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9th February, 2018

AUDIT COMMITTEE MEMBERS

NOTICE is given that the Audit Committee will meet in the Civic Centre, Committee Room, Level 4 on Wednesday 14th February, 2018 at 5:00 p.m.

An agenda for the meeting is enclosed herewith.

Mash

Mark McSHANE

CHIEF EXECUTIVE OFFICER

AGENDA INDEX

1.	APO	LOGY/IES	2
2.	CON	FIRMATION OF AUDIT COMMITTEE MINUTES	2
3.	QUE	STIONS	2
	3.1.	With Notice	2
	3.2.	Without Notice	2
4.	DEP	UTATIONS	2
5.	СОМ	MITTEE REPORTS	2
	5.1.	Presiding Member Nomination – Report No. AR18/5041	3
	5.2.	Control Track Implementation Update 2 – Report No. AR18/4747	5
	5.3.	LGAWCS and WHS/IM One System Framework – Report No. AR18/2353	8
	5.4.	Audit Committee Annual Work Program Update - Report No. AR18/2352	12
	5.5.	Long Term Financial Plan 2018/2019 to 2027/20278 Progress Update – Report AR18/5008	
6.	MOT	ION(S)	18
	6.1.	With Notice	18
	6.2.	Without Notice	18



AGENDA OF AUDIT COMMITTEE MEETING

Meeting to be held at the Committee Room, Civic Centre, 10 Watson Terrace, Mount

Gambier on Wednesday 14th February, 2018 at 5:00 pm

PRESENT Ms Vanessa McDonald

Ms Angela Kain Cr Sonya Mezinec

Mayor Andrew Lee (Ex Officio)

COUNCIL OFFICERS Mr Mark McShane - Chief Executive Officer

Mrs Pamela Lee - General Manager Council Business Services
Mr Jeroen Zwijnenburg - Manager Finance and Customer Service

Ms Kahli Rolton - Management Accountant

WE ACKNOWLEDGE THE BOANDIK PEOPLES AS THE TRADITIONAL CUSTODIANS OF THE LAND WHERE WE MEET TODAY. WE RESPECT THEIR SPIRITUAL RELATIONSHIP WITH THE LAND AND RECOGNISE THE DEEP FEELINGS OF ATTACHMENT OUR INDIGENOUS PEOPLES HAVE WITH THIS LAND.

The Chief Executive Officer took the Chair for the first item of business.

APPOINTMENT OF ACTING

PRESIDING MEMBER: nominated as acting chair.

moved that be appointed Acting Presiding

Member for the meeting.

seconded.

1. APOLOGY/IES

Apology(ies) received from

That the apology from be received.

Moved: Seconded:

2. CONFIRMATION OF AUDIT COMMITTEE MINUTES

That the minutes of the Ordinary Audit Committee meeting held on 15 December 2017 be confirmed as an accurate record of the proceedings of that meeting.

Moved: Seconded:

3. QUESTIONS

3.1. With Notice

Nil submitted

3.2. Without Notice

4. **DEPUTATIONS**

Nil

5. COMMITTEE REPORTS

Committee reports commence on the following page.



5.1. Presiding Member Nomination – Report No. AR18/5041

COMMITTEE	Audit Committee		
MEETING DATE:	14 February 2018		
REPORT NO.	AR18/5041		
RM8 REFERENCE	AF11/863		
AUTHOR	Kahli Rolton		
SUMMARY	This Report is presented to enable the nomination of a Presiding Member for the Audit Committee		
COMMUNITY PLAN REFERENCE	Goal 3: Our Diverse Economy		

REPORT RECOMMENDATION

- (a) That Audit Committee Report No. AR18/5041 titled '*Presiding Member Nomination*' as presented to the Audit Committee on 14 February 2018 be noted.
- (b) That the Meeting be open to nominations for Presiding Member of the Audit Committee.
- (c) That the Audit Committee recommend that Council appoint nominee to the position of Presiding Member of the Audit Committee, effective from the date of Council approval.

Moved:	Seconded
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Background

At its meeting on 28 September 2017 a Motion Without Notice was received for the resignation of Mr Jeroen Zwijnenburg from the Audit Committee due to accepting a position with the City of Mount Gambier. Mr Zwijnenburg was the presiding member of the Audit Committee.

Since Mr Zwijnenburg's resignation an acting Presiding Member has been appointed at each subsequent meeting of the Audit Committee.

In accordance with section 1.7 of the Terms of Reference: City of Mount Gambier Audit Committee (the Committee) members of the Committee including the Presiding Member are appointed by Council.

On 19 December 2017 Council appointed Angela Kain to the vacant independent members position on the City of Mount Gambier's Audit Committee.

Discussion

The Audit Committee has been operating with Cr Mezinec as acting presiding member since 28 September 2017 and only two audit committee members (including Cr Mezinec).

The Audit Committee meeting on 14 February 2018 represents the first time in four months that the committee has reached its committee size of three (3) members as per section 1.2 of the Terms of Reference: City of Mount Gambier Audit Committee.

The Committee is required to nominate a presiding member.

Conclusion

Nominations for a Presiding Member is a matter for the Committee to determine from its membership. A draft recommendation has been presented for the Committee to consider in this respect.

Kahli ROLTON

MANAGEMENT ACCOUNTANT

Pamela LEE

GENERAL MANAGER COUNCIL BUSINESS SERVICES

8 February 2018 KR



5.2. Control Track Implementation Update 2 – Report No. AR18/4747

COMMITTEE	Audit Committee	
MEETING DATE:	14 February 2018	
REPORT NO.	AR18/4747	
RM8 REFERENCE	AF17/261	
AUTHOR	Kahli Rolton	
SUMMARY	To provide an update on the Implementation of Control Track, an automated software product that will assist with the review, assessment and reporting of internal financial controls and risks.	
COMMUNITY PLAN REFERENCE	Goal 1: Our People	
REFERENCE	Goal 2: Our Location	
	Goal 3: Our Diverse Economy	
	Goal 4: Our Climate, Natural Resources, Arts, Culture and Heritage	

REPORT RECOMMENDATION

(a) That Audit Committee Report No. AR18/4747 titled 'Control Track Implementation Update 2' as presented to the Audit Committee on 14 February 2018 be noted.

Moved: Seconded:



Background

Please refer to Audit Committee Report – Control Track Implementation Updated presented at the December 2017 Audit Committee Meeting.

Discussion

Implementation and customisation of the Control Track program is continuing to progress.

The following table provides an update of the progress of planned implementation activities to date:

Table 1: Control Track Implementation Time Line

Activity	Person Delivering	Status		
Telephone Conference with Control Track	Adrian Hollins -	Completed 6/11/2017		
·	Control Track			
Onsite training from Control Track	Adrian Hollins -	Completed 10/11/2017		
	Control Track			
Prepare matrix of controls assigning	Kahli Rolton/Lisa	Completed 4/12/2017		
assessors and reviewers (mandatory)	Hinton			
Assign control guidance to all controls to	Kahli Rolton/Lisa	In progress as at		
assist assessors	Hinton	6/2/2018		
Allocate assessment and review dates for	Kahli Rolton/Lisa	Completed 8/1/2018		
Controls	Hinton	mandatory controls only		
Input Council's current Risk Register to Risk	Michael McCarthy	In progress as at		
Manager		6/2/2018		
Project group meeting with key stakeholders	Kahli Rolton/	Completed 9/1/2018		
to review proposed set up, establish a	Jeroen			
framework, training and communication roll	Zwijnenburg/			
out.	Michael McCarthy			
Input details to Control Track program per	Kahli Rolton/Lisa	Completed 8/1/2018		
matrix, dates, guidance etc. prepared above	Hinton			
Training for relevant staff members	Kahli Rolton	Completed 25/1/2018		
Report to Audit Committee following	Kahli Rolton	In progress. First report		
completion of initial assessments		anticipated April 2018		
		meeting		
Post Implementation Review	Kahli Rolton	Not Started		
Continuous Improvement and Monitoring	Kahli Rolton	Ongoing		

Training has now been rolled out to staff who will be involved in making self-assessments. Control Track uses a two person assessment model where one person, generally at the 'coalface' completes an assessment of the control. That assessment is then automatically escalated to a predetermined independent reviewer who is either:

- The Assessor's Line Manager
- Independent to the processing function
- Management, or
- In a senior position.

The South Australian Local Government Association Better Practice Model for Internal Financial Controls contains mandatory and additional controls. To begin, only the 209 mandatory controls have been assigned to relevant staff for assessment and review. Once staff are familiar with using Control Track, consideration will be given to introducing additional controls that apply to Council.



Conclusion

All training and introduction for staff has now been completed. Internal Control assessments and reviews have commenced in early February and are due for completion in early March 2018 and thus not available at the time of preparing this report to Audit Committee. It is anticipated that a report on internal controls assessed will be presented at the April 2018 Audit Committee Meeting.

A demonstration of Control Track to the Audit Committee members is planned for the 14 February 2018 Audit Committee.

Attachments

Attachment 1 (AR17/48838): Control Track Implementation Update

Kahli ROLTON

MANAGEMENT ACCOUNTANT

Pamela LEE

GENERAL MANAGER COUNCIL BUSINESS SERVICES

6 February 2018 KR



5.3. LGAWCS and WHS/IM One System Model Framework – Report No. AR18/2353

COMMITTEE	Audit Committee		
MEETING DATE:	14 February 2018		
REPORT NO.	AR18/2353		
RM8 REFERENCE	AF11/863		
AUTHOR	Pamela Lee		
SUMMARY	To provide an update on the Local Government Association Workers Compensation Scheme, Work Health and Safety One System Model Framework and implementation of Skytrust.		
COMMUNITY PLAN REFERENCE	Goal 1: Our People		
	Goal 3: Our Diverse Economy		

REPORT RECOMMENDATION

(a) That Audit Committee Report No. AR18/2353 titled 'LGAWCS and WHS/IM One System Model Framework' as presented to the Audit Committee on 14 February 2018 be noted.

Moved: Seconded:



Background

The Local Government Association Workers Compensation Scheme (LGAWCS) was one of the first self-insurers to be assessed against the revised (stricter) interpretations of the Performance Standards for Self-Insurers (PSSI) from mid-2008. As with many self-insurers that followed, what had previously been highly regarded systems and processes, were assessed by WorkCover evaluators in the last half of 2008, as having serious non-conformances against the legislative requirements.

After lengthy and robust discussions with WorkCover, the LGAWCS determined that it and LG could not support 68 separate WHS systems to the legislative level required.

The LGAWCS was established and provides member councils with a fully integrated claims, return to work and work health safety service. All South Australian Councils are members of LGAWCS.

The One System Model Work, Health and Safety / Incident Management (WHS/IM) System Framework (the Framework) was developed by the LGAWCS. The Framework was significantly enriched as a result of the contributions by Council staff during consultation with the sector. In June 2009, the LGAWCS Board approved the Framework and determined that there be:

"the clear expectation that all Scheme Members will meet or exceed the core components and core subject areas of the Scheme Model WHS/IM system framework, as developed over time. And, The Scheme is to develop an audit process to reinforce by suitable incentives/penalties Member compliance with the Scheme's Model OHSW/IM system framework."

The LGAWCS and the Framework ensures that the LGAWCS effectively manages the sector to the Work Health Safety and Return to Work Acts, whilst maintaining efficient and effective cost controls for the South Australian local government sector. In 2017, the LGAWCS was awarded the maximum score by Return to Work SA when audited against the Self Insurer Performance Standards.

Currently, the LGAWCS provides the following key services:

- Proactive Claims Management
- Preparation and Interpretation of Industry Statistics
- In-House Return to Work Services
- Innovative Return to Work Solutions
- Legislative Advice Training
- Hazard Identification Service
- On-site Visits
- Professional advice on topical WHS and Return to Work issues
- Planning in WHS and Return to Work.

Discussion

The LGAWCS self-insurer license and exemption from the common (non local government) framework is dependent upon the Framework being in place for the sector. The Framework includes:

- Eight (8) over-arching cornerstone principles (sector wide)
- Fifty (50) supporting council WHS/IM specific procedures
- WHS Risk Management Plan 2017-2019
- WHS/IM Action Plan.



All councils have adopted LGAWCS compulsory WHS/IM and Inclement Weather (Sun Protection) procedures. The remaining procedures are customised to individual council requirements.

The City of Mount Gambier's (WHS) Risk Management Plan aligns effective risk management practices in the areas of WHS and IM across the organisation within the common sector wide Framework. The plan provides direction for Council to effectively manage WHS/IM risk with the direct benefit of reducing injuries, insurance and associated claims costs, meeting legislative requirements and effectively managing the resources of Council.

As a member council, the City of Mount Gambier uses the performance standards for self-insurers (and in particular the LGAWCS One System planning and development procedures) as a guide to identify, plan and drive continuous improvement. The LGAWCS undertakes regular reviews and bi annual audits of each council to ensure compliance and to maintain the self-insurer license. Taking this information into consideration, Council's WHS Risk Management Plan 2017/2019 covers the following priority areas:

- System planning and programming
- Document management
- Hazard management (incorporating plant, hazardous chemicals, workplace inspections)
- Training systems
- Contractor management
- Emergency management
- Implementation of Skytrust.

Council's Management Executive Team (MET) (comprising the Chief Executive Officer and four General Managers) are committed to ensuring a collaborative and robust management and oversight approach to WHS Risk Management in line with legislation, LGAWCS license, policy and Return to Work SA's performance standards for self-insurers, to provide all employees with safe and healthy systems of work.

Each of the priority areas have been assigned to a member of MET, with this comes responsibility for leading, oversight and championing implementation of the priority actions. This approach is designed to ensure the priority areas have executive leadership, commitment and support. Monthly updates on progress against the priority areas is undertaken.

The City of Mount Gambier is committed to an incident reporting and investigation process that identifies appropriate corrective and preventative actions that are implemented and reviewed for effectiveness.

A sector wide cloud based software system 'Skytrust' has been funded by the LGAWCS and is being implemented by councils to collate, manage and report on WHS/IM across the sector. The City of Mount Gambier has implemented Skytrust. Currently Skytrust is updated by the Human Resource Officers. Next steps include: training staff who will use the system; customise reports where needed; and make the system available to staff at various Council sites.

Conclusion

The LGAWCS WHS/IM One System Framework ensures that the LGAWCS effectively manages the sector to the Work Health Safety and Return to Work Acts, whilst maintaining efficient and effective cost controls for the South Australian local government sector. The Framework is a robust, effective and efficient approach for individual councils to manage WHS/IM risk, manage and drive continuous improvement in WHS/IM and to benefit from a sector-wide approach.



Council's WHS Risk Management Plan 2017-2019 is overseen by the Management Executive Team and supported by the Human Resource Officers and WHS Committee.

The Skytrust software system was implemented in late 2017 and is being used to collate, analysis, manage and report on WHS/IM.

Joyle .

Pamela LEE
GENERAL MANAGER COUNCIL BUSINESS SERVICES

8 February 2018 PL



5.4. Audit Committee Annual Work Program Update – Report No. AR18/2352

COMMITTEE	Audit Committee		
MEETING DATE:	14 February 2018		
REPORT NO.	AR18/2352		
RM8 REFERENCE	AF11/863		
AUTHOR	Pamela Lee		
SUMMARY	To provide an update on the Audit Committee Annual Work Program as at February 2018.		
COMMUNITY PLAN REFERENCE	Goal 1: Our People		
REFERENCE	Goal 2: Our Location		
	Goal 3: Our Diverse Economy		
	Goal 4: Our Climate, Natural Resources, Arts, Culture and Heritage		

REPORT RECOMMENDATION

(a) That Audit Committee Report No. AR18/49264 titled 'Audit Committee Annual Work Program Update' as presented to the Audit Committee on 14 February 2018 be noted.

Moved:	Seconded:
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Background

Section 126 of the Local Government Act 1999 covers the requirements of a council's audit committee including the

- (4) The functions of an audit committee as following:
 - (a) reviewing annual financial statements to ensure that they present fairly the state of affairs of the council; and
 - (ab) proposing, and providing information relevant to, a review of the council's strategic management plans or annual business plan; and
 - (ac) proposing, and reviewing, the exercise of powers under section 130A; and
 - (b) liaising with the council's auditor; and
 - (c) reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the council on a regular basis.

The Local Government (Financial Management) Regulations 2011 Part 5 Audit Committees provides direction regarding membership of a council's audit committee.

An Annual Work Program provides a programmed approach for an audit committee to consider and review the wide ranging council controls, functions, plans, policies, reports and referred to in an audit committee's terms of reference. It is sound business practice to review the Annual Work Program at least annually to ensure currency and relevance of the program.

The Audit Committee's Work Program 2018 is in place to guide the Committee's attention.

Discussion

A revised Audit Committee Annual Work Program and meeting schedule for 2018 was reviewed by the Audit Committee at their meeting on 15 December 2017 and adopted by Council at its meeting on 22 January 2018.

The Audit Committee's Annual Work Program for 2018 is attached as Attachment 1 to this report.

Items scheduled in the Annual Work Program for the February meeting and there status are:

Cross ref. to Audit Cmtt Terms of Reference	Description	Status
7.1.4	IAMP incl. Asset Review	Under review in preparation for annual update and
7.1.4	LTFP	the 2018/2019 Annual Business Plan and Budget. Refer Audit Committee Report AR18/5008 titled Long Term Financial Plan 2018/2019 to 2027/2028 Progress Update.
7.2.1	Internal Controls	Refer separate report AR18/4747 titled Control Track Implementation Update 2



Council's interim audit by Galpins, led by Audit Partner Tim Mulhausler, is scheduled for 18 to 20 April 2018. Please refer to Attachment 2, Interim Audit Requirements for the areas of focus. Council's Audit Partner will provide a report and update to the Audit Committee following completion of the interim audit. Based on the 2017 interim audit report, the 2018 interim audit report is likely to be available in late May 2018.

Conclusion

The status of items scheduled for review by the Audit Committee in accordance with the Annual Work Program are provided and recommended to the Committee for consideration.

The dates and areas of focus for the interim audit are provided for the Audit Committee's information.

Attachments

Attachment 1 (AR17/49685) Audit Committee – Annual Work Program

Attachment 2 (AR18/4506) Interim Audit Requirements 2017/2018

Kahli ROLTON

MANAGEMENT ACCOUNTANT

Jeroen ZWIJNENBURG

MANAGER, FINANCE AND CUSTOMER SERVICE

Pamela LEE

GENERAL MANAGER COUNCIL BUSINESS SERVICES

1 February 2018

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5.5. Long Term Financial Plan 2018/2019 to 2027/20278 Progress Update – Report No. AR18/5008

COMMITTEE	Audit Committee		
MEETING DATE:	14 February 2018		
REPORT NO.	AR18/5008		
RM8 REFERENCE	AF18/5		
AUTHOR	Kahli Rolton		
SUMMARY	The purpose of this report is to provide an update on the progress of the Long Term Financial Plan (LTFP) for the period 2018/2019 to 2027/2028.		
COMMUNITY PLAN REFERENCE	Goal 3: Our Diverse Economy		

REPORT RECOMMENDATION

(a) That Audit Committee Report No. AR18/5008 titled 'Long Term Financial Plan 2018/2019 to 2027/2028 Progress Update' as presented to the Audit Committee on 14 February 2018 be noted.

Moved: Seconded:



Background

In accordance with the Local Government Act 1999, Chapter 8, Part 1, Section 122, Council must develop and adopt a Long Term Financial Plan (LTFP) for a period of at least 10 years within two years following each general election of Council.

A copy of Council's current LTFP is available at Attachment 1 of this report.

Every year, Council refines its LTFP to reflect:

- The most recent audited financial statements
- The most recent Infrastructure and Asset Management Plan including forward works programs
- The most recent quarterly budget revision adopted by Council
- Any changes in assumptions (internal and external influences)
- Any new initiatives and strategies of Council.

The Annual Business Plan and Budget for 2018/2019 should be a reflection of year one of the LTFP.

Discussion

A workshop was held with Elected Members on Tuesday 6 February 2018 to discuss refinements and assumptions to the LTFP, Integrated Planning and Budget Framework, Timetable and the considerations for the 2018/2019 Annual Business Plan and Budget.

The following assumptions were presented to Elected Members at the workshop for modelling in the LTFP:

Table1: LTFP Assumptions

Assumption	Current	Period
Variables		
CPI	2.0%	10 years
Salary & Wages	2.0%	10 years
GDP	1.9%	10 years
Local Government CPI	2.1%	10 years
Application		
Rate increase (current LTFP)	4.5%	10 years
Energy – electricity, gas, fuel	5.0%	10 years
All services provided in 2017/2018 continue	10 years	
No new borrowings	10 years	
Staging of Youth, Culture and Heritage Strategies	10 years	

Further to this, the following Councillor resolutions and non-discretionary items require modelling in the LTFP:

Table 2: Councillor Resolutions and Non-discretionary expenditure

Operating Items	2018/ 2019 \$'000	2019/ 2020 \$'000	2020/ 2021 \$'000	In 2018/ 2019 Draft Budget
Airport Contribution (1)	0.0	250.0	250.0	Yes
Tennis Assoc. (1)	200.0	200.0	-	Yes
Innovation Hub	100.0	-	-	Yes



Reuse Market	178.0	Ong	oing	Yes
Non-Discretionary Items				
Election Expenses	110.0	-	-	Yes
PDI Act		Unknown		No
Total	588.0	500.0	250.0	

Note: (1) Subject to successful grant funding.

Completion of the LTFP and 2018/2019 Annual Business Plan and Budget is in line with Council's Integrated Planning and Budget Framework (refer Attachment 2). A second Elected Member workshop will be scheduled for Monday 19 March 2018 to further discuss the LTFP and 2018/2019 Annual Business Plan and Budget and consider refinements.

Conclusion

Council is progressing with the preparation of the LTFP and 2018/2019 Annual Business Plan and Budget, having held one Elected Member Workshop with a second planned. It is anticipated that the draft LTFP will be available for Audit Committee Members at the April 2018 meeting.

Attachments

Attachment 1 (AR17/2810): City of Mount Gambier Long Term Financial Plan 2017/2018 to

2026/2027 February 2017

Attachment 2 (AR18/5007): Integrated Planning and Budgeting Framework – we are here

Kahli ROLTON

MANAGEMENT ACCOUNTANT

Pamela LEE

GENERAL MANAGER COUNCIL BUSINESS SERVICES

8 February 2018 KR



6. MOTION(S)

6.1. With Notice

Nil Submitted

6.2. Without Notice

Meeting closed at pm

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REPORT ATTACHMENTS





COUNCIL RESOLUTION – 16TH JANUARY, 2018

13.8 Control Track Implementation Update – Report No. AR17/48838

(a) That Audit Committee Report No. AR17/48838 titled 'Control Track Implementation Update' as presented to the Audit Committee on 15 December 2017 be noted.

Moved: Cr Lynagh Seconded: Cr Mezinec Carried



REPORT TITLE

Control Track Implementation Update

COMMITTEE	Audit Committee	
MEETING DATE:	15 December 2017	
REPORT NO.	AR17/48838	
RM8 REFERENCE	AF17/261	
AUTHOR	Kahli Rolton	
SUMMARY	To provide an update on the Implementation of Control Track, an automated software product that will assist with the review, assessment and reporting of internal financial controls and risks.	
COMMUNITY PLAN REFERENCE	Goal 1: Our People	
	Goal 2: Our Location	
	Goal 3: Our Diverse Economy	
	Goal 4: Our Climate, Natural Resources, Arts, Culture and Heritage	

REPORT RECOMMENDATION

(a) That Audit Committee Report No. AR17/048838 titled 'Control Track Implementation Update' as presented to the Audit Committee on 15 December 2017 be noted.



Background

Section 125 of the Local Government Act 1999 states that Council must ensure appropriate policies, practices and procedures of internal control are implemented.

Council has recently purchased an automated web-based software program, Control Track, which uses self-assessment principles for completing risk and control assessments. Prior to this, all internal financial control assessments were completed by the Management Accountant and held in a manual spreadsheet.

Initial training was held on 9 and 10 November 2017 for senior staff who will be responsible for completing self-assessments or reviews.

Discussion

To obtain the project outcomes as detailed at Attachment 1 of this report and ensure Council receives value for money, implementation and customisation of the Control Track program is continuing to progress.

The following table provides the proposed activities to ensure successful implementation:

Table 1: Control Track Implementation Time Line

Activity	Person Delivering	Status
Telephone Conference with Control Track	Adrian Hollins –	Completed 6/11/2017
	Control Track	
Onsite training from Control Track	Adrian Hollins –	Completed 10/11/2017
	Control Track	
Prepare matrix of controls assigning assessors	Kahli Rolton/Lisa	Completed 4/12/2017
and reviewers (mandatory)	Hinton	
Assign control guidance to all controls to assist	Kahli Rolton/Lisa	In progress as at
assessors	Hinton	5/12/2017
Allocate assessment and review dates for	Kahli Rolton/Lisa	Not Started
Controls	Hinton	
Input Council's current Risk Register to Risk	Michael McCarthy	Not Started
Manager		
Project group meeting with key stakeholders to	Kahli Rolton/ Jeroen	Not Started
review proposed set up, establish a framework,	Zwijnenburg/ Michael	To be held 9/1/2018
training and communication roll out.	McCarthy	
Input details to Control Track program per	Kahli Rolton/Lisa	Not Started
matrix, dates, guidance etc. prepared above	Hinton	
Training for relevant staff members	Kahli Rolton	Not Started
Report to Audit Committee following	Kahli Rolton	Not Started
completion of initial assessments		
Post Implementation Review	Kahli Rolton	Not Started
Continuous Improvement and Monitoring	Kahli Rolton	Ongoing



Conclusion

The customisation and implementation of Control Track is progressing to schedule and further updates will be provided to the Audit Committee following the key stakeholders meeting to be held in January 2018.

Attachments

Attachment 1 (AR17/43762): PPS - 2017-017 Project Plan Summary - Control Track

Kahli ROLTON

MANAGEMENT ACCOUNTANT

Pamela LEE

GENERAL MANAGER COUNCIL BUSINESS SERVICES

4 December 2017 KR





Audit Committee

Meeting Schedule		Cross Reference to Terms of Reference
Early		
February	January to March - financial year Quarter 3	
	Annual Work Program revision / compilation	7.5.5, 9.5
	IAMP including Asset Reviews/Revaluation Strategy	7.1.4
	LTFP	7.1.4
	Internal Controls	7.2.1
Mid – late		
April	April to June - financial year Quarter 4	
	Interim External Audit - progress and interim results discussion with auditor	7.5 and all sub levels
	Crisis Management Arrangement including Business Continuity, Disaster Recovery	7.2.1
	Internal Controls	7.2.1
	Annual Business Plan and Budget	
Week 4		
September	July to September - financial year Quarter 1	
	Review of original budget to financial statements	7.1.3
	Annual Report	7.1.1, 7.2.2
	Statutory External Audit	7.5 and all sub levels
	AFS including authorisation by Presiding Member	7.1 and all sub levels
	Internal Controls	7.2.1
Week 4		
November	October to December - financial year Quarter 2	
	Internal Controls	7.2.1
	Budget Review Quarter 1	7.1.3
	Review of Terms of Reference	9.5
	Audit Committee Self-Assessment	9.5

Reference: AF17/ 49685 Last update: 15/12/2017



Annual Work Program

14	City of
	Mount Gambier

	Policy Reviews	
	- Budget Framework Policy B300	7.1.2.1
	- Fraud and Corruption Prevention Policy	7.2, 7.3
	- Treasury Management Policy T150	7.1.2.1
	- Whistleblowing Protection Policy W150	7.3
		7.5.3 and all sub levels
	Review external auditors performance and overall effectiveness	7.5.6
At the request	of the Audit Committee presentations will be provided	

Reference: AF17/ 49685 Last update: 15/12/2017

CITY OF MOUNT GAMBIER

2017/18 Interim Audit Requirements

Version 1

18/04/2018

Local Expertise: Real Access





INDEX

Description	Page Number
Background	3
1. Fixed Assets	4
2. Rates / Rate Rebates	5
3. Payroll	6
4. Procurement & Purchasing / Contracting	8
5. Accounts Receivable	9
6. Accounts Payables	10
7. General Ledger	11
8. Banking	12
9. Other Documents	13
10. System Reports	14

BACKGROUND

In order to facilitate the efficient conduct of the interim audit we are providing in this document descriptions of the discussions we will be conducting and the documents that should be made available for our use at the time of the audit.

During our interim audit we perform procedures to gain an understanding of the internal controls in place relevant to the financial statements and perform test of design and effectiveness for these controls. Based on the results of the control testing, we then assess the audit risks to define the extent and nature of our substantive procedures (eg. Inspection of documents, recalculation, reconciliation, etc) for our final visit.

Based on the material amounts presented in the financial statements, the key audit risks identified by the audit and the characteristics of the council, we will be focusing on the following business cycles:

- Fixed Assets
- Rates / Rates rebates
- Payroll
- Procurement & Purchasing / Contracting
- Accounts Receivable
- Accounts Payable
- General Ledger
- Banking

It is important to ensure that staff members responsible for the business cycles mentioned above are available during our interim audit visit.

Summaries of the main topics to be discussed together with a list of documents that should be made available to the audit are divided by business cycles.

1. FIXED ASSETS

Internal Controls for discussion	Relevant information/documents (if applicable)
Regular physical verification of fixed assets reconciled to the asset register	 Stocktake reports Revaluation reports containing physical verification of assets Condition assessment reports
Acquisitions and disposals of assets	 Fixed assets policies Delegation of authority Example of acquisitions and disposals forms
Only authorised officers have access to on-going maintenance of assets	 Report of IT access rights to the FAR Fixed assets policies
Definition of a threshold for recognition of fixed assets	Accounting policy with threshold for recognitionFixed assets policies
Reconciliation of fixed assets to the general ledger	 Example of most recent reconciliations performed Evidence of reconciliations approved by performer and reviewer Asset registers
Regular review of valuation of fixed assets including methodology and useful lives.	 Revaluation schedule for all major classes of assets. Revaluation reports from external valuers Internal revaluation reports
Regular review of depreciation rates and methodology.	Sign off of review of depreciation rates and methodology
Asset Management Plan	Asset Management Plan timetable containing due datesAsset Management Plans (formal documents)
Annual review of appropriateness of categories of assets and impairment of assets	 Evidence of review of categories of assets and impairment (e.g. signed forms, details of responsibilities)

2. RATES / RATE REBATES

Internal Controls for discussion	Relevant information/documents (if applicable)
Review of calculation methodology within the rate application system. Selection of a sample of rates payer for recalculation	 Evidence of recalculation of rates for a sample of rates payers Evidence of review of calculation methodology
Rates modelling preparation and approval Review of exempt properties	 Rates modelling spreadsheet Evidence of rates modelling approval VG reports used to prepare the rates modelling Reconciliation rates modelling vs rates raised in the system Exempt properties listing reviewed by management
Approval of rate rebates	 Example of approval for discretionary rebate by Council Evidence of review of mandatory rebates Example of confirmation letter sent to rate payers to confirm whether rebate is still applicable
Regular independent review of the rates aged receivables reports	 Rates Aged Trial Balance signed by preparer and reviewer
Review and approval of changes to the property master file	 Audit trail of changes to the property master file reviewed by management Example of approved source documents used to initiate / authorise changes to the property master file
Access to the property master file is restricted to appropriately designed person	 Report of IT access rights to the property master file
Authorised officers verify all pensioner concession entitlement information provided annually by government departments	 Evidence that files from DCSI and SA water are reconciled to the rebates recorded in the system
Other documents necessary to enable audit to select a sample of rate payers to recalculate rates.	 Rates book in Excel format or any other electronic list of all rates notices issued Council minutes approving rates and copy of gazette notice

3. PAYROLL

Internal Controls for discussion	Relevant information/documents (if applicable)
Payments for overtime hours worked are authorised by management	Examples of approval of overtime hours
The transfer of the bank file should be restricted to authorised officers who are not involved in the preparation of the payrun	 List of users authorised to transfer the bank file Evidence of review of the bank file by independent officer Details contained in the payroll report reconciled to the online EFT banking payment report
Generation of exception reports detailing all payroll changes that are regularly reviewed by management	 Variance reports comparing actual pay with last pay and other payroll reports reviewed by management Evidence of spot checks of employee pays Evidence of spot checks of salary sacrifice deductions
Employee records	 Example of employment details form Example of employment contract Example of approval for deductions
Officers responsible for originating payroll disbursements are precluded from authorising transfer of same.	 List of officers responsible for processing pay runs List of officers who can authorise payroll payments
Terminating employees in the system	 Processes for ensuring that terminated employees are made inactive in payroll reports upon termination Formal regular review of a list of terminated employees
Reconciliation of total payment summaries to the general ledger	 Formal reconciliation between payment summary and other payroll reports to the general ledger (if prepared before EOY)
Approval of timesheets and leave forms	 Example of forms used to approve timesheets and leave forms
Changes to payroll master files	 Examples of approved forms to change payroll master files Audit trail of changes in payroll master files

PAYROLL (Cont.)

Internal Controls for discussion	Relevant information/documents (if applicable)
Reconciliation of payroll suspense accounts	 Evidence of reconciliation performed approved by management
Access to the payroll deduction listing	 List of users authorised to access payroll deduction listing Evidence of regular review of payroll deductions
Approval of salary sacrifice transactions	 Evidence of salary sacrifice transactions approved by management
Process for calculating termination payment	 Example of a termination payment processed, copy of calculations and approvals obtained
Other document necessary to enable the auditors to select a sample of employees to sight timesheets and recalculate payroll payments	 Electronic list of all weekly or fortnightly payment for each employee of the Council for the entire financial year EBs and awards in place Employment contracts Copies of timesheets and leave forms Payslips

4. PROCUREMENT & PURCHASING / CONTRACTING

Internal Controls for discussion	Relevant information/documents (if applicable)
Contract and procurement processes	Contract and procurement policies and procedures
Approval of purchase orders	Example of purchase orders approvedSummary of requirements for issuing a purchase order
Selection panel	 Details of requirements for selection panels (e.g. when required, terms of reference, declarations required) Examples of documentation completed by selection panels
Contract register	 Contract register approved by management
Approval of payment to suppliers	 Evidence of review of milestones met / receipt of goods before the payment Evidence that purchase orders and invoice date are compared
Delegations of authority	 Delegations to approve purchase orders and contracts approved by Council
Other documents necessary to enable audit to select a sample of payments to sight purchase orders, contracts, receipt of goods and payment approval	 List of all payments performed by the Council for the financial year

5. ACCOUNTS RECEIVABLE

Internal Controls for discussion	Relevant information/documents (if applicable)
Reconciliation process	 Latest debtor reconciliations performed to the general ledger
Debt collection procedures	Debt collection policies and procedures
Credit notes	 Process for issuing and approving credit notes Evidence of approval of credit notes
Debtors ageing profile	 Review of aged debtors trial balance and investigations of outstanding items.
Changes to debtors master files	 List of users who can perform changes of debtors master file Example of document used to initiate / authorise a change to the debtors master file Evidence of review of an audit trail of debtors master file

6. ACCOUNTS PAYABLE

Internal Controls for discussion	Relevant information/documents (if applicable)
Statement received from suppliers	 Evidence of suppliers statements reconciled to the creditors ledger
Authorisation of invoices	 Financial authorisations/delegations listing Example of approval of an invoice for payment Supporting documents attached to the invoice for approval
Approval of payments (cheque and EFT)	 Financial authorisations/delegations listing Segregation of duties arrangement (e.g. are payments endorsed by authorised officers separate to the orderer?)
Access to supplier master file	 List of users authorised to change supplier master file Audit trail of changes to supplier master file approved by management Example of document used to initiate / authorise a change to the creditor master file
Segregation of duties (Accounts payable and procurement)	 Segregation of duties arrangement (e.g. are the persons who procure goods or issue purchase order independent from the accounts payable function) List of users authorised to issue purchase orders and process payments
Purchase orders	 Requirements for the use of purchase orders
Aged accounts payable reports	 Aged creditors trial balance reviewed and reconciled to the general ledger

7. GENERAL LEDGER

Internal Controls for discussion	Relevant information/documents (if applicable)
General ledger access	 List of user authorised to process manual journal entries
Access to the GL maintenance	 List of users authorised to make changes in the general ledger structure (e.g. add / delete accounts)
Manual journal entries	 Example of a manual journal entry form approved by management List of officers who authorise manual journal entries Manual journal entry register containing all the journals performed during the financial year
Off-site back up, program and documentation	Policies and procedures for back ups
Formal disaster plan	Formal disaster recovery plan
Other documents to enable audit to test general ledger controls	 General ledger policies and procedures

8. BANKING

Internal Controls for discussion	Relevant information/documents (if applicable)
Access to EFT banking system	 List of user authorised to access EFT banking system
	 List of bank account signatories
Bank reconciliation process	 Bank reconciliations approved by management
	 Discussion of procedures performed for daily reconciliations of
	financial transactions (e.g. deposits, cheques, payment, and
	receipts)
	 Supporting documents attached to the reconciliation
Bank and investment accounts transfers.	 Process for approval of account transfers
	 Example of approval of account transfers
	 Procedures in place for opening and closing bank accounts
Banking cash collected	 Procedures in place to ensure all money collected is banked
	(e.g. deposit slips / reports, reconciliations, cash counts,
	physical security)

9. OTHER DOCUMENTS

Other information / documents that should be made available to the auditors are (preferably in electronic format):

- All Council minutes from the commencement of the financial year (including confidential minutes)
- Council finance and audit committee minutes (including confidential minutes)
- Delegation of authority documents
- Budget and budget review documentation
- Risk management documents (e.g. policy, risk registers)
- Long Term Financial Plan
- Business Plans
- Code of conduct and ethics policies
- Current Organisational Chart with names and positions
- Internal Audit plans
- Internal Audit reports
- Control Self-Assessment (CSA) reports

10. SYSTEM REPORTS

Depending on the council's system of choice, the following information / documents should be made available to the auditors (preferably in electronic format):

Trial Balance (preferably at financial statement level) as at 31/12/17 and 31/12/16

Payments and procurement testing:

Synergy Creditors Ledger by Supplier
 Authority Warrant Listing by Supplier
 LGS Creditor Invoice Audit Listing

Payroll testing:

Synergy Salaries and Wages Suspense Accounts

Authority Pay History Detail by Pay Period

LGS Pay Short Listing

Rates testing:

- Rates Book or Rates Modelling
- Gazette Detailing Rates and Levis Charges



Long Term Financial Plan 2017/2018 to 2026/2027 February 2017

TABLE OF CONTENTS

1.	LON	IG TERM FINANCIAL PLAN FRAMEWORK	3
	1.1	Introduction3	
	1.2	Strategic Planning Framework	
		1.2.1 The City Development Framework Project	
		1.2.2 The Community Plan4	
		1.2.3 Our Vision	
	1.3	Long Term Financial Plan Review, Input & Analysis5	
		1.3.1 Key Assumptions5	
	1.4	Financial Sustainability6	
		1.4.1 Forecast Key Financial Indicators8	
		1.4.2 Long Term Financial Plan Projections9	
	1.5	Long Term Financial Plan Risks	
2.	FUN	DING THE LONG TERM FINANCIAL PLAN1	1
	2.1	General Rates11	
	2.2	Rate Comparisons11	
	2.3	Borrowing Strategies11	
	2.4	Forecast Borrowings12	
3.	FOR	ECAST FINANCIAL STATEMENTS1	3
	3.1	Forecast Statement of Comprehensive Income14	
	3.2	Forecast Statement of Financial Position15	
	3.3	Forecast Statement of Cash Flows16	
	3.4	Forecast Statement of Changes in Equity17	
4.	GLO	SSARY 1	8

1. LONG TERM FINANCIAL PLAN FRAMEWORK

1.1 Introduction

The Local Government Act requires Council to develop and adopt Strategic Management Plans. This includes preparation of a Long Term Financial Plan (LTFP) which expresses in financial terms the activities Council proposes to undertake over the medium to longer term.

The key objective of Council's LTFP is to guide the direction of Council in a financially sustainable manner while still meeting the needs and expectations of our communities and achieving Council's corporate objectives as specified in the Community Plan and related strategies. The LTFP ensures there is understanding of the impact of decisions made today on Council's future sustainability over a period of at least ten (10) years.

Council operates under a continuous improvement philosophy due to the dynamic economic, political and fiscal operational environment. Each year Council reviews and updates its LTFP as part of the strategic planning process and to ensure it reflects and aligns with our changing environment.

To illustrate the expected long term financial performance and whether financial sustainability is being achieved, the LTFP must be presented in a manner consistent with the relevant South Australia Model Financial Statements for each future year covered. This includes estimates of the key financial ratios, operating surplus, net financial liabilities and asset sustainability ratio.

1.2 Strategic Planning Framework

Together the Futures Paper and the Community Plan – The Futures Paper 2016-2020 provide the strategies and actions to guide Council into the future and to serve as a blueprint to build a progressive, knowledge based city that embraces new technologies, culture and sustainable living.

1.2.1 The City Development Framework Project

The City Development Framework Project was fundamental in the development of the Futures Paper. This project commenced to ensure we have a robust and planned approach to meet the current and future challenges facing the City. The project involved the development of overall strategies for development, incorporating economic, social, environment and community opportunities and aspirations.

The Futures Paper looks forward and focuses on two key questions:

- 1. Is what we have done in the past going to sustain our community and economy into the future?
- 2. What do we need to do to change or introduce to ensure that our community and economy are sustainable into the future?

Most importantly the Futures Paper was developed entirely on the aspirations and issues raised and identified from people within the community.

It is important to identify that the development of the Futures Paper is based on sound academic research that has identified four key characteristics of successful cities:

- Home to a highly skilled population;
- Centrally located, at the heart of a rich market and/or well positioned for trade with expanding markets;
- Has a diversified economy with a significant proportion of high order services;
- Boasts a climate and/or natural setting superior to most other cities in the nation.

In using and applying the Futures Paper as a guiding strategy for the long term development of the City, Council will be able to develop policies and allocate resources where the most gain can be achieved.

1.2.2 The Community Plan

The Community Plan represents Council's vision, aspirations and priorities of the community now and into the future. It describes Council's values, how we work together and outlines the strategic initiatives to achieve ongoing sustainability and prosperity. The Community Plan was endorsed by Council at its meeting in May 2016.

The Community Plan together with the Futures Paper are now Council's key strategic documents and are supported by the Long Term Financial Plan, the Asset Management Plan and the Annual Budget. These plans identify the direction, services and facilities that Council wishes to provide for the Community, specifically for the next four years but also for the future.

The Community Plan is a significant departure from the previous Strategic Plan and significant work has commenced to consider how to effectively deliver the outcomes.

1.2.3 Our Vision

"An inclusive city where people lead fulfilling lives"

What makes Mount Gambier the thriving successful place that people are proud to call home is the richness and diversity of:

- Our People;
- Our Location;
- Our Economy; and
- Our Climate, Natural Resources, Art, Culture and Heritage.

It is these elements that will all contribute towards the future growth and development of the City and form the goals of Council's Community Plan.

Council strives to create vibrancy, promote our identity and build a reputation as a place to live, work, visit and invest. To provide a future for our people we need economic growth and employment as well as recreational and educational opportunities.

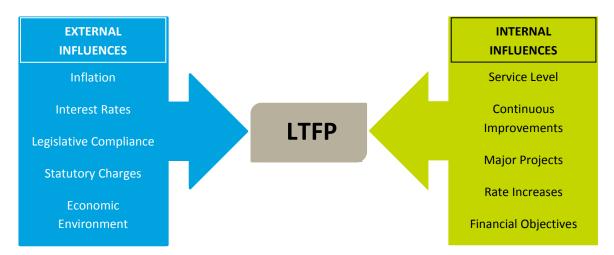
The Vision is supported by the above mentioned 4 goals which identify what is important to the community and how the community would like to see the City develop and grow. Working together both Council and the community can collectively achieve these goals.

1.3 Long Term Financial Plan Review, Input & Analysis

Each annual review process provides an opportunity to introduce new assumptions or enhance the information that Council's LTFP is based upon. The financial reports and information at the center of the current review include:

- 2015/2016 Audited Financial Statements
- 2016/2017 Council Budget
- Infrastructure and Asset Management Plan 2016/2017 to 2026/2027

Further to this, the LTFP incorporates a number of other significant factors arising from the ever changing environment in which Council operates. It should be noted that Council does not have the ability to control all of these factors, namely external influences.



1.3.1 Key Assumptions

Council's financial projections over the long term planning horizon are not meant to be a prediction of financial position or performance but rather an indication of direction and financial capacity. Projections are shaped by a variety of underlying and dynamic assumptions including the continuation of existing services at current service standards and no internal changes to services or investment in new of upgraded assets other than what is already resolved and planned.

Significant issues and assumptions identified in developing projections for 2017/2018 and future years include:

- Freeze on indexation of Federal Government Grants
- Increase in Environment Protection Authority's solid waste levy
- Increasing cost of electricity charges
- Increases in mandatory rate rebates to community housing properties
- Council Organisational Restructure Best People, Best Community
- Rates 4.5% increase (2017/18 2026/27)
- Employee Costs annual increase 2% incorporating indicative EBA increases, Award increments, periodic reclassifications and growth in staffing
- Election expenses four (4) yearly election expenses \$90k

Where possible Council ensures these issues will be offset by aggregate projected operating revenues and proposed variations in the range and level of services provided whilst maintaining overall financial sustainability.

The following capital works projects have not been included as they require further Council consideration, detailed costing and financial analysis or are subject to community consultation:

- Indoor Recreation Centre (noting previous consideration given)
- Contribution to regional Airport (District Council of Grant)
- Railway Station Building
- Skate Park
- Civic Centre Courtyard upgrade
- The Lady Nelson "Discovery Centre" review
- City Economic Blue Print (City Growth)
- Building a Connected Regional City Digital Strategy (capital component only)
- Materials Recovery Centre
- Signage Strategy & Action (capital component only)

Any other capital works projects for the final five years of the term of the Long Term Financial Plan remain unallocated to allow Council to continually review its position in this regard. At any point in time future Councils will have the flexibility to determine allocation of further capital works projects, elect to reduce debt or a combination of both.

1.4 Financial Sustainability

"A Council's long-term financial performance and position is sustainable where planned long-term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services."

Definition endorsed at the National General Assembly of Local Government in Canberra, November 2006.

Why is it important?

The importance of financial sustainability is to ensure that each generation 'pays their way', rather than any generation living off their assets and leaving it to future generations to address the issue of repairing/replacing worn out buildings, infrastructure and equipment.

Council is the custodian of infrastructure and assets with a current written down value in excess of \$230 million. Council has the responsibility to ensure that assets are managed efficiently and effectively and that decisions regarding the acquisition of new assets and the sale and maintenance of existing assets are undertaken in an open and transparent fashion.

Sound asset management is the key to financial sustainability and therefore Council's Infrastructure and Asset Management Plan significantly influences the Long Term Financial Plan.

Council will be exposed to financial risk over the longer term if budget processes have little regard for ongoing costs associated with the maintenance and renewal of their assets beyond the current budget period. It is incumbent on Council to carefully consider information about the stock and service levels of infrastructure and other assets and the contribution that current ratepayers are making to their consumption.

In line with requirements in the Local Government Act, Council must prepare an Infrastructure and Asset Management Plan, covering a period of at least 10 years which addresses these considerations.

How is it measured?

To ensure that each generation 'pays their way', it is crucial that current ratepayers effectively fund the current net cost of services provided and community assets consumed. Without this being achieved future generations are effectively subsidising the current cost of service provision and asset consumption.

The financial sustainability of Council is measured by the operating surplus/(deficit) as disclosed in the Statement of Comprehensive Income. A Council's long-term financial sustainability is dependent upon ensuring that on average, over time its expenses are less than its associated revenues.

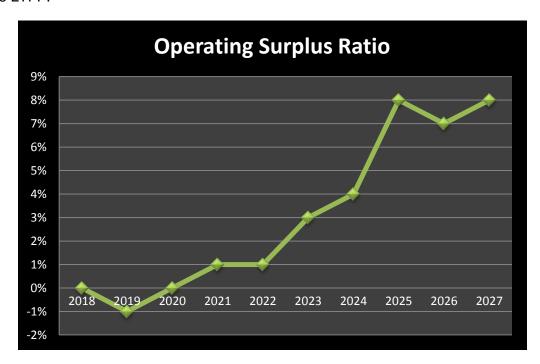
The following local government sector wide indicators have been developed specifically to focus attention on factors identified as key to securing long-term financial security:

Key Financial In	dicator		Minimum Target Range	Maximum Target Range
Operating Surplus Ratio	By what percentage does the operating income vary from operating expenses?	The operating surplus ratio is the operating surplus expressed as a percentage of operating income.	0%	10%
Net Financial Liabilities Ratio	How significant is the net amount owed to others, compared with operating income?	The net financial liabilities ratio is calculated by expressing net financial liabilities at the end of a financial year as a percentage of operating income for the year. If the ratio falls, over time, this indicates that Council's capacity to meet its financial obligations from operating income is strengthening.	0%	100%
Asset Sustainability Ratio	Are Assets being renewed and replaced in an optimal way?	The Asset Sustainability Ratio is calculated by measuring capital expenditure on renewal or replacement of assets for a period, divided by the optimal level of such expenditure proposed in Council's Infrastructure and Asset Management Plan.	90%	110%

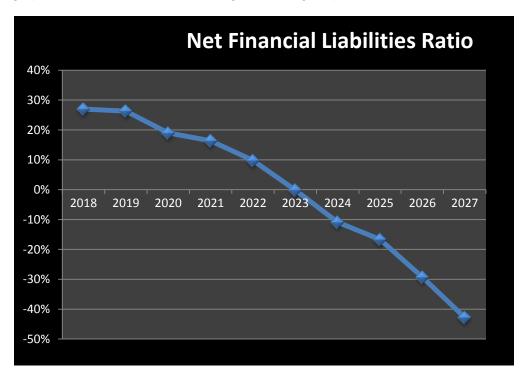
Local Government of South Australia, Financial Sustainability, Information Paper 9, Financial Indicators

1.4.1 Forecast Key Financial Indicators

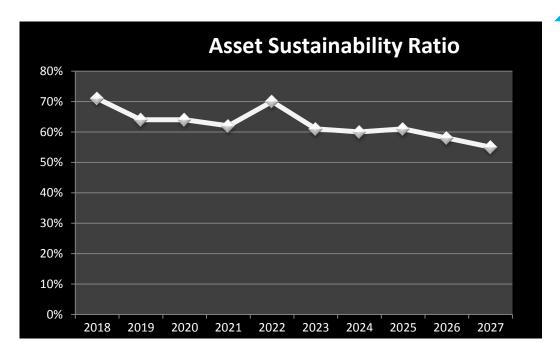
The following graphs illustrate the financial sustainability of the City of Mount over the life of the LTFP.



The City of Mount Gambier is forecast to meet Operating Surplus Ratio standards for the first 7 years of the LTFP. The remaining 3 years exceed the maximum target range, reaching up to 15%. Council is forecasting increasing surpluses over the life of the LTFP.



The City of Mount Gambier is in a very strong financial position. The Net Financial Liabilities Ratio is falling indicating that Council will have capacity to meet its financial obligations from operating revenues over the longer term. This is due to a combination of revenues forecast to increase and liabilities forecast to decrease.



On occasions, Council will accelerate or reduce asset expenditures over time to compensate for prior events and annual budget fluctuations, or invest in assets by spending more now to reduce future maintenance.

The City of Mount Gambier's forecast Asset Sustainability Ratio ranges from 55% to 72% and averages only 63% over the life of the LTFP. Council is currently working on refining the Infrastructure and Asset Management Plan and its key inputs and assumptions. Council aims to achieve at least 80% Asset Sustainability Ratio following this refinement process. Whilst this is 10% below the minimum Local Government Sector Wide Indicator, Council considers this target more reasonable to attain taking into account the current average Asset Sustainability Ratio of 63%.

1.4.2 Long Term Financial Plan Projections

The financial projections contained in this plan are necessarily based on a variety of estimates and assumptions. A modest change in one may have a material effect on the projections. Equally, the level of confidence in projections diminishes with each additional year along the 10 year time horizon. However, they do provide Council and the Community with a reasonable indication of Council's capacity to not only continue delivering existing services and programs, but to improve services to meet the needs of its community.

As already noted, the base case assumes a 'no change' policy (i.e. a continuation of existing services and programs). As Council responds to changing community expectations, it will make decisions to change services and invest in new and improved infrastructure, such as community facilities, that will be funded from the projected strong financial capacity.

Council continues to strive to our Community's service demands, noting these demands are currently concentrated on the areas of health and well-being and economic development whilst also maintaining the flexibility to respond to changing circumstances as well as initiate new and improved services. We endeavor to meet our Community's demands by:

 Continually reviewing and enhancing services that have been identified as important to our Community;

- Investment in renewal and replacement of our assets and infrastructure in the most costeffective manner;
- Taking advantage of opportunities and responding to emerging issues; and
- Growing opening in the latter years of the Plan to use additional borrowings to fund new (or upgrade) facilities and assets.

As with all projections, the view can change as underlying circumstances change. For this reason, Council closely monitors its strategic and financial planning outlook.

The projections indicate that, based on current assumptions, Council is in a sound financial position with a favourable outlook over the term of the Plan, but with very tight operating budgets for the first five (5) years of the plan.

These projections are summarised in the Forecast Financial Statements, see item 3 of this document.

1.5 Long Term Financial Plan Risks

This LTFP has been developed based on the best information and assumptions available at the time. Users of information contained in the 2017/2018 LTFP should be aware that there are inherent risks associated with the outcomes reported, as circumstances (i.e. change in legislative requirements) may bring about changes that could materially affect the outcome and projected results of the LTFP. To ensure that the Plan is timely and relevant to Council's forecasts it will be reviewed and updated on an annual basis.

2. FUNDING THE LONG TERM FINANCIAL PLAN

2.1 General Rates

Council continues to rely heavily on rate revenue to fund its annual activities. General rate revenue contributed to 72.12% of Council's operating revenue for the 2015/2016 financial year.

2.2 Rate Comparisons

Mount Gambier's average residential rates are low in comparison with the State averages for both Metropolitan and Regional Councils. For the 2016/2017 financial year, Mount Gambier is rating at 17.6% lower than the average for all SA Regional Councils.

Average for City of Mount Gambier	\$1,10 1
Average for all SA Regional Councils	\$1,295
Average for all SA Metro Councils	\$1,505

2.3 Borrowing Strategies

Borrowings provide an alternative source of funding to enable Council to achieve its objectives and a means by which cash flows can be averaged out over a longer timeframe. They should always be reviewed in light of the LTFP and the objective of financial sustainability.

Debt can be considered as an appropriate source of funding:

- (a) In the achievement of strategic objectives of Council and within the context of long term financial sustainability.
- (b) In the creation of long term infrastructure and the cost spread over the life of the asset and future users.
- (c) As a means by which to fund major capital expenditure only and not as a funding source for operating/recurrent expenditure commitments.

Council's Treasury Management Policy stipulates borrowing and investment direction. Existing borrowings are a mixture of fixed and variable interest loans designed to manage liquidity and interest rate risk.

Existing borrowings are with the Local Government Finance Authority (LGFA), being the preferred financial institution guaranteed by the SA Government.

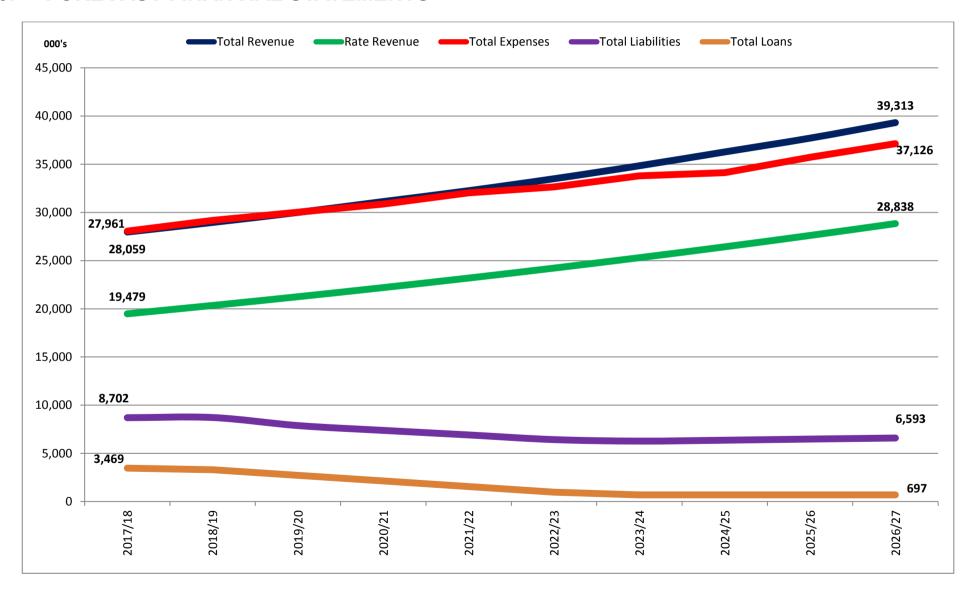
2.4 Forecast Borrowings

Council's variable interest loans operate on 'Treasury Management' principles (guided by Council's Treasury Management Policy) which enables Council to utilise cash resources in a holistic way and to significantly reduce loan interest expenditure.

No additional borrowings are provided for in Council's 2016/2017 Budget, however an amount of \$2.64m allocated from previous Budgets but not spent is carried forward into the 2016/2017 Budget as 'Works in Progress'. This 'Works in Progress' amount comprised of \$2.6m capital funds and \$0.40m operating funds carried forward.

New major capital works projects and associated funding for the final five years of the term of the LTFP remain unallocated to allow Council to continually review its position in this regard. At any point in time future Councils will have the flexibility to determine allocation of further major capital works projects, elect to reduce debt or a combination of both.

3. FORECAST FINANCIAL STATEMENTS



3.1 Forecast Statement of Comprehensive Income

Year Ended 30 June:	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	A ctual	E stim ate	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	\$('000)	\$(000)	\$('000)	\$('000)	\$(000)	\$(000)	\$(000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)
INCOME												
Rates	18,327	18,649	19,479	20,346	21,253	22,200	23,189	24,222	25,302	26,430	27,608	28,838
Statutory Charges	340	402	410	418	426	434	442	451	460	489	478	487
User Charges	3,806	3,508	3,771	3,826	3,882	3,939	3,997	4,056	4,117	4,179	4,242	4,308
Grants, subsidies, contributions	2,250	3,751	3,807	3,864	3,922	3,981	4,041	4,102	4,164	4,226	4,289	4,353
Investment Income	32	11	11	11	11	59	63	129	252	413	521	750
Reimbursements	274	108	110	112	114	116	118	120	122	125	128	131
Other Income	382	365	373	381	389	397	405	413	421	430	439	448
Total Revenues	25,411	26,794	27,961	28,958	29,997	31,126	32,255	33,493	34,838	36,272	37,705	39,313
1												
EXPENSES												
Employee costs	10,066	10,438	11,048	11,270	11,497	11,728	11,964	12,205	12,450	12,700	12,955	13,216
Materials, contracts & other expenses	8,955	9,311	9,820	10,318	10,659	11,104	11,544	12,101	12,480	12,976	13,493	14,030
Depreciation	6,704	6,975	6,616	7,011	7,204	7,438	7,977	7,845	8,445	8,162	9,008	9,648
Finance Costs	238	372	575	565	663	593	551	495	423	291	261	232
Other Expenses	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenses	25,961	27,096	28,059	29,164	30,023	30,863	32,036	32,646	33,798	34,129	35,717	37,126
OPERATING SURPLUS/(DEFICIT) BEFORE CAPITAL AMOUNTS	(550)	(302)	(98)	(206)	(26)	263	219	847	1,040	2,143	1,988	2,187
Net gain/(loss) on disposal or revaluations	(124)	(309)	(400)	(410)	(420)	(431)	(442)	(453)	(464)	(450)	(450)	(450)
Amounts specifically for new assets	585	(000)	569	(11.0)	(123)	(101)	(112)	(100)	(101)	(100)	(100)	(100)
Physical resources free of charge	604	630	50	50	50	50	50	50	50	50	50	50
NET SURPLUS/(DEFICIT)	515	19	121	(566)	(396)	(118)	(173)	444	626	1,743		1,787
NET SORT EDS/(DET ICIT)	313	10	121	(500)	(550)	(110)	(173)	444	020	1,740	1,000	1,707
Other Comprehensive Income												
Changes in revaluation surplus - IPP &E	3,932	0	ol	ol	636	18,488	0	ol	0	505	19,397	0
Impairment (expense) / recoupments offset to a sset revaluation reserve	0	0	0	0	0	0	0	0	0	0	0	0
Total Other Comprehensive Income	3,932	0	0	0	636	18,488	0	0	0	505	19,397	0
TOTAL COMPREHENSIVE INCOME	4,447	19	121	(566)	240	18,370	(173)	444	626	2,248	20,985	1,787

3.2 Forecast Statement of Financial Position

Year Ended 30 June:	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	A ctual	Estimate	Plan Year 1	Plan Year 2	Plan Year 3	Plan Year 4	Plan Year 5	Plan Year 6	Plan Year 7	Plan Year 8	Plan Year 9	Plan Year 10
	\$("000)	\$(000)	S('000)	\$('000)	\$(000)	\$(000)	\$(000)	\$(*000)	\$(*000)	\$(*000)	S('000)	\$('000)
ASSETS	., ,	-, ,	.,	- ' '	., ,							- ' '
Current As sets												
Cash & Equivalent Assets	991	0	0	0	1,070	1,155	2,619	5,357	8,938	11,324	16,423	22,295
Trade & Other Receivables	1,158	1,152	1,152	1,118	1,118	1,118	1,118	1,118	1,118	1,118	1,118	1,118
Investments & Other Financial Assets	0	0	0	0	0	0	0	0	0	0	0	0
Inventories	39 2.188	39 1,191	1,152	0	2,188	2,273	3,737	0 6.475	40.050	12 112	0	23,413
Sub-total Non-current assets held for sale	2,188	1,191	1,152	1,118	2,188	2,2/3	3,/3/	0,4/5	10,056	12,442	17,541	23,413
Total Current Assets	2.188	1.191	1,152	1.118	2.188	2,273	3,737	6.475	10.056	12.442	17.541	23,413
Total Current A SSets	2,100	1,101	1,102	1,110	2,100	2,213	3,131	0,475	10,030	12,442	17,541	23,413
Non-Current Assets												
Recei vables	68	34	0	0	0	0	0	0	0	0	0	0
Other Financial Assets	0	0	0	0	0	0	0	0	0	0	0	0
Equity Accounted In vestments in Council Businesses	0	0	0	0	0	0	0	0	0	0	0	0
Investment Property	0	0	0	0	0	0	0	0	0	0	0	0
Infrastructure, Property, Plant & Equipment	234,422	235,419	235,679	235,165	233,499	251,284	249,176	246,398	243,287	243,243	259,246	255,270
Inventories Other Non-Current Assets	0 0	0	39	39	39	39 0	39	39	39	39	39	39
Other Non-Current Assets Total Non-Current Assets		235.453	235.718	235,204	233.538	251,323	249.215	248.437	243.326	243.282	259.285	255,309
Total A ssets	236,678	236,403	236,870	236,322	235,726	253,596	252,952	252,912	253,382	255,724	276.826	278,722
1010111 2010	200,070	200,044	200,010	200,022	200,120	200,000	202,002	202,012	200,002	200,724	2,0,020	2, 0,, 22
LIABILITIES												
Current Liabilities												
Trade & Other Payables	2,092	2,092	2,133	2,169	2,203	2,221	2,257	2,283	2,322	2,338	2,375	2,402
Borrowings	239	392	3,032	950	582	582	582	272	0	0	0	0
Provisions	2,435	2,435	2,553	2,596	2,635	2,678	2,720	2,763	2,807	2,852	2,898	2,945
Landfill Provision	0	0	0	0	0	0	0	0	0	0	0	0
Sub-total		4,919	7,718	5,715	5,420	5,481	5,559	5,318	5,129	5,190	5,273	5,347
Liabilities Relating to Non-Current Assets held for sale	4.766	0	0	0	0	0	5,559	0	0	0	0	5.347
Total Current Liabilities	4,/66	4,919	7,718	5,715	5,420	5,481	5,559	5,318	5,129	5,190	5,273	5,347
Non-Current Liabilities												I
Trade & Other Payables	0	0	0	0	0	0	ol	0	0	o	0	0
Borrowings	3,675	3,469	697	2,715	2,133	1,551	969	697	697	697	697	697
Provisions	209	209	287	290	331	352	385	414	447	480	514	549
Landfill Provision	0	0	0	0	0	0	0	0	0	0	0	0
Total Non-Current Liabilities	3,884	3,678	984	3,005	2,484	1,903	1,354	1,111	1,144	1,177	1,211	1,246
Total Lia bilitie s	8,650	8,597	8,702	8,720	7,884	7,384	6,913	6,429	6,273	6,367	6,484	6,593
NET A SSETS	228,028	228.047	228,168	227,602	227,842	246,212	246.039	246.483	247,109	249,357	270,342	272,129
NEI NOOLI O	220,020	220,041	220,100	221,002	221,042	240,212	240,000	240,400	241,103	240,001	210,042	21 2,123
EQUITY												-
Accumulated Surplus	54,680	54,699	54,820	54,254	53,858	53,740	53,567	54,011	54,637	56,380	57,968	59,755
Asset Revaluation Reserve	168,966	168,966	168,966	168,966	169,602	188,090	188,090	188,090	188,090	188,595	207,992	207,992
Other Reserves	4,382	4,382	4,382	4,382	4,382	4,382	4,382	4,382	4,382	4,382	4,382	4,382
TOTAL EQUITY	228,028	228,047	228,168	227,602	227,842	246,212	246,039	246,483	247,109	249,357	270,342	272,129

3.3 Forecast Statement of Cash Flows

Baseline 18.6 19.4 19.	Year Ended 30 June:	2016 Actual \$(000)	2017 Estimate \$('000)	2018 Plan Year 1 \$('000)	2019 Plan Year 2 \$(000)	2020 Plan Year 3 \$(*000)	2021 Plan Year 4 \$(000)	2022 Plan Year 5 \$('000)	2023 Plan Year 6 \$(000)	2024 Plan Year 7 \$('000)	2025 Plan Year 8 \$('000)	2026 Plan Year 9 \$('000)	2027 Plan Year 10 \$(*000)
SabtonyCharges	Re ceipts	\$(000)											
Grants subsidies, contributions 3,751 3,807 3,804 3,922 3,801 4,041 4,102 4,104 4,226 4,285 4,335 10 11 11 15 50 63 129 252 143 321 700			402	410	418	426	434	442	451	460	469	478	487
Investment Income 11													
Reinbursements													4,353 750
Spars Common Co			108	110	112								131
Employee costs (10,438) (10,849) (11,222) (11,415) (11,663) (11,887) (12,331) (12,621) (12,873) (13,132) (13,1				378		393		410		426		444	
Malerialis Contracts & Other expenses (9,311) (3,791) (10,292) (10,094) (11,091) (11,518) (12,083) (12,083) (12,995) (23) (201	Spare Income 2		0	0	0	0	0	0	0	0	0	0	0
Finance Costs	Employee costs		(10,438)	(10,849)	(11,222)	(11,415)	(11,663)	(11,887)	(12,131)	(12,371)	(12,621)	(12,873)	(13,132)
Loss - John Ventures													
O			(372)	(575)	(565)	(663)	(593)	(551)	(495)	(423)		(261)	
Ret Cash provided by (or used in) Operating Activities 5,673 6,755 6,887 7,292 7,783 8,397 8,790 3,591 10,399 11,113 11,944			٥	0	0	0	0	0	0	0	-1	0	_
CASHFLOWSFROM INVESTING ACTIVITIES Regists Cash Ca			·	ŭ	ŭ	ĭ	·	·	ŭ	ŭ	ŭ	·	·
Reaction Revertible Rever	Net Cash provided by (or used in) Operating Activities		6,673	6,755	6,887	7,292	7,783	8,307	8,790	9,601	10,399	11,113	11,944
Sale of Renewed/Replaced Assets 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0													
Sale of Surplus Assets 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	Amounts Specifically for New/Upgraded Assets		0	569	0	0	0	0	0	0		0	0
Proceeds of disposals - Invest. Prop. 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0				0		0	0	0	0	0		0	
Net disposal of Investment Securities 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0				0	•	0	0	0	0	0	• 1	0	
Pods of disposal - Real Estate Devel. 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0				Š		ů,	0	0	ő	0		0	
Repayments of Loane by Community Groups 40 34 34 0 0 0 0 0 0 0 0 0			1 -1	0	- 1	0	0	0	ŏ	0	-1	0	
Distributions Received from Associated Entities 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0				34		ŏ	ő	Ö	ŏ	ŏ		Ö	
Expenditure on RenewalReplacement of Assets (4,837) (4,871) (4,487) (4,871) (4,485) (4,581) (4,581) (5,027) (4,987) (5,288) (5,337) (2,814) (2,555) (2,382) (891) (2,518) (700) (709) (701) (3,028) (748) (735)				0		0	0	0	0	0	0	0	0
Expenditure on New/Upgraded Assets (2,814) (2,555) (2,362) (691) (2,518) (700) (709) (721) (3,028) (748) (735) (700) (709) (721) (3,028) (748) (735) (700) (709) (721) (3,028) (748) (735) (700) (709) (721) (3,028) (748) (735) (700) (709) (721) (3,028) (748) (735) (700) (709) (721) (3,028) (748) (735) (700) (709) (721) (3,028) (748) (735) (700) (709) (721) (3,028) (748) (735) (700) (709) (721) (3,028) (748) (735) (700) (709) (721) (3,028) (748) (735) (700) (709) (721) (3,028) (748) (735) (700) (709) (721) (3,028) (721)													
Purchase of Investment Property 0													
Net purchase of Investment Securities 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0			(2,814)	(2,555)	(2,302)	(091)	(2,518)	(/00)	(709)	(/21)	(3,020)	(/40)	
Acquisitions - Real Estate de velopments 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0			١	Ö	ŏ	ő	0	0	ŏ	ŏ	ŏ	0	
Capital Contributed to Associated Entities 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0			ō	ō	ō	ō	Ō	ō	ō	ō	ō	ō	
Net Cash Provided by (or used in) Investing Activities (7,611) (6,623) (6,823) (5,272) (7,116) (6,261) (5,470) (5,748) (8,013) (6,014) (6,072)	Loans Made to Community Groups		0	0	0	0	0	0	0	0	0	0	0
CA SH FLOWS FROM FINANCING ACTIVITIES Re oeipts Proceeds from Borrowings Proceeds from Borrowings Proceeds from Aged Care Facility Deposits O 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0			0	0	0 000	0	0	0	0	0	•	0	
Receipts Proceeds from Borrowings Proceeds from Aged Care Facility Deposits O 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	Net Cash Provided by (or used in) Investing Activities		(7,611)	(6,623)	(6,823)	(5,272)	(7,116)	(6,261)	(5,470)	(5,/48)	(8,013)	(6,014)	(6,072)
Proceeds from Borrowings 0 0 0 2,800 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	CA SH FLOWS FROM FINANCING ACTIVITIES												
Proceeds from Aged Care Facility Deposits 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0													
Payments Payments of Borrowings Repayments of Borrowings Repayments of Borrowings Repayment of Finance Lease Liabilities 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0				0	2,600	0	•	0	0	0		0	-
Repayments of Borrowings (195) (208) (2,772) (582) (582) (582) (582) (272) 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0			0	0	0	0	0	0	0	0	0	0	0
Repayment of Finance Lease Liabilities 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0			(195)	(208)	(2.772)	(582)	(582)	(58.2)	(582)	(272)	0	0	٥
Net Cash provided by (or used in) Financing Activities (195) (206) (172) (582) (582) (582) (272) 0 0 0 Net Increase/(Decrease) in cash held (1,133) (74) (108) 1,438 85 1,464 2,738 3,581 2,386 5,099 5,872 Opening cash, cash equivalents or (bank overdraft) 947 (188) (280) (388) 1,070 1,155 2,819 5,357 8,938 11,324 16,423				0	(2,772)	(0 02)	0	0	0	(Z, Z)		ō	
Net Increase/(Decrease) in cash held (1,133) (74) (108) 1,438 85 1,464 2,738 3,581 2,386 5,099 5,872 Opening cash, cash equivalents or (bank overdraft) 947 (188) (280) (388) 1,070 1,155 2,819 5,357 8,938 11,324 16,423	Repayment of Aged Care Facility Deposits		•	0	•	0	0	0	0	0		0	
Opening cash, cash equivalents or (bank overdraft) 947 (188) (280) (388) 1,070 1,155 2,819 5,357 8,938 11,324 16,423	Net Cash provided by (or used in) Financing Activities		(195)	(206)	(172)	(582)	(582)	(582)	(582)	(272)	0	0	0
	Net Increase/(Decrease) in cash held		(1,133)	(74)	(108)	1,438	85	1,464	2,738	3,581	2,386	5,099	5,872
Closing cash, cash equivalents or (bank overdraft) 947 (186) (260) (368) 1,070 1,155 2,619 5.357 8,938 11.324 16.423 22.295	Opening cash, cash equivalents or (bank overdraft)		947	(186)	(260)	(368)	1,070	1,155	2,619	5,357	8,938	11,324	16,423
	Closing cash, cash equivalents or (bank overdraft)	947	(186)	(260)	(368)	1,070	1,155	2,619	5,357	8,938	11,324	16,423	22,295

3.4 Forecast Statement of Changes in Equity

Year Ended 30 June:	2016 A ctual \$(*000)	2017 Estimate \$(000)	2018 Plan Year 1 \$('000)	2019 Plan Year 2 \$(*000)	2020 Plan Year 3 \$(000)	2021 Plan Year 4 \$(000)	2022 Plan Year 5 \$(000)	2023 Plan Year 6 \$('000)	2024 Plan Year 7 \$('000)	2025 Plan Year 8 \$('000)	2026 Plan Year 9 \$('000)	2027 Plan Year 10 \$('000)
ACCUMULATED SURPLUS	*(****)	4(000)	*(****)	*(555)	4(000)	4(222)	4(222)	4(222)	4(202)	*(****)	*(***)	4(222)
Balance at end of pre vious reporting period	53.930	54.680	54,699	54.820	54.254	53.858	53.740	53,567	54.011	54.637	56,380	57.968
Net Result for Year	515	19	121	(566)	(396)	(118)	(173)	444	626	1,743	1,588	1,787
Other Comprehensive Income	0	0	0	0	Ö	0	0	0	0	0	0	0
Transfers to Other Reserves	(2,752)	0	0	0	0	0	0	0	0	0	0	0
Transfers from Other Reserves	2,987	0	0	0	0	0	0	0	0	0	0	0
Balance at end of period	54,680	54,699	54,820	54,254	53,858	53,740	53,567	54,011	54,637	56,380	57,968	59,755
ASSET REVALUATION RESERVE Land Buildings & Other Structures Infrastructure Plant & Equipment Minor Plant Office Equipment Other Caroline Landfill Asset Group 9 Asset Group 10	31,370 75,418 57,758 789 34 0 3,617 0	31,370 75,418 57,758 789 34 0 3,617 0	31,370 75,418 57,758 769 34 0 3,617 0	31,370 75,418 57,758 769 34 0 3,617 0	31,370 75,418 57,758 1,276 52 17 3,711 0 0	34,820 82,147 68,067 1,278 52 17 3,711 0	34,820 82,147 66,067 1,276 52 17 3,711 0 0	34,820 82,147 68,067 1,276 52 17 3,711 0 0	34,820 82,147 66,067 1,276 52 17 3,711 0 0	34,820 82,147 88,067 1,739 69 18 3,735 0	38,575 88,711 75,145 1,739 69 18 3,735 0	38,575 88,711 75,145 1,739 69 18 3,735 0 0
Balance at end of period	168,966	168,966	168,966	168,966	169,602	188,090	188,090	188,090	188,090	188,595	207,992	207,992
OTHER RESERVES Balance at end of previous reporting period	4,617	4,382	4,382	4,382	4,382	4,382	4,382	4,382	4,382	4,382	4,382	4,382
Transfers from Accumulated Surplus	2,752	0	0	0	0	0	0	0	0	0	0	0
Transfers to Accumulated Surplus	(2,987)	0	0	0	0	0	0	0	0	0	0	0
Balance at end of period	4,382	4,382	4,382	4,382	4,382	4,382	4,382	4,382	4,382	4,382	4,382	4,382
TOTAL EQUITY AT END OF REPORTING PERIOD	228,028	228,047	228,168	227,602	227,842	246,212	246,039	246,483	247,109	249,357	270,342	272,129

4. GLOSSARY

Asset Sustainability Ratio

Asset Sustainability Ratio indicates whether the Council is renewing or replacing existing non-financial assets at the same rate as its assets are used or 'consumed'. The ratio is calculated by measuring capital expenditure on renewal and replacement of assets relative to the level of depreciation. Where a Council has a soundly based Infrastructure and Asset Management Plan, a more meaningful asset sustainability ratio would be calculated by measuring the actual level of capital expenditure on renewal and replacement of assets (or proposed in the Budget) with the optimal level identified in the Plan.

Financial Assets

Financial Assets include cash, investments, loans to community groups, receivables and prepayments, but excludes equity held in Council businesses, inventories and land held for resale.

Financial Sustainability

Financial Sustainability is where planned long-term service and infrastructure levels and standards are met without unplanned and disruptive increases in rates or cuts to services.

Infrastructure and Asset Management Plan

A tactical plan for Council's Land, Building and Structure, Infrastructure, Plant and Equipment and other physical assets with the objective of providing the required level of service, maintenance and renewal of such assets in the most cost effective and efficient manner.

Net Financial Liabilities Ratio

Net Financial Liabilities Ratio expresses Net Financial Liabilities as a percentage of total operating revenue. The ratio allows interested parties to readily equate the outstanding level of the Council's accumulated financial obligations against the level of one-year's operating revenue. Where the ratio reduces over time, it generally indicates that the Council's capacity to meet its financial obligations is strengthening.

Net Lending/(Borrowing)

Net Lending/ (Borrowing) equals Operating Surplus / (Deficit), less net outlays on non-financial assets. The Net Lending / (Borrowing) result is a measure of the Council's overall (i.e. Operating and Capital) budget on an accrual basis. Achieving a zero result on the Net Lending / (Borrowing) measure in any one year essentially means that the Council has met all of its expenditure (both operating and capital) from the current year's revenues.

Non-financial or Physical Assets

Non-financial or Physical Assets refers to infrastructure, land, buildings, plant, equipment, furniture and fittings, library books and inventories.

Operating Deficit

Operating Deficit is where operating revenues are less than operating expenses (ie. operating revenue is therefore not sufficient to cover all operating expenses).

Operating Expenses

Operating Expenses are operating expenses shown in the Income Statement, including depreciation, but excluding losses on disposal or revaluation of non-financial assets.

Operating Revenues

Operating Revenues are incomes shown in the Income Statement, but exclude profit on disposal of non-financial assets and amounts received specifically for new/upgraded assets (e.g. from a developer). For ratios calculated where the denominator specified is total operating revenue or rate revenue, Natural Resource Management (NRM) levy revenue is excluded.

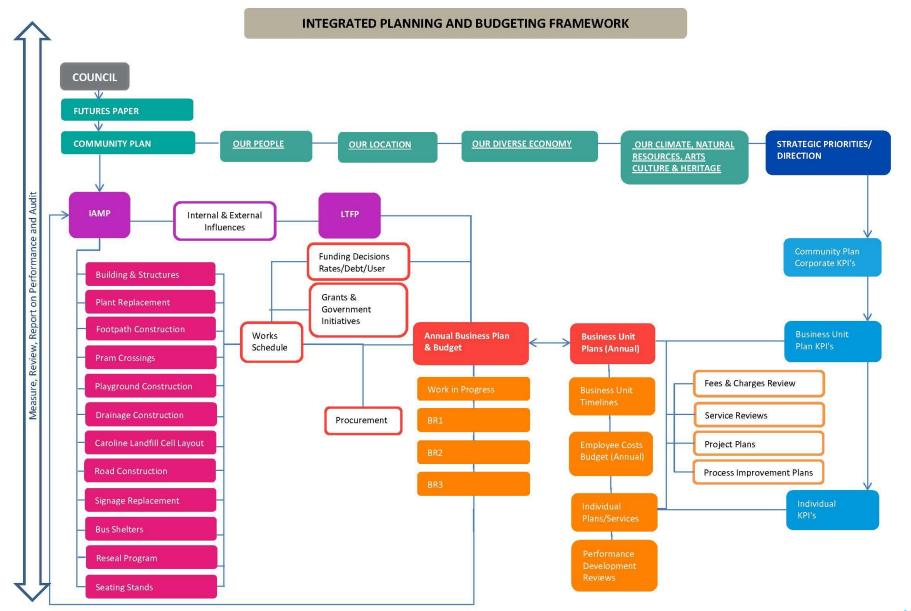
Operating Surplus

Operating Surplus is where operating revenues are greater than operating expenses (ie. operating revenue is therefore sufficient to cover all operating expenses).

Operating Surplus Ratio

Operating Surplus Ratio expresses the operating surplus (deficit) as a percentage of general and other rates.





INTEGRATED PLANNING AND BUDGET FRAMEWORK TIMELINE COUNCIL Financial Annual Report WIP BR2 BR3 MEETING Statements BR1 FS BR1 Interim Audit **AUDIT** FOR THE CURRENT YEAR Internal **External Audit** Policy Internal Controls FOR THE COMMITTEE Controls Internal Controls Reviews BR2 Upload new BR4 review Bring in Budget BUDGET Actual v's WIP carried BR1 upload BR2 upload BR3 upload original forward CURRENT YEAR Prepare rates 1st Instal 2nd Instal 3rd Instal 4th Instal Rating Policy data/notices payment due payment due payment due payment due notice & ABP 2nd instal 3rdinstal 4th instal RATES Review for printing & 1st instal 2nd instal 3rd instal 4th instal Summary mailed data data data **ABP Summary** reminders reminders reminders reminders 1st instal data data data data data Interim Audit **FINANCE** BR1 start Grants BR2 start BR3 start **Auditors Due SPECIALISTS** preparing Commission Due preparing preparing **SEPT** OCT NOV DEC **JAN FEB** MAR **APR** JUN JUL AUG MAY Public Forward COUNCIL ABP&B LTFP & IAMP Draft ABP&B Meeting works MEETING adopt (1hr) ABP&B programs COUNCILLOR LTFP & IAMP **INPUTWOORK** ABP&B ABP&B FOR THE NEXT YEAR SHOP FOR THE NEXT YEAR LTFP & IAMP AUDIT ToR ABP&B COMMITTEE Self Assess ABP&B Fees & Charges Start developing Community Review BUDGET ABP&B Consultation starts (21 days) Valuer Rates Modelling Generals Data RATES starts Gazettal of Rates ABP Summary Review Service Start Review Plant LTFP & IAMP Desktop **FINANCE Employee Costs** Levels Procurement Insurances Cost & Usage Start Insurance SPECIALISTS Employee Insurance budgeting Review Review preparing Values Due Oncosts Figures

ABBREVIATIONS

Annual Business Plan

Financial Statements

Budget Revision

Annual Business Plan and Budget

Infrastructure Asset Management Plan

Instal

LTFP

ToR

WIP

Instalment

Long Term Financial Plan

Terms of Reference

Work in Progress

We lare

ABP

BR

FS

IAMP

ABP&B