and ensures effective governance practices are upheld among council members.</li> <li>➤ Data breaches are promptly reported to the Executive and Corporate Governance Committee (CGC) when necessary, facilitating swift response measures to mitigate the impact of breaches and uphold data security standards.</li> </ul>
	<b>External</b>	<ul style="list-style-type: none"> <li>➤ Vulnerability assessment done by external service provider.</li> <li>➤ Police checks done every two years for key members of the organisation.</li> </ul>
<b>Planned Assurances</b>		<ul style="list-style-type: none"> <li>➤ Over the next 12-18 months, a planned activity involves understanding the types of data held by the organization, facilitating informed decision-making regarding data management and security measures.</li> <li>➤ Another planned activity entails generating a report on critical financial software, aiming to assess the effectiveness and functionality of existing financial systems to inform potential improvements or updates.</li> <li>➤ Additionally, there are plans to develop a data breach response plan, ensuring the organization is equipped with proactive measures</li> </ul>

21

	and protocols to effectively respond to and mitigate the impact of data breaches, safeguarding sensitive information and maintaining data security standards.
<b>Assurance Gaps &amp; Recommendations</b>	<ul style="list-style-type: none"> <li>➤ IT lacks a proactive level of reporting to the Exec, necessitating improved communication channels to ensure timely updates on IT-related matters and alignment with organizational objectives.</li> <li>➤ Conducting an independent review of the IT systems architecture is planned to identify potential vulnerabilities, enhance system efficiency, and ensure alignment with industry best practices.</li> <li>➤ Enhancements to the friendly phishing program involve increasing its frequency to a monthly basis, providing regular training opportunities for staff and reinforcing cybersecurity awareness and resilience.</li> <li>➤ Development of data breach response protocols is prioritized to establish clear procedures for addressing and mitigating the impact of data breaches, safeguarding sensitive information, and maintaining regulatory compliance.</li> <li>➤ A cyber security gap assessment is planned to identify weaknesses and vulnerabilities in the current cyber security infrastructure, enabling targeted improvements to enhance resilience against cyber threats.</li> <li>➤ Consideration of centralized logging for future investigations is proposed to streamline data collection and analysis, facilitating more efficient incident response and forensic investigations in the event of security breaches or suspicious activities.</li> </ul>
<b>Recommended internal audits</b>	<ul style="list-style-type: none"> <li>➤ Software licensing and software asset management audit.</li> <li>➤ Data governance audit</li> <li>➤ Data insights audit</li> <li>➤ Mobile devices and ICT inventory/stock controls audit.</li> <li>➤ SAAS provider cyber threat assessment</li> </ul>



22

Risk & Description:		5. Inability to meet the needs of a rapidly growing community.
<b>Relevant Controls</b>		<ul style="list-style-type: none"> <li>➤ Strategic Planning Framework (includes Annual Business Plan, 4 Year Delivery Plan, City Strategy and Long Term Financial Plan)</li> <li>➤ Finance Strategy</li> <li>➤ Advocacy efforts with State and Federal Government</li> <li>➤ Strategic Marketing Communications Plan</li> <li>➤ Partnerships with neighboring councils</li> <li>➤ Infrastructure deeds in place (needs further work to assess how many deeds are completed and what's remaining)</li> <li>➤ Project Management Framework</li> <li>➤ Education with community and Elected Members</li> <li>➤ Membership of National Growth Areas Alliance</li> <li>➤ Staff prioritising work on development in growth areas.</li> <li>➤ Ongoing monitoring of community sentiment through community surveys</li> <li>➤ Growth model for allocating new resources.</li> <li>➤ Cross departmental collaborative work to monitor full range of city development activities.</li> <li>➤ Strong appetite for confirming resource requirements through business needs.</li> </ul>
<b>Assurance Activities</b>		
<b>Current Assurances</b>	<b>Operational</b>	<ul style="list-style-type: none"> <li>➤ Executive and SLT meetings feature discussions on the Annual Business Plan (ABP) and 4-year delivery plan, including feedback on previous plans and achievements, ensuring alignment with organizational goals and strategic objectives.</li> <li>➤ A quarterly budgeting process provides a reasonable level of internal assurance to Senior Managers and the Executive, facilitating effective resource allocation and financial management within the organization.</li> <li>➤ Participation in advocacy groups internally is supported by reporting provided by the Executive Strategic Advisor and their team, ensuring informed decision-making and alignment with advocacy efforts.</li> <li>➤ Informal discussions with the City of Salisbury regarding key initiatives and projects occur on an ad hoc basis, fostering collaboration and sharing of best practices between neighboring municipalities.</li> <li>➤ Current activities involve reporting using PlanSA data for growth and utilizing pathways to pull customer request data, enabling data-driven decision-making and responsive service delivery.</li> <li>➤ The Performance Management Framework (PMF) is being implemented, though not yet used across the organization, aiming to enhance performance measurement and accountability.</li> <li>➤ Providing education to NDIS clients and aged care clients addresses community needs and promotes inclusivity and</li> </ul>

23

		<p>accessibility to essential services.</p> <ul style="list-style-type: none"> <li>➤ Limited financial and personnel resources pose challenges, highlighting the need for strategic resource management and capacity building initiatives.</li> <li>➤ Surveys conducted at the Grenville center and as part of programs and events facilitate feedback collection and are maintained in a register provided to NDIS auditors, ensuring compliance and continuous improvement in service delivery.</li> <li>➤ An evaluation framework is utilized to understand the needs of the community, enabling evidence-based decision-making and effective allocation of resources to address identified priorities.</li> <li>➤ Discussions focus on tree strategy guidelines and how to measure their success, ensuring alignment with environmental goals and community needs.</li> <li>➤ Climate adaptation measures and considerations are regularly addressed, reflecting the council's commitment to resilience and sustainability in the face of climate change impacts.</li> <li>➤ Growth areas are aligned with citywide strategies to ensure coherent development plans and optimize resource allocation for infrastructure and services.</li> <li>➤ The project management framework serves as a control mechanism, providing structure and oversight to project implementation to ensure efficiency and adherence to timelines and budgets.</li> <li>➤ Collaboration and coordination among teams are emphasized for effective control implementation, fostering communication and synergy to address challenges and achieve objectives collectively.</li> <li>➤ Regular review and assessment of potential insurance activities are conducted to mitigate risks effectively and ensure adequate coverage for council operations and assets.</li> <li>➤ Data-driven decision-making, workload resourcing, and organizational structures are optimized to enhance operational efficiency and effectiveness.</li> <li>➤ Collaborating with Local Government Association (LGA) and Plan SA to obtain accreditations for qualified staff demonstrates a commitment to professional development and maintaining high standards of service delivery and governance.</li> </ul>
	<b>Governance</b>	<ul style="list-style-type: none"> <li>➤ Information sessions with the community are conducted to foster transparency and engagement, providing opportunities for residents to learn about council initiatives, voice concerns, and ask questions.</li> <li>➤ Feedback from the community and citizens is actively solicited through surveys and during council meetings, enabling the council to gauge public opinion, address concerns, and make informed decisions that reflect the needs and priorities of the community.</li> </ul>
	<b>External</b>	<ul style="list-style-type: none"> <li>➤ Partnerships with other councils, such as Salisbury, Gawler, and Marion, involve regular meetings and sharing of intellectual property, fostering collaboration and knowledge exchange to address common challenges and opportunities.</li> <li>➤ Reports on advocacy efforts are provided to the executive, ensuring transparency and accountability in council activities and highlighting the progress and outcomes of collaborative initiatives with other councils.</li> </ul>

24

<b>Planned Assurances</b>	<ul style="list-style-type: none"> <li>➤ Building compliance data will be managed using iAuditor software, streamlining processes and ensuring efficient tracking and management of building compliance requirements.</li> <li>➤ Proactive workforce planning will be undertaken, including ongoing reviews of resourcing across the organization, to ensure alignment with strategic objectives and optimize resource allocation to meet current and future needs effectively.</li> </ul>
<b>Assurance Gaps &amp; Recommendations</b>	<ul style="list-style-type: none"> <li>➤ The current growth model, which splits funds, requires revisiting to accommodate new developments like Riverlee. Additionally, due to its outdated setup and reliance on one staff member's expertise, it needs urgent review to mitigate the risks associated with key person dependency and ensure its continued effectiveness in supporting strategic planning and resource allocation.</li> </ul>
<b>Recommended internal audits</b>	<ul style="list-style-type: none"> <li>➤ Community consultation process audit</li> <li>➤ Audit of legislated registers (gifts and benefits for staff and elected members, register of interest for staff and elected members, salary register, elected member allowances)</li> <li>➤ Policy governance framework implementation review</li> <li>➤ Legislative Compliance Framework audit.</li> <li>➤ Planning and Development Assessment Internal Audit</li> <li>➤ Strategic Plan Development and KPI reporting Internal Audit</li> </ul>

25

Risk & Description:		6 - The inability to attract and retain skilled and experienced employees.
Relevant Controls		<ul style="list-style-type: none"> <li>➤ Remuneration Policy and Procedure including market relativity</li> <li>➤ Pulse survey completed twice per year and report provided to senior management</li> <li>➤ Human resource partners work with managers on staff issues</li> <li>➤ Workforce planning including talent identification program ('People Day')</li> <li>➤ Employee value proposition (income protection, no forced redundancies, flexible work arrangements)</li> <li>➤ Work experience and cadet programs</li> <li>➤ Access to good training</li> <li>➤ Robust recruitment process</li> <li>➤ Training budget</li> </ul>
Assurance Activities		
Current Assurances	Operational	<ul style="list-style-type: none"> <li>➤ The implementation of a new policy is currently underway, aiming to address specific organizational needs or regulatory requirements. However, further refinement is necessary to ensure its practicality and effectiveness in day-to-day operations. The organization plans to achieve full implementation within the next 18 months, employing a structured approach such as Plan IA to facilitate the process, which may involve phased rollouts, training sessions, and feedback mechanisms to ensure smooth adoption and adherence.</li> <li>➤ Internal assurance mechanisms are in place to maintain alignment with organizational goals and address any emerging issues promptly. Regular meetings between managers and staff provide a platform for open discussions regarding challenges, successes, and improvement opportunities within teams. There are plans to reassess survey questions used to gather feedback from employees, aiming to enhance the effectiveness of feedback collection processes and better capture the pulse of the organization's workforce for informed decision-making and continuous improvement initiatives.</li> <li>➤ The organization conducts regular performance evaluations and discussions throughout the year to assess employee performance, set goals, and identify talent for development opportunities. These evaluations are comprehensive, considering factors such as job performance, skills development, and career aspirations. The emphasis on talent identification underscores the organization's commitment to nurturing and retaining top talent to support its strategic objectives.</li> <li>➤ Regular inputs from teams and interactions with HR partners provide valuable insights into workforce dynamics, enabling HR to develop tailored strategies for talent management, recruitment, retention, and professional development initiatives. These collaborative efforts ensure that HR practices are aligned with organizational objectives and responsive to the evolving needs of the workforce.</li> <li>➤ People day serves as a dedicated forum for discussing workforce planning and staffing needs across various departments and teams. These discussions are instrumental in aligning staffing levels and skillsets with organizational goals, addressing emerging challenges,</li> </ul>

26

		<p>and fostering a culture of proactive talent management and development.</p> <ul style="list-style-type: none"> <li>➤ Recruitment processes have been refined to create a more inclusive and transparent environment for candidates. These improvements aim to enhance the candidate experience by providing clear communication, realistic job previews, and opportunities for feedback. By reducing the intimidation factor often associated with recruitment processes, the organization aims to attract diverse talent pools and make informed hiring decisions that align with its values and objectives.</li> <li>➤ Quarterly reports submitted to Executives provide comprehensive updates on organizational performance, including key achievements, challenges, and progress against strategic goals and initiatives.</li> <li>➤ The implementation of market relativity pay ensures that the organization's compensation structure remains competitive and equitable within the industry. By benchmarking salaries against market trends and competitor practices, the organization can attract and retain top talent while ensuring fairness and consistency in compensation practices across the workforce.</li> <li>➤ Workforce planning discussions occur regularly across various teams to assess staffing needs, skills gaps, and future requirements.</li> <li>➤ Enterprise agreement negotiations currently underway aim to establish mutually beneficial terms and conditions of employment for employees and the organization. These negotiations involve representatives from both management and employee groups, seeking to strike a balance between organizational priorities and the interests of the workforce. By fostering a collaborative approach to negotiations, the organization aims to achieve fair and sustainable employment agreements that support a positive work environment and organizational success.</li> </ul>
	<b>Governance</b>	<ul style="list-style-type: none"> <li>➤ Reports are regularly provided to the Corporate Governance Committee as part of CEO reports, ensuring transparency and accountability in organizational governance processes.</li> <li>➤ Internal Audit conducts follow-ups on Independent Commission Against Corruption (ICAC) recommendations, ensuring compliance and integrity within the organization.</li> <li>➤ Follow-up audits on Organizational Development (OD) processes are conducted to assess implementation progress and address any identified gaps or areas for improvement, supporting ongoing organizational growth and effectiveness.</li> </ul>
	<b>External</b>	<ul style="list-style-type: none"> <li>➤ There is on external assurance currently identified for this risk</li> </ul>
<b>Planned Assurances</b>		<ul style="list-style-type: none"> <li>➤ A review of salary structures is currently underway to enhance recognition for qualifications and formal education, with the aim of improving retention strategies within the organization. This initiative seeks to align compensation practices more closely with employee qualifications and expertise, thereby fostering a more rewarding and competitive work environment.</li> </ul>

Assurance Gaps & Recommendations	<ul style="list-style-type: none"><li>➤ The Council faces challenges with insufficient flexibility to attract and retain talent due to limitations in its current compensation and recruitment practices.</li><li>➤ There is a lack of comprehensive data on market conditions, hindering the Council's ability to make informed decisions regarding salary structures and competitive positioning in the job market.</li><li>➤ A gap exists in long-term workforce planning, highlighting the need for improved forecasting of staffing requirements, especially in anticipation of upcoming developments within the Council area. Management should consider implementing a robust workforce planning strategy to address this gap and ensure adequate staffing levels to support organizational goals and initiatives.</li></ul>
Recommended internal audits	<ul style="list-style-type: none"><li>➤ Workforce planning audit (including growth modelling and growth allocations)</li><li>➤ Remuneration and market relativity policy and procedure audit</li></ul>

28

Risk & Description:		7 - Failing to keep up with technological advances.
Relevant Controls		<ul style="list-style-type: none"> <li>➤ Information Technology Strategy and Asset Management Plan</li> <li>➤ Regular reviews of systems architecture and software/hardware management</li> <li>➤ TNA in place to identify ICT training requirements for staff</li> <li>➤ Budget bid process which includes ICT requirements</li> <li>➤ Business Continuity Plan and ICT Disaster Recovery Plan</li> </ul>
Assurance Activities		
Current Assurances	Operational	<ul style="list-style-type: none"> <li>➤ The IT strategy is currently undergoing improvement efforts, with an emphasis on renewing digital assets guided by principles outlined in the Asset Management Plan (AMP).</li> <li>➤ Regular reviews are planned as part of the ongoing development of the IT strategy, ensuring adaptability and alignment with organizational objectives.</li> <li>➤ Training Needs Analysis (TNA) has been completed collaboratively with the Organizational Development (OD) and Learning &amp; Development (L&amp;D) teams, with ongoing refinement to meet evolving organizational needs.</li> <li>➤ Collaboration between assets, procurement, and IT teams ensures cohesive efforts in managing resources and technology infrastructure effectively.</li> <li>➤ Initiatives for developing information management, data governance, and digital strategy are underway, aiming to enhance data management practices and leverage digital technologies for organizational advancement.</li> <li>➤ Data breaches are promptly reported to the Executive as per legislative requirements, highlighting the organization's commitment to data security and compliance.</li> <li>➤ A Digital Project Factory is established and supported by the Project Management Framework, ensuring streamlined execution of digital initiatives and efficient project delivery.</li> <li>➤ The Digital Projects Framework has been defined, and a Digital Projects Business Case is in place to guide the implementation of digital initiatives, ensuring alignment with strategic objectives and resource allocation.</li> </ul>
	Corporate Governance	<ul style="list-style-type: none"> <li>➤ Incident reporting, regular team meetings, and reports to the Corporate Governance Committee (CGC) are established practices to ensure timely communication and resolution of incidents, fostering accountability and transparency within the organization.</li> <li>➤ A summary of outages is provided to the Executive on an annual basis, offering insights into the frequency, duration, and impact of system disruptions, enabling informed decision-making and proactive measures to mitigate future occurrences.</li> <li>➤ The Asset Management Plan is submitted to the Council, outlining strategies for the effective management and maintenance of organizational assets, ensuring alignment with strategic objectives and compliance with regulatory requirements</li> </ul>

29

	<b>External</b>	<ul style="list-style-type: none"> <li>➤ Annual penetration testing is conducted to assess the security of the organization's systems and networks, identifying vulnerabilities and ensuring proactive measures are in place to prevent cyber threats.</li> <li>➤ TechOne data controls are implemented to manage and secure data within the TechOne system, ensuring compliance with data protection regulations and safeguarding sensitive information.</li> <li>➤ Cloud storage data is held onshore in Australia, ensuring compliance with data sovereignty regulations and providing assurance regarding data security and privacy.</li> <li>➤ A recent one-off audit conducted by the State Government aimed to assess compliance with regulations and standards, providing insights into areas of strength and areas needing improvement within the organization's operations and practices.</li> </ul>
	<b>Planned Assurances</b>	<ul style="list-style-type: none"> <li>➤ The development of a fleet strategy, including the potential transition to Electric Vehicles (EVs), is currently underway. This strategic initiative aims to assess the feasibility, benefits, and implementation plans for integrating EVs into the organization's fleet, aligning with sustainability goals and technological advancements in transportation.</li> </ul>
	<b>Assurance Gaps &amp; Recommendations</b>	<ul style="list-style-type: none"> <li>➤ The CEO requires enhanced visibility into the organization's IT architecture to better understand its structure and capabilities, ensuring alignment with strategic objectives and effective decision-making.</li> <li>➤ Currently, there is no dedicated technology reporting to the CEO. However, plans are underway to develop quarterly reporting mechanisms to provide the CEO and executives with regular updates on IT initiatives, performance, and risks.</li> <li>➤ There is a lack of a system to capture technology advances within the organization at present. However, integrating this aspect into the IT governance strategy is being planned, aiming to enhance innovation management and ensure that technological developments are effectively identified, evaluated, and leveraged to drive organizational success.</li> </ul>
	<b>Recommended internal audits</b>	<ul style="list-style-type: none"> <li>➤ Data governance audit</li> <li>➤ Data management processes audit</li> <li>➤ Software licensing and software asset management audit.</li> <li>➤ Access controls audit.</li> </ul>







City of Playford Internal Audit Summary Scope

#	Internal audit	Summary scope/objective	Internal Audit type (note 3)	Timing (tentative) (note 2)	Source
1	SAAS provider cyber threat assessment	The scope of this internal audit will include assessment of the resilience of the crucial SAAS providers for the Council. The key focus will be on assessing the SAAS providers ability to address any major events, recovery capability and capacity, recovery time, and data confidentiality agreements and cyber insurances.	Compliance	FY 24-25	Assurance Gap Analysis
2	Core financial system-payroll processing audit	This internal audit will consider the Council’s data, processes and controls surrounding: 1) Payroll processing 2) New starter and termination and exit procedures 3) Masterfile management 4) Leave management 5) Reconciliation and exception reporting processes.	Compliance	FY 24-25	Existing IA plan
3	Financial Controls audit	The internal audit will consider key financial controls including banking, accounts payable, accounts receivable, month-end financial reporting and cash management.	Compliance	FY 24-25	Assurance Gap Analysis
4	Asset Management Plan audit (including its link to long term financial plan and community benefits)	The objective of this internal audit is to consider Council's asset management processes and controls. Focus areas include: Development and approval of Asset Management Policy and Strategy Development and approval of asset management plans Delivery of improvement actions from asset management strategy and plans Capital evaluation methodology, framework and governance controls Project business case development and approvals Testing a sample of fixed asset transactions including compliance with policy Application of the Council's capitalisation and depreciation policies and procedures <del>Completeness and accuracy of fixed asset reporting and reconciliations</del>	Strategic	FY 24-25	Existing IA plan
5	Access controls audit	This internal audit will consider the controls and processes around IT Access at City of Playford.	Compliance	FY 24-25	Existing IA plan
6	Grants funding audit	This objective of this audit is to examine whether City of Playford provides fair and equal access to funding, what the risks to the grants program are, if decision-makers receive the key information they need to make informed funding decisions, and level of compliance with approved policies and procedures.	Performance	FY 25-26	Existing IA plan
7	Accounts payable and Cash management audit	The objective of this internal audit is to consider the existence and effectiveness of key controls over City of Playford's cash management and accounts payable processes, with particular focus on segregation of duties and the completeness and accuracy of payments.	Compliance	FY 25-26	Existing IA plan
8	Workforce planning audit	The scope of this internal audit will include : Evaluating the effectiveness of processes and strategies related to staffing, talent management, succession planning, and resource allocation within the organization. This includes assessing alignment with Council goals, compliance with regulations, risk management, and efficiency of workforce utilization. The audit will also examine the accuracy and relevance of workforce data, forecasting methodologies and any relevant policies.	Strategic	FY 25-26	Assurance Gap Analysis
9	Records management audit	The objective of this internal audit will be to consider the effectiveness and efficiency of the Council's document management system and whether the electronic records are maintained and managed in accordance with the applicable legislations. The overall objective of this internal audit will be to consider the Council's processes, practices and systems in relation to records management, with a focus on the following records: • Asset records (current asset management work being undertaken) • Management of confidential items • Preservation of historical and culturally important archives • Internal/ external correspondence • Elected Member requests The scope will consider the Council's records management objectives, policy and operating guidelines, systems, roles and responsibilities and monitoring and reporting.	Performance	FY 25-26	Existing IA plan

#	Internal audit	Summary scope/objective	Internal Audit type (note 3)	Timing (tentative) (note 2)	Source
10	Rates revenue assurance process Rates invoicing and collection process	This audit will assess the controls and processes for: Updating property and valuation data Updating property status of rateable to non-rateable Approval of concessions and changes to debtor balances (incl. refunds) Debt collection <u>Reconciliations between Tech One and Pathway</u>	Compliance	FY 25-26	Existing IA plan
11	Treasury management audit	The objective of this audit is to review the treasury policies/procedures at City of Playford. The audit aims to add value by ensuring the Council's money is properly safeguarded and accounted for.	Performance	FY 26-27	Existing IA plan
12	Data governance audit	The scope of this internal audit will consider the following areas: Identified strategies for data governance across each Council. Identification of relevant Data Domains, the related IT systems, and any data governance activities currently in place. Assessment of the maturity of data governance vis a vis local government better practice.	Strategic	FY 26-27	Assurance Gap Analysis
13	Legislative Compliance framework audit	The objective of this audit will be to assess the City of Playford's legislative compliance framework, including sample testing of acts and processes to monitor actions.	Compliance	FY 26-27	Assurance Gap Analysis
14	IT Strategy audit	This internal audit will consider processes for developing and delivering the IT strategy, including processes for: Identifying IT needs and associated risks Prioritising of IT projects Approving proposed IT strategy <u>Monitoring implementation of the strategy.</u>	Strategic	FY 26-27	Assurance Gap Analysis
15	Software licensing and software asset management audit	The key objective of this audit is to reduce the number of inactive licenses and also to ensure that City of Playford is maximising the current license position. This audit will also act as a cost saving method, as unwanted software will be removed from machines that no longer require it, thus reclaiming a license for future use.	Compliance	FY 26-27	Assurance Gap Analysis
16	Contract outcomes review	This internal audit will review a sample of Council contracts to assess the value for money outcomes of the contract. Consideration will be given to the overall expenditure of the services provided by the contract, service levels and performance.	Compliance	FY 27-28	Assurance Gap Analysis
17	Policy governance framework implementation review	The objective of this audit is to review the effectiveness and performance of recently implemented policy governance framework.	Performance	FY 27-28	Assurance Gap Analysis
18	Employee compensation payments (workers compensation, parental leave, termination etc.)	The scope of this audit is to review the controls around compensation payments made to employees. Compensation payments include (but not limited to): • Income Protection • Workers compensation reimbursement • Paid parental leave.	Compliance	FY 27-28	Existing IA plan
19	Strategic Plan Development and KPI reporting Internal Audit	This internal audit will assess the alignment of the strategic plan with Council's goals, stakeholder engagement effectiveness, and clarity of objectives. Additionally, it will review the selection and accuracy of KPIs, data collection mechanisms, and compliance with regulations.	Strategic	FY 27-28	Assurance Gap Analysis
20	Internal Audit of the Environmental, Social and Governance strategy	This internal audit will review the Council's ESG Strategy to other comparable organisations including the extent to which the Council has considered the following: The identification of material ESG risks and opportunities through stakeholder engagement and business impacts. Alignment of current ESG initiatives/program of work to the Council's over-arching ESG ambitions and material risks and opportunities. Identification of key success factors and risks related to implementing Council's ESG strategy and related initiatives. Ongoing monitoring and reporting to Council and Executive over ESG initiatives and related risks.	Strategic	FY 27-28	Assurance Gap Analysis

#	Internal audit	Summary scope/objective	Internal Audit type (note 3)	Timing (tentative) (note 2)	Source
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**Note1 : Outsourced service providers will be engaged by City of Playford, subject to availability of finance and approval from the CEO**

**Note 2: The audits to be delivered during the year are confirmed at the beginning of each financial year by the Executive and the Internal Auditor**

**Note 3- Type of Audit**

Performance	To provide independent examination of a framework, policy, procedure, activity, or function to assess whether it is achieving its objectives effectively, efficiently, and economically.
Strategic	To provide an independent examination of the strategic objective a program, function, operation or the management systems and procedures of council to assess whether the administration is achieving value for money, efficiency and effectiveness.
Compliance	To provide comfort that contractual or legislative / regulatory obligations are being met.



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# INFORMAL DISCUSSION

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**6.1 Content for Corporate Governance Committee Communique**

**Presenter:** Luke Culhane, General Manager Corporate Services

**Purpose:** For the Committee to provide input into the Corporate Governance Committee Communique for the April 2024 meeting.

**Duration:** 5 minutes

Section 126(8)(a) of the *Local Government Act 1999* states the audit and risk committee of a Council must provide a report to the Council after each meeting summarising the work of the Committee during the period preceding the meeting and the outcomes of the meeting.



## **STAFF REPORTS**

### **MATTERS TO BE CONSIDERED BY THE COMMITTEE AND REFERRED TO COUNCIL**

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***Matters which cannot be  
delegated to a Committee or Staff***

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## **8.1 2024/25 DRAFT ANNUAL BUSINESS PLAN AND LONG TERM FINANCIAL PLAN**

Contact Person: Luke Culhane

### **Why is this matter before the Council or Committee?**

Matters which cannot be delegated to a Committee or Staff

### **PURPOSE**

For Council to make a determination on whether to deal with this matter in confidence.

### **A. COMMITTEE TO MOVE MOTION TO GO INTO CONFIDENCE**

#### **STAFF RECOMMENDATION**

Pursuant to Section 90(2) of *the Local Government Act 1999* an order is made that the public be excluded from attendance at the meeting, with the exception of:

- Chief Executive Officer
- General Manager Corporate Services
- General Manager City Services
- Senior Manager Financial Services
- Senior Manager City and Corporate Planning
- Senior Manager Information, Technology and Governance
- Senior Manager Assets and Deliver
- Strategic Finance Analyst
- Governance Support
- ICT Support
- Minute Taker

in order to consider in confidence agenda item 8.1 under *Section 90(3)(b) of the Local Government Act 1999* on the basis that:

(b) information the disclosure of which -

i) 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

ii) would, on balance, be contrary to the public interest.

This matter is Confidential because the report is informing Council on decisions relating to the 2024/25 Draft Annual Business Plan which has not yet been finalised.

On the basis of this information, the principle that meetings should be conducted in a place open to the public has been outweighed in this instance; consider it necessary to consider this matter in confidence.

*Section B below to be discussed in the confidential section of the agenda once the meeting moves into confidence for each item.*

### **B. The Matters as per item 8.1**

**C. COMMITTEE TO DECIDE HOW LONG ITEM 8.1 IS TO BE KEPT IN CONFIDENCE****PURPOSE**

To resolve how long agenda item 8.1 is to be kept confidential.

**STAFF RECOMMENDATION**

Pursuant to Section 91(7) of the *Local Government Act 1999*, the Committee orders that the following aspects of Item 8.1 be kept confidential in accordance with Committee's reasons to deal with this item in confidence pursuant to *Section 90(3)(b) of the Local Government Act 1999*:

- Report for Item 8.1
- Attachment(s) for Item 8.1
- Minutes for Item 8.1

This order shall operate until the 2024/25 Annual Business Plan and Long Term Financial Plan are endorsed by Council or will be reviewed and determined as part of the annual review by Council in accordance with Section 91(9)(a) of *the Local Government Act 1999*, whichever comes first.

# **STAFF REPORTS**

## **MATTERS TO BE CONSIDERED BY THE COMMITTEE ONLY**

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***Matters delegated to the  
Committee***

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## 8.2 RIVERLEA DISTRICT SPORTSGROUND AND COMMUNITY CENTRE - PRUDENTIAL REPORT

Contact Person: Luke Culhane

### Why is this matter before the Council or Committee?

Matters delegated to the Committee

### Purpose

For Council to make a determination on whether to deal with this matter in confidence.

### A. COMMITTEE TO MOVE MOTION TO GO INTO CONFIDENCE

#### STAFF RECOMMENDATION

Pursuant to Section 90(2) of the *Local Government Act 1999* an order is made that the public be excluded from attendance at the meeting, with the exception of:

- Chief Executive Officer;
- General Manager Corporate Services;
- General Manager City Services;
- General Manager City Assets;
- Executive Strategic Advisor;
- Senior Manager Assets and Delivery;
- Senior Manager City and Corporate Plans;
- Senior Manager Regulatory and Community Safety;
- Acting Senior Manager Community Engagement and Experience;
- Acting Senior Manager Development Services;
- Acting Senior Manager Financial Services;
- Manager Governance;
- Social Planner;
- Sport and Recreation Planner;
- Governance Support;
- ICT Support;
- Minute Taker;

in order to consider in confidence agenda item 8.2 under Section 90(3)(b) of the *Local Government Act 1999* on the basis that:

(b) information the disclosure of which –

i) 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

ii) would, on balance, be contrary to the public interest.

This matter is Confidential Subject to an order pursuant to Section 90(3)(b) of the *Local Government Act 1999*, because it involves a commercial process in the open market and the disclosure of information may affect negotiations.

On the basis of this information, the principle that meetings should be conducted in a place open to the public has been outweighed in this instance; the Committee consider it necessary to consider this matter in confidence.

*Section B below to be discussed in the confidential section of the agenda once the meeting moves into confidence for each item.*

**B. The Matters as per item 8.2**

**C. COMMITTEE TO DECIDE HOW LONG ITEM 8.2 IS TO BE KEPT IN CONFIDENCE**

**PURPOSE**

To resolve how long agenda item 8.2 is to be kept confidential.

**STAFF RECOMMENDATION**

Pursuant to Section 91(7) of the *Local Government Act 1999*, the Committee orders that the following aspects of Item 8.2 be kept confidential in accordance with Committee's reasons to deal with this item in confidence pursuant to *Section 90(3)(b) of the Local Government Act 1999*:

- Report for Item 8.2
- Attachment(s) for Item 8.2
- Minutes for Item 8.2

This order shall operate until the next scheduled annual review of confidential items by Council at which time this order will be reviewed and determined in accordance with Section 91(9)(a) of the *Local Government Act 1999*.