



Reference: AF11/863

TO: MAYOR PERRYMAN (EX OFFICIO)
DONALD CURRIE (PRESIDING MEMBER)
CR ANDREW LEE
JEROEN ZWIJNENBURG
CHIEF EXECUTIVE OFFICER
DIRECTOR - CORPORATE SERVICES
FINANCE MANAGER
SIMON SMITH, PARTNER, GALPINS

CC: ALL MEMBERS
DIRECTOR - OPERATIONAL SERVICES
GOVERNANCE OFFICER
HUMAN RESOURCE MANAGER
TEAM LEADER FINANCE

NOTICE is hereby given that the Audit Committee will meet in the following Meeting Room on the day, date and time as follows:

Audit Committee
(Committee Room, Level 4)

Tuesday, 30th September, 2014 at 5.30 p.m.

An agenda for the meeting is enclosed herewith.

Grant HUMPHRIES
DIRECTOR - CORPORATE SERVICES

3rd September, 2014
MJT

NOTE: Whilst this agenda has been sent electronically, due to extensive content, a hard copy will be delivered to Audit Committee Members.

AUDIT COMMITTEE

Meeting to be held on Tuesday, 30th September 2014 at 5.30 p.m.
in the Committee Room, Civic Centre, 10 Watson Terrace, Mount Gambier

AGENDA

PRESENT: Donald Currie (Presiding Member)
Jeroen Zwijnenburg
Cr Andrew Lee

APOLOGY/IES:

COUNCIL MEMBERS/
OTHERS AS
OBSERVERS:

GUESTS: Mr Simon Smith, Auditor, Galpins

COUNCIL EMPLOYEES
IN ATTENDANCE: Mr Grant Humphries, Director - Corporate Services
Mr Mark McShane, Chief Executive Officer
Mr Gary Button, Finance Manager

OTHER APOLOGIES:

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.

MINUTES: moved the minutes of the previous meeting held on Tuesday, 26th August, 2014 be taken as read and confirmed.
seconded

QUESTIONS:

- (a) With Notice – Nil received
- (b) Without Notice –

1. REPORTS FOR INFORMATION

The Director - Corporate Services reported that the following Council Reports were provided to the Audit Committee for information:

- 1.1 CCS Report No. 54/2014 – Strategic Plan Report
- 1.2 CCS Report No. 57/2014 – Budget Update (BRS as at 30th June, 2014)
- 1.3 CCS Report No. 58/2014 – Interim Budget Update

RECOMMENDATION NO. 1

moved it be recommended that the above reports be received.
seconded

Audit Committee Agenda, Tuesday 30th September, 2014 cont'd...

2. EXTERNAL AUDITOR – END OF YEAR REPORT

The Director - Corporate Services reported:

- (a) following the recent annual end of year audit, Council has now received the subsequent Audit Management letter;

RECOMMENDATION NO. 2

moved it be recommended

- (a) the letter be received and contents noted;
- (b) the Audit findings and recommendations be referred to the Council administration for attention and to the Audit Committee for ongoing monitoring;
- (c) Councils External Auditor be advised of this course of action.

seconded

3. AUDIT WORK PROGRAM 2007 - 2014

The Director - Corporate Services reported:

- (a) the Audit Committee should continually review the Audit Work Program to establish whether any adjustments are required to be introduced for the particular financial years activities;
- (b) the Audit Work Program 2007-2014 was last reviewed and adopted in August 2014;
- (c) the following activities and associated timelines (extracted from the Audit Work Program) are highlighted in abbreviated form, for the Committees review:

- | | |
|---------------|---|
| FEBRUARY 2013 | <ul style="list-style-type: none">• Work Plan• Treasury Management Reviews• Asset Reviews• Policy reviews incorporating;<ul style="list-style-type: none">• Internal Controls• Fraud and Corruption Framework• Whistleblowing• Risk Management• Budget Performance |
| MAY 2013 | <ul style="list-style-type: none">• Interim External Audit• Work Plan• Business Continuity• Business Plan and Budget |
| AUGUST 2013 | <ul style="list-style-type: none">• Work Plan• Annual Report to Council incorporating;<ul style="list-style-type: none">• Self Assessment• Review of Work Plan• Review of Terms of Reference |
| NOVEMBER 2013 | <ul style="list-style-type: none">• Work Plan |

Audit Committee Agenda, Tuesday 30th September, 2014 cont'd...

- Statutory External Audit
- AFS authorisation by Presiding Member
- Council Annual Report Compliance

RECOMMENDATION NO. 3

moved it be recommended the report be received;

seconded

4. ADOPTION OF AUDITED FINANCIAL STATEMENTS

The Director – Corporate Services reported:

1. Annual Financial Statements

- (a) Section 126 (4)(a) of the Local Government Act 1999 requires the City of Mount Gambier's Audit Committee to review the Annual Financial Statements for the year ended 30th June, 2014. A further requirement is that the Chief Executive Officer and the Presiding Member of the City of Mount Gambier's Audit Committee certify the independence of Council's Auditor, Galpins;
- (b) the City of Mount Gambier's Annual Financial Statements for 2014 have been prepared in accordance with the Local Government Act, the Local Government (Financial Management) Regulations 2011, the Australian Accounting Standards and the Model Financial Statements;
- (c) the City of Mount Gambier's Audit Committee is required to review the Annual Financial Statements to ensure they present fairly the state of affairs of Council, after which time the Annual Financial Statements can be certified and formally adopted by Council;
- (d) An analysis of the Annual Financial Statements and results for the year will be presented to Council in October, and a copy of that report is attached to this report for the Audit Committee's reference and review.

2. Independence of Council Auditor

- (a) Regulation 22 of the Local Government (Financial Management) Regulations 2011 provide in clauses (3) (a) and (4) that:
 - (3) *the following persons must each provide, on an annual basis, a statement that provides a certification as to compliance for the relevant financial year with the requirement that the auditor be independent of the Council, Council subsidiary or regional subsidiary (as the case may be):*
 - (a) *In a case involving a Council or Council subsidiary - the Chief Executive Officer of the relevant Council and the Presiding Member of the Audit Committee of the relevant body;*
 - (4) *A statement under sub-delegation (3) must accompany the financial statements for the relevant body;*
- (b) As the City of Mount Gambier has not engaged its Auditor, Galpins, to provide any services outside the scope of their function as auditor for the 2013/2014 financial year, it is recommended that the Chief Executive Officer and the Presiding Member of the Audit Committee co-sign the following statement:

Audit Committee Agenda, Tuesday 30th September, 2014 cont'd...

'To the best of our knowledge and belief, we confirm that, for the purpose of the audit of the City of Mount Gambier for the year ended 30th June 2014, the Council's Auditor, Galpins, has maintained its independence in accordance with the requirements of the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011 made under that Act.'

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

RECOMMENDATION NO. 4

moved it be recommended:

- (a) the report be received;
- (b) In accordance with Section 126(4)(a) of the Local Government Act 1999 the Audit Committee advises that it has reviewed the annual financial statements of the Council for the year ended 30 June 2014 and is satisfied they present fairly the state of affairs of Council;
- (c) The Chief Executive Officer and Presiding Member of the City of Mount Gambier Audit Committee sign the statement to certify the independence of the Council Auditor, Galpins.

seconded

5. COUNCIL ANNUAL REPORT

The Director – Corporate Services reported:

- (a) Council is required, under Section 127 of the Local Government Act 1999, to publish an annual report. The report must be provided to the Presiding Member of both Houses of Parliament by 30 November each year. The report provides information reflecting the City's operational and financial activities for the previous year. It also includes information relating to the operation of the City's Audit Committee.
- (b) The Annual Report is a vehicle for the publication of the City's end of year financial statements. These statements, reflecting the City's financial operation for the year, are also included in the Annual Report.
- (c) The operations of the Audit Committee of Council, along with other operational material, are outlined in the Annual Report which is currently being prepared for adoption by the Council. An extract from the Report of the proposed entries relating to Audit Committee activity during the 2013/14 financial year is attached for information/review.

RECOMMENDATION NO. 5

moved it be recommended:

- (a) the report be received;

Audit Committee Agenda, Tuesday 30th September, 2014 cont'd...

- (b) the draft Audit Committee, Annual Report entry be endorsed.

seconded

6. LONG TERM FINANCIAL PLAN (LTFP)

The Director - Corporate Services reported:

- (a) that Council has commenced the annual review of Councils LTFP, most recently reviewed and adopted in December, 2013;
- (b) it is intended that a revised LTFP be reviewed and adopted by Council in the new term of Council, in early 2015.

RECOMMENDATION NO. 6

moved it be recommended the report be received.

seconded

7. FINANCIAL INTERNAL CONTROLS

The Director Corporate Services reported:

- (a) as reported last meeting amendments made to the Local Government Act will have a significant impact on the scope and cost of annual audits;
- (b) commencing with the 2015/2016 financial year (for regional Councils) local government auditors will be required to carry out not one, but two audits and provide two separate formal opinions each year (which this Council has already done for a number of years);
- (c) A further report on progress on the implementation of Financial Internal Control Program within Council is attached.

RECOMMENDATION NO. 7

moved it be recommended the report be received.

seconded

8. TREASURY MANAGEMENT - ANNUAL REVIEW 2014

The Director - Corporate Services reported:

- (a) the annual report on Council's Treasury Management operations, as required in Council Policy TI50 is now presented for adoption.

RECOMMENDATION NO. 8

moved it be recommended the report be received.

seconded

Audit Committee Agenda, Tuesday 30th September, 2014 cont'd...

9. **NEXT MEETINGS** (for confirmation)

- Tuesday, 24th March, 2015
- Tuesday, 26th May, 2015
- Tuesday, 28th July, 2015
- Tuesday, 29th September, 2015

The meeting closed at _____ p.m.

22nd September, 2014
MJT

AUDIT COMMITTEE

Minutes of Meeting held on Tuesday, 26th August, 2014 at 5.30 p.m.
in the Committee Room, Civic Centre, 10 Watson Terrace, Mount Gambier

PRESENT: Donald Currie (Presiding Member)
Jeroen Zwijnenburg
Cr Andrew Lee

APOLOGY/IES: Nil

COUNCIL MEMBERS/

OTHERS AS

OBSERVERS: Cr White, Cr Smith

GUESTS: Nil

COUNCIL EMPLOYEES

IN ATTENDANCE:

Mr Grant Humphries, Director - Corporate Services
Mr Mark McShane, Chief Executive Officer (left meeting at 6.05 pm)
Mr Gary Button, Finance Manager
Mr Michael McCarthy, Governance Officer (left meeting at 6.05 p.m.)
Ms Stacey Holder, Human Resource Manager (left meeting at 6.05 pm)
Ms Barbara Cernovskis, Manager - Community Services and
Development (left meeting at 6.05 p.m.)
Daryl Morgan, Engineering Manager (left meeting at 6.05 p.m.)

OTHER APOLOGIES:

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.

MINUTES: Cr Lee moved the minutes of the previous meeting held on Tuesday, 27th May, 2014 be taken as read and confirmed.

Jeroen Zwijnenburg seconded

Carried

QUESTIONS:

- (a) With Notice – Nil received
- (b) Without Notice – Nil submitted

1. REPORTS FOR INFORMATION

The Director - Corporate Services reported that the following Council Reports were provided to the Audit Committee for information:

- 1.1 CCS Report No. 30/2014 – Budget Update
- 1.2 CCS Report No. 39/2014 – Budget Consultation
- 1.3 CCS Report No. 45/2014 – Risk Management Framework
- 1.4 Special Council Meeting - Budget

RECOMMENDATION NO. 1

Jeroen Zwijnenburg moved it be recommended that the above reports be received.

Audit Committee Minutes, Tuesday 26th August, 2014 cont'd...

Cr Lee seconded

Carried

2. EXTERNAL AUDITOR - INTERIM AUDIT 2014

The Director - Corporate Services reported:

- (a) following the recent annual interim audit Council has now received the subsequent Audit Management letter;
- (b) a copy of the Audit Management letter which provides a guide as to the audit procedures that were performed, is attached;
- (c) Council's External Auditor advises that "there were no issues arising from the interim audit that we wish to draw your attention".

RECOMMENDTION NO. 2

Cr Lee moved it be recommended the letter be received and contents noted.

Jeroen Zwijnenburg seconded

Carried

3. EXTERNAL AUDITOR - AUDIT RECOMMENDATIONS

The Director - Corporate Services reported:

- (a) that previous resolutions of Council had referred the implementation and ongoing monitoring responsibility for both End of Year Audits and Interim Audits to the Audit Committee;
- (b) these recommendations remain permanent Audit Committee Agenda Items and are consolidated as follows:

Interim Audits	Recommendation	Status
2012/2013	1. Risk Management Policy	New Policy adopted June 2014

End of Year	Recommendation	Status
2012/2013	1. Accounts Held in Trust	Implemented from 1/7/2014

RECOMMENDATION NO. 3

Jeroen Zwijnenburg moved it be recommended:

- (a) the report be received;
- (b) the identified Audit recommendations continue to be monitored by the Audit Committee.

Cr Lee seconded

Carried

4. AUDIT WORK PROGRAM 2007 - 2014

The Director - Corporate Services reported:

- (a) the Audit Committee should continually review the Audit Work Program to establish whether any adjustments are required to be introduced for the particular financial years activities;
- (b) the Audit Work Program 2007-2014 was last reviewed and adopted in August 2013;

Audit Committee Minutes, Tuesday 26th August, 2014 cont'd...

- (c) the following activities and associated timelines (extracted from the Audit Work Program) are highlighted in abbreviated form, for the Committees review:

- | | |
|---------------|---|
| FEBRUARY 2013 | <ul style="list-style-type: none">• Work Plan• Treasury Management Reviews• Asset Reviews• Policy reviews incorporating;<ul style="list-style-type: none">• Internal Controls• Fraud and Corruption Framework• Whistleblowing• Risk Management• Budget Performance |
| MAY 2013 | <ul style="list-style-type: none">• Interim External Audit• Work Plan• Business Continuity• Business Plan and Budget |
| AUGUST 2013 | <ul style="list-style-type: none">• Work Plan• Annual Report to Council incorporating;<ul style="list-style-type: none">• Self Assessment• Review of Work Plan• Review of Terms of Reference |
| NOVEMBER 2013 | <ul style="list-style-type: none">• Work Plan• Statutory External Audit• AFS authorisation by Presiding Member• Council Annual Report Compliance |

RECOMMENDATION NO. 4

Cr Lee moved it be recommended the report be received;

Jeroen Zwijnenburg seconded

Carried

5. SELF ASSESSMENT OF COMMITTEE PERFORMANCE

The Director - Corporate Services reported:

- (a) the Audit Committee Terms of Reference provides for "at least once a year, review its own performance and terms of reference to ensure it is operating at a maximum effectiveness and recommend changes it considers necessary to the Council for approval";
- (b) the Self Assessment should take into account factors such as:
- the Committee's work program
 - the Committee's operating environment
 - the stage of maturity of the Committee
 - Council's strategic directions
 - Council's risk and control environment
 - current and emerging trends and factors
 - the outcomes of previous self assessments (if any)
- (c) the Audit Committee's comments and recommendations resulting from the Self Assessment is detailed as follows:

Audit Committee Minutes, Tuesday 26th August, 2014 cont'd...

Issue	Comment(s)	Recommendation(s)
<i>Role & Terms of Reference</i>	<i>The Audit Committee is of the view that functions and extent of authority as defined under S126(4) LGA are adequately defined in the Terms of Reference established by Council</i>	<i>The Audit Committee is of the view that its role and function is not to compete with the role of the Corporate and Community Services Committee, nor to make decisions in lieu of Council, but rather to examine and comment on financial statements/internal control framework and activities of Council</i>
<i>Independence</i>	<i>The Audit Committee is of the view that it is able to form opinions and express views without coercion or undue influence of external persons or bodies</i>	<i>The Audit Committee believes the invited attendance of the CEO, Director - Corporate Services and Finance Manager provides direction without influence. Continued attendance is desirable</i>
<i>Committee Skills/Training</i>	<i>The Audit Committee is of the view that its members have been selected due to their qualifications and expertise</i>	<i>Members consist of accounting representation and are subject to ongoing professional training</i>
<i>Council Structure and Decision Making</i>	<i>The Audit Committee have been made aware of the processes of Council and are provided with copies of public financial statements, policies and reports of Council</i>	<i>Audit Committee Members have been made aware of the Council structure and decision making process following the recent review of Council's Decision Making Structure and the completion of an organisational and functional review.</i>
<i>Meeting Operation and Frequency</i>	<i>The Audit Committee has been meeting on a regular basis since inception</i>	<i>The Audit Committee holds the view that current frequency and duration is adequate to address issues</i>
<i>Resources available to the Audit Committee</i>	<i>The Audit Committee utilises the resources of Council through the attendance of the CEO, Director – Corporate Services and Finance Manager and other employees as requested</i>	<i>The Audit Committee has liaised with external auditors and Council employees as required in order to meet its role and terms of reference</i>

Audit Committee Minutes, Tuesday 26th August, 2014 cont'd...

<p><i>Audit Committee's working relationship with Council and the senior management team</i></p>	<p><i>Council appears to be aware of role and function of Audit Committee. Presence of CEO, Director – Corporate Services and Finance Manager assist Audit Committee in decision achievement</i></p>	<p><i>No issues of conflict have arisen. The Audit Committee recognises the significant role played by Council employees to address and advise the Committee</i></p>
<p><i>The Audit Committee members' understanding of financial indicators (and targets for these) being used to assess the Council's performance work program</i></p>	<p><i>The Audit Committee regularly monitors and assesses financial performance indicators as published. Comparison with other Councils and advice from LGA is also noted</i></p>	<p><i>The Audit Committee holds the view that expenditure allocation, particularly depreciation, greatly affects financial indicators and status</i></p>
<p><i>The Audit Committee's access to appropriate Council information</i></p>	<p><i>The Audit Committee notes the inclusion of its role and function in decisions of major financial expenditure</i></p>	<p><i>The Audit Committee is able to be involved with complementary committees, receive financial expenditure projections and reviews of major expenditure and contract negotiation and is able to actively participate in Council.</i></p>
<p><i>The extent to which the Audit Committee's advice is contributing to the effective operation of the Council</i></p>	<p><i>The Audit Committee recognises that its role and terms of reference are a requirement of the LGA. Members are cognisant of their requirement to monitor and review financial practices and, public financial statements of Council</i></p>	<p><i>The Audit Committee holds the view that its function and role will be increasingly viewed as complimentary to Council in its activities for ratepayers</i></p>

RECOMMENDATION NO. 5

Cr Lee moved it be recommended:

- (a) the report be received;**
- (b) the Audit Committee record that it is satisfied that its performance is meeting Council and other relevant Authority's standards and expectations.**

Jeroen Zwijnenburg seconded

Carried

6. TERMS OF REFERENCE FOR AUDIT COMMITTEE

The Director - Corporate Services reported that in conjunction with the Committee Self Assessment process, the Audit Committee is also charged with the responsibility of reviewing its Terms of Reference and recommending any alterations to Council for consideration.

Audit Committee Minutes, Tuesday 26th August, 2014 cont'd...

RECOMMENDATION NO. 6

Jeroen Zwijnenburg moved it be recommended:

- (a) the report be received;
- (b) the Audit Committee considers the existing Terms of Reference remain current, relevant and appropriate and therefore be endorsed by Council including minor procedural amendments only.

Cr Lee seconded

Carried

7. AUDIT COMMITTEE ANNUAL REPORT TO COUNCIL

The Director – Corporate Services reported:

- 4.1 Corporate and Community Services Report No. 56/2014 has been prepared as the Annual report of the Audit Committee to Council for the 2013/2014 financial year;
- 4.2 Prior to presentation to Council the Audit Committee should review and be satisfied with the content.

RECOMMENDATION NO. 7

Jeroen Zwijnenburg moved it be recommended:

- (a) that Corporate and Community Services Report No. 56/2014 be received;
- (b) that the Audit Committee adopt the 2013/2014 City of Mount Gambier Audit Committee Annual Report, as presented in Corporate and Community Services Report No. 56/2014.

Cr Lee seconded

Carried

8. RISK MANAGEMENT POLICY REVIEW

The Director - Corporate Services advised:

- (a) previous Audit Management letters have recommended regular review of Councils Risk Management Policy;
- (b) Council is in the process of a major overhaul for its overall Risk Management Framework principally driven by requirements of Work Cover in respect of self insurer Licences.
- (c) A copy of the draft Council Policy- Risk Management Framework which is currently before Council is provided for information;
- (d) As requested at the previous Audit Committee meeting presentations will be made by key Council Officers on Risk Management within Council.

RECOMMENDATION NO. 8

Cr Lee moved it be recommended the report be received.

Jeroen Zwijnenburg seconded

Carried

Audit Committee Minutes, Tuesday 26th August, 2014 cont'd...

9. **NEXT MEETING**

- Tuesday, 30th September, 2014

The meeting closed at 6.20 p.m.

27th August, 2014
MJT

CONFIRMED THIS DAY OF 2014.

.....
PRESIDING MEMBER

CORPORATE AND COMMUNITY SERVICES REPORT NO. 54/2014

SUBJECT: STRATEGIC PLAN/CORPORATE PLAN, ACHIEVEMENT OF KEY PERFORMANCE INDICATORS QUARTERLY REPORT JUNE 2014

REF: AF11/1790

Goal: Governance
Strategic Objective: Demonstrate innovative and responsive organisational governance

BACKGROUND

In early 2011 Council commenced a review of its Strategic Plan. After undergoing an extensive community consultation process, Council at its meeting in October, 2011 formally adopted the Strategic Plan – Beyond 2015.

After the adoption of the Strategic Plan – Beyond 2015, work commenced on the development of the 'Corporate Plan'. The Corporate Plan is the key document to incorporate the aspirations of the Strategic Plan – Beyond 2015 into the day to day operational work undertaken by all Council staff. The Corporate Plan also provides an important link to the development of business plans for individual work areas and the performance review of staff and the review of responsibility for budgets.

The Corporate Plan was adopted by Council in August 2012.

INTRODUCTION

The Corporate Plan contains a significant number of Key Performance Indicators which are required to be achieved by the administration staff and to assist with this a software program "Performance Manager" has been implemented. This will assist in the quality of reporting to Council.

DISCUSSION

The Strategic Plan – Beyond 2015 and the Corporate Plan 2012 are Corporate Planning Documents that outline the strategic direction and performance targets of Council over a period of time.

Together these documents provide a high level overview of Council as an organization and include:

- Vision and mission statement
- Objectives
- Core business
- Strategic direction and
- KPI's

Performance Manager is a strategic planning, organizational performance management and reporting tool specifically designed for Local Government. The seven goals and Strategic Objectives identified for each goal from the Strategic Plan and all of the Key Performance Indicator's identified within the Corporate Plan have been entered into Performance Manager.

As a reporting tool, Performance Manager now provides an opportunity to provide regular reports outlining how well the organization is meeting the KPI's.

Corporate and Community Services Report No. 54/2014 cont'd...

CONCLUSION

This report provides the June 2014 Quarterly report for Council's information.

RECOMMENDATION

- (a) Corporate and Community Services Report No. 54/2014 and the June 2014 Quarterly Summary KPI report be received and endorsed by Council.

Tracy TZIOUTZIOUKLARIS
STRATEGIC PROJECT OFFICER

Sighted:

Mark McSHANE
CHIEF EXECUTIVE OFFICER

1st August, 2014
MJT

CORPORATE AND COMMUNITY SERVICES REPORT NO. 57/2014**SUBJECT: BUDGET UPDATE AS AT 30th JUNE, 2014****REF: AF13/13**

*Goal: Governance**Strategic Objective: Demonstrate innovative and responsive organisational governance.*

Following the introduction of the Local Government (Financial Management) Regulations 2011, Council completed a review of its Budget reporting processes (Corporate and Community Services Report No. 30/3012 - Monitoring Council's Budget Performance) resulting in the adoption of the new Policy B300 - Budget Reporting and Amendment.

The objective of the Budget Reporting and Amendment Policy is to provide management with a framework to operate in regard to the following:

- The content, timing and process to be followed for reporting to Council on its performance against budget;
- The scope and conditions associated with the Chief Executive Officer approving variations in activity (that are within the scope of the approved budget allocations) without obtaining Council approval; and
- The process required to be followed as well as general guidelines in relation to the carrying forward of expenditure authority associated with projects included in the budget for the previous year.

The Policy provides for a Budget Update report to be prepared and included in the agenda of the Ordinary Meeting of Council's Corporate and Community Services Committee in the months of November and March (as a minimum). The report will highlight at summary level budget activity for the year to date, original and revised budget information, and include the latest revised forecast of expected budget results for the year.

In addition to the Budget reporting regime required above, a further Budget Update (detailed version only) as at 30th June, 2014 has been prepared as a Budget Report on 2013/2014 financial year activities.

RECOMMENDATION

- (a) Corporate and Community Services Report No. 57/2014 be received;
- (b) the Budget Update as at 30th June, 2014 as presented with this Report be adopted by Council with all amendments to be made to the 2013/2014 Council Budget.

**Grant HUMPHRIES**

DIRECTOR - CORPORATE SERVICES

Sighted:

**Mark McSHANE**

CHIEF EXECUTIVE OFFICER



**BUDGET UPDATE: BR5 SEPTEMBER 2014
AS AT 30TH JUNE, 2014**

- 1. HIGH LEVEL SUMMARY BY FUNCTION (PAGES 1 - 13)**
- 2. DETAILED SUMMARY OF REQUESTED BUDGET VARIATIONS (PAGES 14 - 21)**
- 3. SUMMARY OF REQUESTED BUDGET VARIATIONS (PAGE 22)**
- 4. BR5 COMMENTARY (PAGE 23)**

HIGH LEVEL SUMMARY BY FUNCTION

1. ADMINISTRATION

	Original Budget '000	Revised BR4 '000	Proposed Budget '000	Actual 30/06/2014 '000	Variance now Requested '000	Proposed E of Y Budget Forecast '000
OPERATING EXPENDITURE (6000 - 6002)	1,764	1,708	1,637		(71)	1,637
OPERATING REVENUE (4100 - 4120)	18,857	19,035	17,780		(1,255)	17,780
NET OPERATING - SURPLUS / (DEFICIT)	17,093	17,327	16,143		1,184	16,143
CAPITAL EXPENDITURE (7500)	50	125	125		0	125
CAPITAL REVENUE						
NET CAPITAL - SURPLUS / (DEFICIT)	(50)	(125)	(125)		0	(125)
NON OPERATING EXPENDITURE						
NON OPERATING REVENUE						
NET NON OPERATING - SURPLUS / (DEFICIT)						

Financial Report: refer detailed Summary

HIGH LEVEL SUMMARY BY FUNCTION

2. SUPPORT SERVICES

	Original Budget '000	Revised BR4 '000	Proposed Budget '000	Actual 30/06/2014 '000	Variance now Requested '000	Proposed E of Y Budget Forecast '000
OPERATING EXPENDITURE (6010)	2,760	2,800	2,803		3	2,803
OPERATING REVENUE						
NET OPERATING - SURPLUS / (DEFICIT)	(2,760)	(2,800)	(2,803)		(3)	(2,803)
CAPITAL EXPENDITURE (7460)	78	90	90		0	90
CAPITAL REVENUE						
NET CAPITAL - SURPLUS / (DEFICIT)	(78)	(90)	(90)		0	(90)
NON OPERATING EXPENDITURE						
NON OPERATING REVENUE						
NET NON OPERATING - SURPLUS / (DEFICIT)						

Financial Report: refer detailed Summary

HIGH LEVEL SUMMARY BY FUNCTION

3. COMMUNITY

	Original Budget '000	Revised BR4 '000	Proposed Budget '000	Actual 30/06/2014 '000	Variance now Requested '000	Proposed E of Y Budget Forecast '000
OPERATING EXPENDITURE (6100)	1,752	1,725	1,734		9	1,734
OPERATING REVENUE (4130)	148	168	171		3	171
NET OPERATING - SURPLUS / (DEFICIT)	(1,604)	(1,557)	(1,563)		(12)	(1,563)
CAPITAL EXPENDITURE (7560, 7570, 7620)	80	80	84		4	84
CAPITAL REVENUE						
NET CAPITAL - SURPLUS / (DEFICIT)	(80)	(80)	(84)		(4)	(84)
NON OPERATING EXPENDITURE						
NON OPERATING REVENUE						
NET NON OPERATING - SURPLUS / (DEFICIT)						

Financial Report: refer detailed Summary

HIGH LEVEL SUMMARY BY FUNCTION

4. CULTURAL

	Original Budget '000	Revised BR4 '000	Proposed Budget '000	Actual 30/06/2014 '000	Variance now Requested '000	Proposed E of Y Budget Forecast '000
OPERATING EXPENDITURE (6200)	2,835	2,864	2,808		(56)	2,808
OPERATING REVENUE (4140 - 4142)	615	597	631		34	631
NET OPERATING - SURPLUS / (DEFICIT)	(2,220)	(2,267)	(2,177)		90	(2,177)
CAPITAL EXPENDITURE (7470, 7640, 7650)	199	226	216		(10)	216
CAPITAL REVENUE						
NET CAPITAL - SURPLUS / (DEFICIT)	(199)	(226)	(216)		10	(216)
NON OPERATING EXPENDITURE						
NON OPERATING REVENUE						
NET NON OPERATING - SURPLUS / (DEFICIT)						

Financial Report: refer detailed Summary

HIGH LEVEL SUMMARY BY FUNCTION

5. ECONOMIC

	Original Budget '000	Revised BR4 '000	Proposed Budget '000	Actual 30/06/2014 '000	Variance now Requested '000	Proposed E of Y Budget Forecast '000
OPERATING EXPENDITURE (6300)	1,478	1,470	1,397		(73)	1,397
OPERATING REVENUE (4153)	402	402	402		0	402
NET OPERATING - SURPLUS / (DEFICIT)	(1,076)	(1,068)	(995)		73	(995)
CAPITAL EXPENDITURE						
CAPITAL REVENUE						
NET CAPITAL - SURPLUS / (DEFICIT)						
NON OPERATING EXPENDITURE						
NON OPERATING REVENUE						
NET NON OPERATING - SURPLUS / (DEFICIT)						

Financial Report: refer detailed Summary

HIGH LEVEL SUMMARY BY FUNCTION

6. ENVIRONMENT

	Original Budget '000	Revised BR4 '000	Proposed Budget '000	Actual 30/06/2014 '000	Variance now Requested '000	Proposed E of Y Budget Forecast '000
OPERATING EXPENDITURE (6400)	3,762	3,702	3,771		69	3,771
OPERATING REVENUE (4162)	1,674	1,748	1,840		92	1,840
NET OPERATING - SURPLUS / (DEFICIT)	(2,088)	(1,978)	(1,931)		(23)	(1,931)
CAPITAL EXPENDITURE (7670, 7665, 7800)	2,135	2,480	2,422		(58)	2,422
CAPITAL REVENUE						
NET CAPITAL - SURPLUS / (DEFICIT)	(2,135)	(2,480)	(2,422)		58	(2,422)
NON OPERATING EXPENDITURE						
NON OPERATING REVENUE						
NET NON OPERATING - SURPLUS / (DEFICIT)						

Financial Report: refer detailed Summary

HIGH LEVEL SUMMARY BY FUNCTION

7. RECREATIONAL

	Original Budget '000	Revised BR4 '000	Proposed Budget '000	Actual 30/06/2014 '000	Variance now Requested '000	Proposed E of Y Budget Forecast '000
OPERATING EXPENDITURE (6500)	2,402	2,433	2,338		(95)	2,338
OPERATING REVENUE (4170)	63	63	79		16	79
NET OPERATING - SURPLUS / (DEFICIT)	(2,339)	(2,370)	(2,259)		111	(2,259)
CAPITAL EXPENDITURE (7680, 7690, 7700, 7730)	4,593	5,936	5,926		(10)	5,926
CAPITAL REVENUE						
NET CAPITAL - SURPLUS / (DEFICIT)	(4,593)	(5,936)	(5,926)		10	(5,926)
NON OPERATING EXPENDITURE						
NON OPERATING REVENUE						
NET NON OPERATING - SURPLUS / (DEFICIT)						

Financial Report: refer detailed Summary

HIGH LEVEL SUMMARY BY FUNCTION

8. REGULATORY

	Original Budget '000	Revised BR4 '000	Proposed Budget '000	Actual 30/06/2014 '000	Variance now Requested '000	Proposed E of Y Budget Forecast '000
OPERATING EXPENDITURE (6600)	1,028	1,125	1,114		(11)	1,114
OPERATING REVENUE (4180)	361	383	409		26	409
NET OPERATING - SURPLUS / (DEFICIT)	(667)	(742)	(705)		15	(705)
CAPITAL EXPENDITURE						
CAPITAL REVENUE						
NET CAPITAL - SURPLUS / (DEFICIT)						
NON OPERATING EXPENDITURE						
NON OPERATING REVENUE						
NET NON OPERATING - SURPLUS / (DEFICIT)						

Financial Report: refer detailed Summary

HIGH LEVEL SUMMARY BY FUNCTION

9. TRANSPORT

	Original Budget '000	Revised BR4 '000	Proposed Budget '000	Actual 30/06/2014 '000	Variance now Requested '000	Proposed E of Y Budget Forecast '000
OPERATING EXPENDITURE (6700)	3,236	3,134	3,139		5	3,139
OPERATING REVENUE (4192, 4193)	338	443	473		30	473
NET OPERATING - SURPLUS / (DEFICIT)	(2,898)	(2,691)	(2,666)		25	(2,666)
CAPITAL EXPENDITURE (7300, 7400, 7450)	1,097	1,165	1,197		32	1,197
CAPITAL REVENUE						
NET CAPITAL - SURPLUS / (DEFICIT)	(1,097)	(1,165)	(1,197)		(32)	(1,197)
NON OPERATING EXPENDITURE						
NON OPERATING REVENUE						
NET NON OPERATING - SURPLUS / (DEFICIT)						

Financial Report: refer detailed Summary

HIGH LEVEL SUMMARY BY FUNCTION

10. ENGINEERING/INDIRECT

	Original Budget '000	Revised BR4 '000	Proposed Budget '000	Actual 30/06/2014 '000	Variance now Requested '000	Proposed E of Y Budget Forecast '000
OPERATING EXPENDITURE (6800)	996	1,106	1,150		170	1,150
OPERATING REVENUE						
NET OPERATING - SURPLUS / (DEFICIT)	(996)	(1,106)	(1,150)		(170)	(1,150)
CAPITAL EXPENDITURE (7830, 7900)	3,424	4,850	4,664		(186)	4,664
CAPITAL REVENUE						
NET CAPITAL - SURPLUS / (DEFICIT)	(3,424)	(4,850)	(4,664)		186	(4,664)
NON OPERATING EXPENDITURE						
NON OPERATING REVENUE						
NET NON OPERATING - SURPLUS / (DEFICIT)						

Financial Report: refer detailed Summary

HIGH LEVEL SUMMARY BY FUNCTION

11. UNCLASSIFIED

	Original Budget '000	Revised BR4 '000	Proposed Budget '000	Actual 30/06/2014 '000	Variance now Requested '000	Proposed E of Y Budget Forecast '000
OPERATING EXPENDITURE (6900)	762	832	681		(151)	681
OPERATING REVENUE (4210, 4230, 4240)	317	414	478		64	478
NET OPERATING - SURPLUS / (DEFICIT)	(445)	(418)	(203)		215	(203)
CAPITAL EXPENDITURE						
CAPITAL REVENUE						
NET CAPITAL - SURPLUS / (DEFICIT)						
NON OPERATING EXPENDITURE						
NON OPERATING REVENUE						
NET NON OPERATING - SURPLUS / (DEFICIT)						

Financial Report: refer detailed Summary

HIGH LEVEL SUMMARY BY FUNCTION

12. NON - OPERATING

	Original Budget '000	Revised BR4 '000	Proposed Budget '000	Actual 30/06/2014 '000	Variance now Requested '000	Proposed E of Y Budget Forecast '000
OPERATING EXPENDITURE						
OPERATING REVENUE						
NET OPERATING - SURPLUS / (DEFICIT)						
CAPITAL EXPENDITURE						
CAPITAL REVENUE						
NET CAPITAL - SURPLUS / (DEFICIT)						
NON OPERATING EXPENDITURE (7000)	878	878	868		(10)	868
NON OPERATING REVENUE (4250, 4260, 4270, 4280, 4300, 4500)	11,437	15,755	15,864		109	15,864
NET NON OPERATING - SURPLUS / (DEFICIT)	10,559	14,877	14,996		119	14,996

Financial Report: refer detailed Summary

HIGH LEVEL SUMMARY BY FUNCTION

13. SUMMARY

	Original Budget '000	Revised BR4 '000	Proposed Budget '000	Actual 30/06/2014 '000	Variance now Requested '000	Proposed E of Y Budget Forecast '000
OPERATING EXPENDITURE	22,775	22,899	22,698		(201)	22,698
OPERATING REVENUE	22,775	23,253	22,263		(990)	22,263
NET OPERATING BUDGET SURPLUS/(DEFICIT)	0	354	(435)		(789)	(435)
CAPITAL EXPENDITURE	10,559	14,952	14,724		(228)	14,724
CAPITAL REVENUE	0	0	0			
NON OPERATING EXPENDITURE	878	878	868		(10)	868
NON OPERATING REVENUE	11,437	15,755	15,864		109	15,864
NET CASH BUDGET SURPLUS/(DEFICIT)	0	279	163		442	163

2. DETAILED SUMMARY OF REQUESTED BUDGET VARIATIONS

Account No.	Description	Original Budget '000	Revised BR4 '000	Proposed Budget '000	Actual 30/06/2014 '000	Variance now Requested '000	Proposed E of Y Budget Forecast '000
	2.1 OPERATING REVENUE						
	ADMINISTRATION						
4112.0024	NRM Levy	(556,000)	-	(545,000)	(544,445)	11,000	(545,000)
4120.0201	Grants Commission - General Purpose (In Advance Payments)	2,038,000	2,202,000	1,162,000	1,161,171	(1,040,000)	1,162,000
4220.0202	Grants Commission - Road Grant (In Advance Payments)	376,000	382,000	156,000	155,976	(226,000)	156,000
						(1,255,000)	
	COMMUNITY SERVICES						
4133.0337	Lifelong Learning / Tertiary Grants	-	-	6,000	5,927	6,000	6,000
4134.0340	Bus Shelter Subsidy	16,000	-	-	-	(16,000)	-
4134.0350	Main Corner - Hire Fees	39,000	34,000	47,000	46,733	13,000	47,000
						3,000	
	CULTURAL						
4140.0403	Library Operating - District Council of Grant	146,000	-	156,000	156,611	10,000	156,000
4140.0405	Library Operating - Other Revenue	-	-	16,000	15,954	16,000	16,000
4140.0407	Library Operating - Capital Grant	110,000	-	100,000	100,424	(10,000)	100,000
4142.0421	City Hall/Institute - Hire	45,000	-	93,000	93,116	48,000	93,000
4142.0422	Cultural Venues - Lease/Rentals	80,000	-	50,000	50,375	(30,000)	50,000
						34,000	
	ENVIRONMENT						
4162.0621	Waste Management - Bin Fees	20,000	33,000	51,000	51,388	18,000	51,000
4162.0626	Waste Management - Disposal Fees	1,400,000	-	1,474,000	1,474,418	74,000	1,474,000
						92,000	
	REGULATORY						
4180.0805	Building Fees	91,000	96,000	108,000	107,673	12,000	108,000
4180.0810	Planning Fees	95,000	-	102,000	101,706	7,000	102,000
4180.0830	Parking Fees	25,000	-	32,000	32,084	7,000	32,000
						26,000	
	UNCLASSIFIED						
4210.1102	Private Works - General	50,000	-	41,000	40,675	(9,000)	41,000
4210.1110	Private Works - Roadworks	60,000	10,000	7,000	6,913	(3,000)	7,000
4230.1301	Sundry Revenue - Search Fees	25,000	32,000	40,000	40,009	8,000	40,000
4230.1303	Sundry Properties - Lease/Rentals	130,000	-	137,000	137,366	7,000	137,000
4230.1304	Sundry Sales	18,000	-	5,000	4,881	(13,000)	5,000
4230.1305	Sundry Income	2,000	114,000	148,000	148,162	34,000	148,000
4230.1310	Gain on Disposal of Assets	5,000	25,000	65,000	65,590	40,000	65,000
						64,000	

		Original Budget '000	Revised BR4 '000	Proposed Budget '000	Actual 30/06/2014 '000	Variance now Requested '000	Proposed E of Y Budget Forecast '000
	2.1 OPERATING REVENUE cont'd...						
	RECREATION						
4170.0708	Sports Facilities - Outdoor - Lease Fees/Contributions	55,000	-	71,000	71,075	16,000	71,000
						16,000	
	TRANSPORT						
4193.0931	Reinstatement - Fees	25,000	30,000	49,000	49,026	19,000	49,000
4193.0932	Reimbursements	12,000	-	23,000	23,000	11,000	23,000
						30,000	
	TOTAL OPERATING REVENUE Increase (Decrease)					(990,000)	

		Original Budget '000	Revised BR4 '000	Proposed Budget '000	Actual 30/06/2014 '000	Variance now Requested '000	Proposed E of Y Budget Forecast '000
	2.2 OPERATING EXPENDITURE						
	ADMINISTRATION						
6000.0100	Elected Members - Mayors Allowance	67,000	-	55,000	55,491	(12,000)	55,000
6000.0101	Elected Members - Other Members Allowances	182,000	-	161,000	160,599	(21,000)	161,000
6000.0104	Elected Members - Expenses	33,000	-	43,000	42,547	10,000	43,000
6000.0105	Elected members - Training and Development	13,000	10,000	5,000	4,569	(5,000)	5,000
6000.0106	Elected Members - Civic Receptions/Expenses	30,000	20,000	15,000	15,234	(5,000)	15,000
6002.0010	Organisational - Salaries	863,000	-	840,000	840,014	(23,000)	840,000
6002.0031	Oganisational - FBT Exp.	50,000	-	36,000	36,103	(14,000)	36,000
6002.0038	Organisations - Operating	90,000	80,000	100,000	99,655	20,000	100,000
6002.0204	Organisational - Insurance	45,000	-	29,000	28,907	(16,000)	29,000
6002.0220	Organisational - Bus Continuity	5,000	-	-	-	(5,000)	-
						(71,000)	
	SUPPORT SERVICES						
6011.0010	Accounting/Finance - Salaries	237,000	-	230,000	229,838	(7,000)	230,000
6012.0011	Payroll Services - Salary and Wage Financial Year Allocation	-	-	30,000	29,604	30,000	30,000
6012.0030	Payroll Services - Corporate Wardrobe	25,000	-	40,000	39,534	15,000	40,000
6013.0010	Human Resources - Salaries	147,000	137,000	130,000	130,025	(7,000)	130,000
6013.0321	Human Resources - WHS	30,000	-	37,000	37,439	7,000	37,000
6014.0331	Information Technology - Equipment Maintenance	322,000	-	328,000	328,242	6,000	328,000
6015.0340	Telephone/Internet	40,000	-	13,000	13,314	(27,000)	13,000
6016.0038	Rates - Operating Expenditure	40,000	-	51,000	51,521	11,000	51,000
6016.0352	Rates - Legal	5,000	-	-	-	(5,000)	-
6017.0010	Records Management - Salaries	132,000	-	124,000	123,847	(8,000)	124,000
6017.0038	Records Management - Operating Expenditure	34,000	-	25,000	24,815	(9,000)	25,000
6018.0370	Occupancy - Civic Centre Maintenance	120,000	150,000	165,000	165,594	15,000	165,000
6021.0039	Other Support Services - PR & Communications	55,000	-	37,000	37,110	(18,000)	37,000
						3,000	

		Original Budget '000	Revised BR4 '000	Proposed Budget '000	Actual 30/06/2014 '000	Variance now Requested '000	Proposed E of Y Budget Forecast '000
	2.2 OPERATING EXPENDITURE (cont'd...)						
	COMMUNITY SERVICES						
6100.0400	Crime Prevention - Initiatives	25,000	-	32,000	32,093	7,000	32,000
6126.0540	Community Assistance - Community Information	7,000	-	-	-	(7,000)	-
6126.0541	Community Assistance - General Donations (In-Kind)	194,000	170,000	195,000	195,147	25,000	195,000
6126.0038	Other Community Support - Operating Expenditure	10,000	-	19,000	18,946	9,000	19,000
6129.0565	Other Community Support - Major Community Events	60,000	-	43,000	42,376	(17,000)	43,000
6129.0568	Other Community Support - Tertiary Education Grants	16,000	-	9,000	8,357	(7,000)	9,000
6138.0010	Other Community Amenities - Main Corner - Salaries	184,000	-	174,000	174,522	(10,000)	174,000
6138.0640	Other Community Amenities - Main Corner - Sale Items	20,000		29,000	29,139	9,000	29,000
						9,000	
	CULTURAL SERVICES						
6200.0010	Library Services - Salaries	728,000	-	716,000	715,834	(12,000)	716,000
6200.0630	Library Services - Power, Water, Air Conditioning	70,000		76,000	76,190	6,000	76,000
6200.0631	Library Services - Cleaning	76,000	-	86,000	86,724	10,000	86,000
6200.0633	Library Services - Equipment Maintenance	100,000	125,000	111,000	111,144	(14,000)	111,000
6200.0641	Library Services - Printing, Stationary	24,000	19,000	14,000	14,348	(5,000)	14,000
6200.0642	Library Services - Promotion	8,000	-	3,000	3,399	(5,000)	3,000
6210.0680	Cultural Venues - City Hall Complex	80,000	-	92,000	91,962	12,000	92,000
6210.0681	Cultural Venues - Wehl Street Theatre	32,000	-	24,000	23,602	(8,000)	24,000
6240.0731	Other Cultural Services - Christmas Parade	33,000	-	16,000	16,155	(17,000)	16,000
6240.0738	Other Cultural Services - Conservation/Wildlife Park	25,000	33,000	26,000	25,996	(7,000)	26,000
6240.0744	Other Cultural Services - Fun Day	29,000	16,000	-	-	(16,000)	-
						(56,000)	

		Original Budget '000	Revised BR4 '000	Proposed Budget '000	Actual 30/06/2014 '000	Variance now Requested '000	Proposed E of Y Budget Forecast '000
	2.2 OPERATING EXPENDITURE (cont'd...)						
	ECONOMIC						
6350.0010	Tourism - Major Events - Salaries	125,000	-	116,000	116,405	(9,000)	116,000
6350.0808	Tourism - Promotion	62,000	-	22,000	22,313	(40,000)	22,000
6350.0815	Tourism - Trails	5,000	-	-	-	(5,000)	-
6360.0010	Tourism - Lady Nelson - Salaries	240,000	-	232,000	231,312	(8,000)	232,000
6360.0830	Tourism - Lady Nelson - Power, Water, Air Conditioning	32,000	37,000	43,000	43,338	6,000	43,000
6360.0832	Tourism - Lady Nelson - Promotion	13,000	-	6,000	5,685	(7,000)	6,000
6360.0835	Tourism - Lady Nelson - Brig Maintenance	10,000	-	-	50	(10,000)	-
						(73,000)	
	ENVIRONMENT						
6410.0880	Waste Management - Garbage Collection	510,000	-	525,000	525,747	15,000	525,000
6410.0884	Waste Management - Greenwaste Collection	140,000	-	145,000	145,173	5,000	145,000
6410.0885	Waste Management - Greenwaste Disposal	115,000	-	120,000	119,415	5,000	120,000
6410.0888	Waste Management - Transfer Centre Operations	150,000	162,000	185,000	185,177	23,000	185,000
6410.0890	Waste Management - Landfill Operations	415,000	-	448,000	447,923	33,000	448,000
6410.0892	Waste Management - Waste Levy	468,000	-	475,000	475,065	7,000	475,000
6430.0920	Street Sweeping - City Centre	107,000	79,000	70,000	69,928	(9,000)	70,000
6440.0930	Street Lighting	455,000	-	445,000	444,825	(10,000)	445,000
						69,000	
	RECREATION						
6500.0960	Parks/Gardens - Cave Garden	135,000	130,000	116,000	115,992	(14,000)	116,000
6500.0964	Parks/Gardens - Crater Lakes	270,000	-	265,000	264,783	(5,000)	265,000
6500.0969	Parks/Gardens - Old Hospital Site	20,000	-	12,000	11,242	(8,000)	12,000
6500.0974	Parks/Gardens - Playgrounds	35,000	-	42,000	41,963	7,000	42,000
6500.0975	Parks/Gardens - Rail Lands	20,000	-	3,000	2,538	(12,000)	3,000
6500.0976	Parks/Gardens - General	545,000	15,000	524,000	524,446	(45,000)	524,000
6500.0978	Parks/Gardens - Umpherston	72,000	569,000	86,000	85,700	14,000	86,000
6500.0980	Parks/Gardens - Vansittart Park Gardens	128,000	-	122,000	121,972	(6,000)	122,000
6530.1012	Sports Facilities - Outdoor - Vansittart Park Oval	40,000	-	19,000	18,446	(6,000)	19,000
6530.1013	Sports Facilities - Sundry	8,000	25,000	3,000	2,943	(5,000)	3,000
6560.1040	Other Recreation - Special Assistance Program	15,000	-	-	-	(15,000)	-
						(95,000)	

		Original Budget '000	Revised BR4 '000	Proposed Budget '000	Actual 30/06/2014 '000	Variance now Requested '000	Proposed E of Y Budget Forecast '000
	2.2 OPERATING EXPENDITURE (cont'd...)						
	REGULATORY						
6600.0010	Dog Control - Salaries	120,000	130,000	143,000	143,378	13,000	143,000
6600.0021	Dog Control - Superannuation	14,000	-	9,000	8,516	(5,000)	9,000
6620.0010	Building Control - Salaries	216,000	-	211,000	210,920	(5,000)	211,000
6620.0038	Building Control - Operating	16,000	18,000	24,000	23,785	6,000	24,000
6630.0021	City Planning - Superannuation	26,000	-	20,000	19,689	(6,000)	20,000
6630.0038	City Planning - Operating	15,000	-	22,000	21,677	7,000	22,000
6630.1120	City Planning - Legal Expenses	35,000	77,000	96,000	95,843	19,000	96,000
6630.1127	City Planning - Better Development Plan	-	35,000	13,000	12,768	(22,000)	13,000
6660.0010	Health - Salaries	126,000	-	106,000	105,698	(20,000)	106,000
6670.0021	Parking - Superannuation	-	-	7,000	6,859	7,000	7,000
6670.0038	Parking - Operating	24,000	-	19,000	18,717	(5,000)	19,000
						(11,000)	
	TRANSPORT						
6730.1231	Footpaths/Kerbing - Kerbing Maintenance	22,000	-	28,000	28,340	6,000	28,000
6740.1240	Roads - Maintenance	170,000	-	160,000	159,388	(10,000)	160,000
6740.1244	Median Maintenance	70,000	-	79,000	78,515	9,000	79,000
						5,000	
	ENGINEERING/INDIRECT						
6800.0010	Engineering Department - Salaries	399,000	-	409,000	408,304	10,000	409,000
6800.0021	Engineering Department - Superannuation	40,000	-	53,000	53,197	13,000	53,000
6810.0021	Asset Management - Superannuation	6,000	-	-	-	(6,000)	-
6820.0018	Engineering - Field Staff - Public Holidays	122,000	-	130,000	130,018	8,000	130,000
6820.0019	Engineering - Field Staff - Sick/Family/Personal	90,000	-	127,000	126,499	37,000	127,000
6820.0021	Engineering - Field Staff - Superannuation	316,000	-	283,000	282,636	(33,000)	283,000
6820.0034	Engineering - Field Staff - Employee Expenses	50,000	-	44,000	43,538	(6,000)	44,000
6820.0035	Engineering - Field Staff - Training Expenses	20,000	15,000	9,000	8,540	(6,000)	9,000
6830.0010	Indirect Expenses - Depot Salaries	139,000	-	159,000	158,670	20,000	159,000
6830.0021	Indirect Expenses - Superannuation	14,000	-	28,000	27,877	14,000	28,000
6830.0038	Indirect Expenses - Operating Expenses	27,000	-	53,000	52,626	26,000	53,000

		Original Budget '000	Revised BR4 '000	Proposed Budget '000	Actual 30/06/2014 '000	Variance now Requested '000	Proposed E of Y Budget Forecast '000
	ENGINEERING/INDIRECT CONT'D...						
6830.1402	Indirect Expenses - Minor Plant Maintenance	52,000	-	42,000	42,761	(10,000)	42,000
6830.1406	Indirect Expenses - Protective Clothing	42,000	-	31,000	30,673	(11,000)	31,000
6840.1500	Labour On-Cost Allocation	(1,194,000)	(1,140,000)	(1,105,000)	(1,104,480)	35,000	(1,105,000)
6850.1600	Plant and Machinery Expenses - Maintenance and Repairs	445,000	-	466,000	466,345	21,000	466,000
6850.1601	Plant and Machinery Expenses - Fuel and Oil	350,000	-	380,000	379,983	30,000	380,000
6860.1700	Plant and Machinery Expenses - Plant Hire Allocation	(1,654,000)	(1,590,000)	(1,562,000)	(1,561,392)	28,000	(1,562,000)
						170,000	
	UNCLASSIFIED						
6940.1900	Sundry Expenditure - Property Maintenance	220,000	300,000	104,000	104,129	(196,000)	104,000
6940.1908	Sundry Expenditure - Building Repair/Maintenance	-	-	152,000	151,531	152,000	152,000
6940.1910	Sundry Expenditure - Loss on Asset Disposal	5,000	-	18,000	17,767	13,000	18,000
6940.1912	Sundry Expenditure - Loss on Asset Write Off	15,000	-	2,000	1,600	(13,000)	2,000
6960.0000	Finance Charges - Interest on Loans	369,000	-	262,000	261,715	(107,000)	262,000
						(151,000)	
	TOTAL OPERATING EXPENDITURE INCREASE/(DECREASE)					(201,000)	
	2.3 NON OPERATING EXPENDITURE						
7000.3001	Community Loans	10,000	-	-	-	(10,000)	-
	TOTAL OPERATING EXPENDITURE INCREASE/(DECREASE)					(10,000)	

		Original Budget '000	Revised BR4 '000	Proposed Budget '000	Actual 30/06/2014 '000	Variance now Requested '000	Proposed E of Y Budget Forecast '000
	<u>2.4 NON OPERATING REVENUE</u>						
4260.0000	Loan Repayments - Community Groups	100,000	-	86,000	85,890	(14,000)	86,000
4280.1801	Light Fleet Vehicles Disposal	102,000	96,000	87,000	86,909	(9,000)	87,000
4280.1802	Trucks Disposal	67,000	67,000	109,000	109,091	42,000	109,000
4280.1805	Graders Disposal	-	-	9,000	9,000	9,000	9,000
4280.1807	Minor Plant Disposal	55,000	37,000	69,000	69,345	32,000	69,000
4500.2001	Capital Projects - Grant Funding	-	2,105,000	2,154,000	2,154,000	49,000	2,154,000
	TOTAL NON OPERATING REVENUE INCREASE/(DECREASE)					109,000	
	<u>2.5 CAPITAL EXPENDITURE</u>						
7320.4025	Plant Purchases - Unit No. 5 (Tipper)	106,000	-	112,000	112,160	6,000	112,000
7370.4071	Plant Purchases - Unit No. 41 (Landfill Compactor)	-	105,000	111,000	111,168	6,000	111,000
7400.4102	Plant Purchases - Unit No. 62 (Street Sweeper)	280,000	-	300,000	299,259	20,000	300,000
7470.4601	Library Services - Capital Grant	110,000	-	100,000	100,424	(10,000)	100,000
7570.5171	Bus Shelter Program	32,000	-	23,000	23,135	(9,000)	23,000
7620.5305	Carpark Resurfacing	43,000	-	56,000	56,006	13,000	56,000
7665.5651	Street Trees/Guards	37,000	-	43,000	43,003	6,000	43,000
7680.5799	Parks, Gardens, Reserves	73,000	-	53,000	52,606	(20,000)	53,000
7680.5809	Engelbrecht Cave	10,000	-	-	618	(10,000)	-
7680.5810	Asset Renewal	162,000	-	220,000	220,177	58,000	220,000
7690.0000	Sports Facilities - Indoor	15,000	-	-	-	(15,000)	-
7700.0000	Sports Facilities - Outdoor	45,000	-	22,000	22,038	(23,000)	22,000
7800.0000	Stormwater Drainage	156,000	-	92,000	77,421	(64,000)	92,000
7830.0000	Footpaths	251,000	263,000	242,000	242,248	(21,000)	242,000
7900.0000	Roadworks	4,587,000	-	4,422,000	4,454,000	(165,000)	4,422,000
	TOTAL CAPITAL EXPENDITURE INCREASE/(DECREASE)					(228,000)	

3. SUMMARY OF REQUESTED BUDGET VARIATIONS

	Original Budget \$	Revised BR4 \$	Variation Requested \$	Proposed BR5 \$
OPERATING				
Operating Expenditure Increase/(Decrease)	22,775,000	22,899,000	(201,000)	22,698,000
Operating Revenue Increase/(Decrease)	22,775,000	23,253,000	(990,000)	22,263,000
Operating Surplus/(Deficit)	0	354,000	(789,000)	(435,000)
CAPITAL EXPENDITURE				
Capital Expenditure Increase/(Decrease)	10,559,000	14,952,000	(228,000)	14,724,000
CAPITAL REVENUE				
Capital Revenue Increase/(Decrease)	0	0	0	0
NON OPERATING EXPENDITURE				
Non Operating Expenditure Increase/(Decrease)	878,000	878,000	(10,000)	868,000
NON OPERATING REVENUE				
Non Operating Revenue Increase (Decrease)	11,437,000	15,755,000	109,000	15,864,000
Revised Cash Budget Surplus/(Deficit)	0	279,000	(442,000)	(163)
SUMMARY OF ALTERATIONS : SURPLUS/(DEFICIT)	Operating Budget		Cash Budget	
Adopted Budget	0		0	
Revised Budget - (Work in Progress)	(451,000)		0	
Budget Update No. 1 (as at 30th September, 2013)	(332,000)		48,000	
Budget Update No. 2 (as at 30th November, 2013)	(165,000)		129,000	
Budget Update No. 3 (as at 28th February, 2014)	124,000		(660,000)	
Budget Update No. 4 (as at 30th April, 2014)	354,000		279,000	
Budget Update No 5 (as at 30th June, 2014)	(435,000)		(163,000)	

4. BR5 Commentary

- This is the fifth Budget Review for the 2013/2014 financial year other than the interim review which introduced work in progress amounts from 2012/2013 into the 2013/2014 Budget.
- BR5 takes into account all costs attributable to the 2013/2014 Financial Year
- In completing the final BR5 review any variances to the value of \$5,000 or more have been identified and recommended as a variation/budget adjustment.
- Operating Revenue decreases by \$ 990,000 principally due to the adjustment for grants commission funding previously received in advance. Due to the change in Federal Government advance financial assistance grants were not received in 13/14 as previously had been the practice, resulting in only 2 instead of 4 payments being received i.e.
 - General Purpose Grant – less \$1,040,000
 - Road Grant - less \$ 226,000
- Operating Expenditure decreases by \$201,000 principally due to a range of Budget reductions (refer detailed report).
- Capital expenditure decreases by \$228,000 again principally due to a range of budget adjustments (refer detailed report).
- Non Operating Revenue increases by \$109,000.
- Non Operating Expenditure decreases by \$10,000.
- In overall terms BR5 provides for;
 - A decrease in Operating Expenditure of \$201,000
 - A decrease in Operating Revenue of \$ 990,000
 - A net loss to the operating result of \$789,000
- Council's Budgeted Operating commentary;
 - The adopted Budget provided for a balanced operating result
 - Interim (WIP) Review resulted in a \$451,000 Operating Deficit
 - BR1 resulted in a \$332,000 deficit as at 30th September, 2013
 - BR2 results in a \$165,000 deficit as at 30th November, 2013
 - BR3 results in a \$124,000 surplus as at 28th February, 2014
 - BR4 results in a \$354,000 surplus as at 30th April, 2014
 - BR5 results in a \$435,000 deficit as at 30th June, 2014
- Council's Cash Budget commentary:
 - adopted balanced cash Budget
 - the Interim (WIP) Review Council continued to maintain a balanced Cash Budget
 - as a result of BR1 Council Cash Budget provides for a \$48,000 surplus as at 30th September, 2013
 - BR2 results in a \$129,000 surplus as at 30th November, 2013.
 - BR3 results in a \$660,000 deficit as at 28th February, 2014.
 - BR4 results in a \$279,000 surplus as at 30th April, 2014.
 - BR5 results in a \$163,000 deficit as at 30th June, 2014

Given the adjustments required to be made in respect of Grants Commission payments (a total reduction in revenue of \$1,266,000) an estimated Operating Budget result of \$435,000 (deficit) and an overall cash Budget result of \$163,000 (deficit) as at 30th June, 2014 is a solid result.

This major adjustment will be consistent across local government in South Australia where most Councils will record deficits as a result of this adjustment.

SUBJECT: INTERIM BUDGET UPDATE SEPTEMBER, 2014 (INTRODUCTION OF WORK IN PROGRESS ALLOCATIONS)

REF: AF13/457

Goal: Governance

Strategic Objective: Demonstrate innovative and responsive organisational governance.

Following the introduction of the Local Government (Financial Management) Regulations 2011, Council completed a review of its Budget reporting processes (Corporate and Community Services Report No. 30/3012 - Monitoring Council's Budget Performance) resulting in the adoption of the new Policy B300 - Budget Reporting and Amendment.

The objective of the Budget Reporting and Amendment Policy is to provide management with a framework to operate in regard to the following:

- The content, timing and process to be followed for reporting to Council on its performance against budget;
- The scope and conditions associated with the Chief Executive Officer approving variations in activity (that are within the scope of the approved budget allocations) without obtaining Council approval; and
- The process required to be followed as well as general guidelines in relation to the carrying forward of expenditure authority associated with projects included in the budget for the previous year.

The Policy provides for a Budget Update report to be prepared and included in the agenda of the Ordinary Meeting of Council's Corporate and Community Services Committee in the months of November and March (as a minimum). The report will highlight at summary level budget activity for the year to date, original and revised budget information, and include the latest revised forecast of expected budget results for the year.

As part of Council's Budget reporting regime, the introduction of Work in Progress allocations or funds "carried over" from projects/activities budgeted for in the previous financial year and not completed/in progress are now introduced.

This Interim Budget Update refers solely to Work in Progress allocations and does not seek to review 2014/2015 Budget/Actual comparative figures at this time.

RECOMMENDATION

- (a) Corporate and Community Services Report No. 58/2014 be received;
- (b) the Interim Budget Update - September 2014 (introduction of Work in Progress allocations) as presented with this Report be adopted by Council with all amendments to be made to the 2014/2015 Council Budget.



Grant HUMPHRIES
DIRECTOR - CORPORATE SERVICES

Sighted:



Mark McSHANE
CHIEF EXECUTIVE OFFICER



**INTERIM BUDGET UPDATE: SEPTEMBER 2014
(INTRODUCTION OF WORK IN PROGRESS ALLOCATIONS FROM 2013/2014 BUDGET)**

- 1. HIGH LEVEL SUMMARY BY FUNCTION (PAGES 1 - 13)**
- 2. DETAILED SUMMARY OF WORK IN PROGRESS ALLOCATIONS (PAGES 14)**
- 3. NEW BUDGET SUMMARY (PAGE 15)**
- 4. INTERIM BUDGET UPDATE COMMENTARY (PAGE 16)**
- 5. UNIFORM PRESENTATION OF FINANCES**

HIGH LEVEL SUMMARY BY FUNCTION

1. ADMINISTRATION

	Original Budget '000	Revised '000	Proposed Budget '000	Actual '000	Variance now Requested '000	Proposed E of Y Budget Forecast '000
OPERATING EXPENDITURE (6000 - 6002)	1,728					
OPERATING REVENUE (4100 - 4120)	19,480					
NET OPERATING - SURPLUS / (DEFICIT)	17,752					
CAPITAL EXPENDITURE (7500)	120		240		120	240
CAPITAL REVENUE						
NET CAPITAL - SURPLUS / (DEFICIT)	(120)		(240)		120	(240)
NON OPERATING EXPENDITURE						
NON OPERATING REVENUE						
NET NON OPERATING - SURPLUS / (DEFICIT)						

Financial Report: refer detailed Summary

HIGH LEVEL SUMMARY BY FUNCTION

2. SUPPORT SERVICES

	Original Budget '000	Revised '000	Proposed Budget '000	Actual '000	Variance now Requested '000	Proposed E of Y Budget Forecast '000
OPERATING EXPENDITURE (6010)	3,223					
OPERATING REVENUE						
NET OPERATING - SURPLUS / (DEFICIT)	(3,223)					
CAPITAL EXPENDITURE (7460)	110		133		23	133
CAPITAL REVENUE						
NET CAPITAL - SURPLUS / (DEFICIT)	(110)		(133)		23	(133)
NON OPERATING EXPENDITURE						
NON OPERATING REVENUE						
NET NON OPERATING - SURPLUS / (DEFICIT)						

Financial Report: refer detailed Summary

HIGH LEVEL SUMMARY BY FUNCTION

3. COMMUNITY

	Original Budget '000	Revised '000	Proposed Budget '000	Actual '000	Variance now Requested '000	Proposed E of Y Budget Forecast '000
OPERATING EXPENDITURE (6100)	1,612		1,627		15	1,627
OPERATING REVENUE (4130)	114		114		-	114
NET OPERATING - SURPLUS / (DEFICIT)	(1,498)		(1,513)		15	(1,513)
CAPITAL EXPENDITURE (7560, 7570, 7620)	126					
CAPITAL REVENUE						
NET CAPITAL - SURPLUS / (DEFICIT)	(126)					
NON OPERATING EXPENDITURE						
NON OPERATING REVENUE						
NET NON OPERATING - SURPLUS / (DEFICIT)						

Financial Report: refer detailed Summary

HIGH LEVEL SUMMARY BY FUNCTION

4. CULTURAL

	Original Budget '000	Revised '000	Proposed Budget '000	Actual '000	Variance now Requested '000	Proposed E of Y Budget Forecast '000
OPERATING EXPENDITURE (6200)	2,982					
OPERATING REVENUE (4140 - 4142)	388					
NET OPERATING - SURPLUS / (DEFICIT)	(2,594)					
CAPITAL EXPENDITURE (7470, 7640, 7650)	213		224		11	224
CAPITAL REVENUE						
NET CAPITAL - SURPLUS / (DEFICIT)	(213)		(224)		11	(224)
NON OPERATING EXPENDITURE						
NON OPERATING REVENUE						
NET NON OPERATING - SURPLUS / (DEFICIT)						

Financial Report: refer detailed Summary

HIGH LEVEL SUMMARY BY FUNCTION

5. ECONOMIC

	Original Budget '000	Revised '000	Proposed Budget '000	Actual '000	Variance now Requested '000	Proposed E of Y Budget Forecast '000
OPERATING EXPENDITURE (6300)	1,487					
OPERATING REVENUE (4153)	384					
NET OPERATING - SURPLUS / (DEFICIT)	(1,103)					
CAPITAL EXPENDITURE	8					
CAPITAL REVENUE						
NET CAPITAL - SURPLUS / (DEFICIT)	(8)					
NON OPERATING EXPENDITURE						
NON OPERATING REVENUE						
NET NON OPERATING - SURPLUS / (DEFICIT)						

Financial Report: refer detailed Summary

HIGH LEVEL SUMMARY BY FUNCTION

6. ENVIRONMENT

	Original Budget '000	Revised '000	Proposed Budget '000	Actual '000	Variance now Requested '000	Proposed E of Y Budget Forecast '000
OPERATING EXPENDITURE (6400)	3,717					
OPERATING REVENUE (4162)	1,736					
NET OPERATING - SURPLUS / (DEFICIT)	(1,981)					
CAPITAL EXPENDITURE (7670, 7665, 7800)	251		1,364		1113	1,364
CAPITAL REVENUE						
NET CAPITAL - SURPLUS / (DEFICIT)	(251)		(1,364)		1,113	(1,364)
NON OPERATING EXPENDITURE						
NON OPERATING REVENUE						
NET NON OPERATING - SURPLUS / (DEFICIT)						

Financial Report: refer detailed Summary

HIGH LEVEL SUMMARY BY FUNCTION

7. RECREATIONAL

	Original Budget '000	Revised '000	Proposed Budget '000	Actual '000	Variance now Requested '000	Proposed E of Y Budget Forecast '000
OPERATING EXPENDITURE (6500)	2,573					
OPERATING REVENUE (4170)	68					
NET OPERATING - SURPLUS / (DEFICIT)	(2,505)					
CAPITAL EXPENDITURE (7680, 7690, 7700, 7730)	3,360		4,660		1300	4,660
CAPITAL REVENUE						
NET CAPITAL - SURPLUS / (DEFICIT)	(3,360)		(4,660)		1300	(4,660)
NON OPERATING EXPENDITURE						
NON OPERATING REVENUE						
NET NON OPERATING - SURPLUS / (DEFICIT)						

Financial Report: refer detailed Summary

HIGH LEVEL SUMMARY BY FUNCTION

8. REGULATORY

	Original Budget '000	Revised '000	Proposed Budget '000	Actual '000	Variance now Requested '000	Proposed E of Y Budget Forecast '000
OPERATING EXPENDITURE (6600)	1,117					
OPERATING REVENUE (4180)	418					
NET OPERATING - SURPLUS / (DEFICIT)	(699)					
CAPITAL EXPENDITURE						
CAPITAL REVENUE						
NET CAPITAL - SURPLUS / (DEFICIT)						
NON OPERATING EXPENDITURE						
NON OPERATING REVENUE						
NET NON OPERATING - SURPLUS / (DEFICIT)						

Financial Report: refer detailed Summary

HIGH LEVEL SUMMARY BY FUNCTION

9. TRANSPORT

	Original Budget '000	Revised '000	Proposed Budget '000	Actual '000	Variance now Requested '000	Proposed E of Y Budget Forecast '000
OPERATING EXPENDITURE (6700)	2,697					
OPERATING REVENUE (4192, 4193)	316					
NET OPERATING - SURPLUS / (DEFICIT)	(2,381)					
CAPITAL EXPENDITURE (7300, 7400, 7450)	4,233		4,395		162	4,395
CAPITAL REVENUE						
NET CAPITAL - SURPLUS / (DEFICIT)	(4,233)		(4,395)		162	(4,395)
NON OPERATING EXPENDITURE						
NON OPERATING REVENUE						
NET NON OPERATING - SURPLUS / (DEFICIT)						

Financial Report: refer detailed Summary

HIGH LEVEL SUMMARY BY FUNCTION

10. ENGINEERING/INDIRECT

	Original Budget '000	Revised '000	Proposed Budget '000	Actual '000	Variance now Requested '000	Proposed E of Y Budget Forecast '000
OPERATING EXPENDITURE (6800)	1,065					
OPERATING REVENUE						
NET OPERATING - SURPLUS / (DEFICIT)	(1,065)					
CAPITAL EXPENDITURE (7830, 7900)	12		1,659		1,647	1,659
CAPITAL REVENUE						
NET CAPITAL - SURPLUS / (DEFICIT)	(12)		(1,659)		1,647	(1,659)
NON OPERATING EXPENDITURE						
NON OPERATING REVENUE						
NET NON OPERATING - SURPLUS / (DEFICIT)						

Financial Report: refer detailed Summary

HIGH LEVEL SUMMARY BY FUNCTION

11. UNCLASSIFIED

	Original Budget '000	Revised '000	Proposed Budget '000	Actual '000	Variance now Requested '000	Proposed E of Y Budget Forecast '000
OPERATING EXPENDITURE (6900)	960					
OPERATING REVENUE (4210, 4230, 4240)	213					
NET OPERATING - SURPLUS / (DEFICIT)	(747)					
CAPITAL EXPENDITURE						
CAPITAL REVENUE						
NET CAPITAL - SURPLUS / (DEFICIT)						
NON OPERATING EXPENDITURE						
NON OPERATING REVENUE						
NET NON OPERATING - SURPLUS / (DEFICIT)						

Financial Report: refer detailed Summary

HIGH LEVEL SUMMARY BY FUNCTION

12. NON - OPERATING

	Original Budget '000	Revised '000	Proposed Budget '000	Actual '000	Variance now Requested '000	Proposed E of Y Budget Forecast '000
OPERATING EXPENDITURE						
OPERATING REVENUE						
NET OPERATING - SURPLUS / (DEFICIT)						
CAPITAL EXPENDITURE						
CAPITAL REVENUE						
NET CAPITAL - SURPLUS / (DEFICIT)						
NON OPERATING EXPENDITURE (7000)	726		726		-	726
NON OPERATING REVENUE (4250, 4260, 4270, 4280, 4300, 4500)	9,118		13,509		4,391	13,509
NET NON OPERATING - SURPLUS / (DEFICIT)	8,392		12,783		4,391	12,783

Financial Report: refer detailed Summary

HIGH LEVEL SUMMARY BY FUNCTION

13. SUMMARY

	Original Budget '000	Revised '000	Proposed Budget '000	Actual '000	Variance now Requested '000	Proposed E of Y Budget Forecast '000
OPERATING EXPENDITURE	23,161		23,176		15	23,176
OPERATING REVENUE	23,117		23,117		-	23,117
NET OPERATING BUDGET SURPLUS/(DEFICIT)	(44)		(59)		-15	(59)
CAPITAL EXPENDITURE	8,433		12,809		4,376	12,809
CAPITAL REVENUE						
NON OPERATING EXPENDITURE	726		726		-	726
NON OPERATING REVENUE	9,118		13,509		4,391	13,509
NET CASH BUDGET SURPLUS/(DEFICIT)	(85)		(85)		-	(85)

2. DETAILED SUMMARY OF WORK IN PROGRESS ALLOCATIONS

Account No.	Description	Original Budget \$	Revised Budget \$	Variance now Requested \$	Revised E of Y Budget \$
	2.1 OPERATING REVENUE				
	OPERATING REVENUE: INCREASE/(DECREASE)			Nil	
	2.2 OPERATING EXPENDITURE				
6114.0473	Opal Operating	19,000	34,000	15,000	34,000
	OPERATING EXPENDITURE: INCREASE/(DECREASE)			15,000	
	2.3 NON OPERATING REVENUE				
4270.1708	Accumulated Reserves - Work in Progress	1,100,000	5,485,000	4,385,000	5,485,000
4300.0000	Plant and Machinery - Unit 14 (Trade-In)	229,000	235,000	6,000	235,000
	NON-OPERATING REVENUE: INCREASE/(DECREASE)			4,391,000	
	2.4 NON OPERATING EXPENDITURE				
	NON-OPERATING EXPENDITURE: INCREASE/(DECREASE)			Nil	
	2.5 CAPITAL EXPENDITURE				
7320.0000	Plant and Machinery - Capital Purchases (Unit 14)	1,079,000	1,141,000	62,000	1,141,000
7300.0000	Plant and Machinery - Reserve Funds Now Allocated	1,141,000	1,241,000	100,000	1,241,000
7460.4407	Office Equipment - Software Purchases	110,000	133,000	23,000	133,000
7500.5002	Civic Centre - GRC Panels	120,000	240,000	120,000	240,000
7650.5503	Old Town Hall - Air Conditioning Services	-	11,000	11,000	11,000
7670.5701	Waste Management - Landfill Construction	-	1,088,000	1,088,000	1,088,000
7680.5803	Crater Lakes - Conservation Park	460,000	473,000	13,000	473,000
7680.5811	Railway Lands Redevelopment	2,000,000	2,993,000	993,000	2,993,000
7680.5812	Old Hospital Site	500,000	794,000	294,000	794,000
7830.1999	Bike Plan	40,000	47,000	7,000	47,000
7900.3999	Road Construction - Boundary Roads Program	246,000	492,000	246,000	492,000
7900.3999	Road Construction - Ferrers Street	-	69,000	69,000	69,000
7900.3999	Road Construction - O'Leary Road	-	410,000	410,000	410,000
7900.3999	CBD Renewal	300,000	1,215,000	915,000	1,215,000
7800.0999	Drainage Program Ambrose Court	-	15,000	15,000	15,000
7800.0999	Drainage Program Turnbull Drive	-	10,000	10,000	10,000
	CAPITAL EXPENDITURE: INCREASE/(DECREASE)			4,376,000	

3. NEW BUDGET SUMMARY

	Original Budget \$	Variation Requested \$	Revised Budget \$
OPERATING REVENUE			
Operating Expenditure Increase (Decrease)	23,161,000	15,000	23,176,000
Operating Revenue Increase (Decrease)	23,117,000	Nil	23,117,000
Operating Surplus/(Deficit)	(44,000)	15,000	(59,000)
CAPITAL EXPENDITURE			
Capital Expenditure Increase (Decrease)	8,433,000	4,376,000	12,809,000
CAPITAL REVENUE			
Capital Revenue Increase (Decrease)	0	0	0
NON OPERATING EXPENDITURE			
Non Operating Expenditure Increase (Decrease)	726,000	Nil	726,000
NON OPERATING REVENUE			
Non Operating Revenue Increase (Decrease)	9,118,000	4,391,000	13,509,000
Revised Cash Budget Surplus/(Deficit)	(85,000)	0	(85,000)
SUMMARY OF ALTERATIONS - SURPLUS/(DEFICIT)		OPERATING BUDGET	CASH BUDGET
Adopted Budget		(44,000)	(85,000)
Interim Budget Update (introduction of work in progress)		(59,000)	(85,000)

**CITY OF MOUNT GAMBIER
BUDGET 2014/15**

Statement of Comprehensive Income

BUDGET 2013/14 \$ '000	INCOME	WIP 2014/15 \$ '000
16,272	Rates	17,066
361	Statutory Charges	418
2,623	User Charges	2,610
3,253	Grants Subsidies and Contributions	2,900
10	Investment Income	5
229	Reimbursements	118
0	Other	0
0	Share of profit - joint ventures and associates	0
22,748	TOTAL REVENUES	23,117
	EXPENSES	
8,491	Wages and Salaries	8,669
7,683	Materials, contracts & other expenses	7,844
369	Finance Costs	568
6,232	Depreciation, amortisation & impairment	6,095
0	Share of loss - joint ventures & associates	0
22,775	Total Expenses	23,176
-27	OPERATING SURPLUS/(DEFICIT) BEFORE CAPITAL AMOUNTS	-59
0	Net gain (loss) on disposal or revaluation of assets	0
27	Amounts specifically for new or upgraded assets	0
0	Physical resources received free of charge	0
0	NET SURPLUS/(DEFICIT)	-59
0		-59

**CITY OF MOUNT GAMBIER
BUDGET 2014/15**

Cash Flow Statement

BUDGET 2013/14 \$ '000		WIP 2014/15 \$ '000 Inflows (Outflows)
	CASHFLOWS FROM OPERATING ACTIVITIES	
	RECEIPTS	
22,738	Operating Receipts	23,112
10	Investment Receipts	5
	PAYMENTS	
-16,149	Operating payments to suppliers & employees	-16,513
-369	Finance Payments	-568
6,230	Net Cash provided by (or used in) Operating Activities	6,036
	CASH FLOWS FROM INVESTING ACTIVITIES	
	RECEIPTS	
27	Grants specifically for new or upgraded assets	0
224	Sale of Assets	359
100	Repayments of loans by community groups	108
	PAYMENTS	
-10	Loans made to community groups	-10
-3,850	Expenditure on renewal / replacement of assets	-6,054
-6,709	Expenditure on new / upgraded assets	-6,755
-10,218	Net Cash provided by (or used in) Investing Activities	-12,352
	CASH FLOWS FROM FINANCING ACTIVITIES	
	RECEIPTS	
4,588	Proceeds from Borrowings	1,093
	PAYMENTS	
-600	Repayment of Borrowings	5,138
3,988	NET CASH USED IN FINANCING ACTIVITIES	6,231
0	NET INCREASE (DECREASE) IN CASH HELD	-85
650	CASH AT BEGINNING OF YEAR	650
650	CASH AT END OF YEAR	565

**CITY OF MOUNT GAMBIER
BUDGET 2014/15**

Balance Sheet

BUDGET 2013/14 \$ '000		WIP 2014/15 \$ '000
	ASSETS	
	CURRENT ASSETS	
650	Cash and cash equivalents	565
1,149	Trade & other receivables	1,149
40	Inventories	40
0	Other Financial Assets	0
1,839		1,754
0	Non-Current Assets held for Sale	0
1,839	TOTAL CURRENT ASSETS	1,754
	NON-CURRENT ASSETS	
158	Financial Assets	60
0	Equity accounted investments in Council businesses	0
0	Investment Property	0
198,114	Infrastructure, Property, Plant & Equipment	204,469
0	Other Non-current Assets	0
198,272	TOTAL NON-CURRENT ASSETS	204,529
200,111	TOTAL ASSETS	206,283
	LIABILITIES	
	CURRENT LIABILITIES	
1,116	Trade & Other Payables	1,116
356	Borrowings	356
1,723	Short-term Provisions	1,723
0	Other Current Liabilities	0
3,195		3,195
0	Liabilities relating to Non-current Assets held for Sale	0
3,195	TOTAL CURRENT LIABILITIES	3,195
	NON-CURRENT LIABILITIES	
0	Trade & Other Payables	0
7,606	Long-term Borrowings	13,837
257	Long-term Provisions	257
0	Other Non-current Liabilities	0
7,863	TOTAL NON-CURRENT LIABILITIES	14,094
11,058	TOTAL LIABILITIES	17,289
189,053	NET ASSETS	188,994
	EQUITY	
47,897	Accumulated Surplus	53,398
131,574	Asset Revaluation	131,574
9,582	Other Reserves	4,022
189,053	TOTAL EQUITY	188,994

**CITY OF MOUNT GAMBIER
BUDGET 2014/15**

Statement of Changes in Equity

BUDGET 2013/14 \$ '000		WIP 2014/15 \$ '000
	ACCUMULATED SURPLUS	
48,060	Balance at end of previous reporting period	47,897
0	Net Result for Year	-59
105	Transfer From Reserves	5,560
-268	Transfer To Reserves	0
47,897	BALANCE AT END OF PERIOD	53,398
	ASSET REVALUATION RESERVE	
131,574	Balance at end of previous reporting period	131,574
0	Gain on revaluation of infrastructure, property, plant & equipment	0
0	Transfer to Accumulated Surplus on sale of infrastructure, property, plant & equipment	0
131,574	BALANCE AT END OF PERIOD	131,574
	LONG SERVICE LEAVE	
724	Balance at end of previous reporting period	619
0	Transfer to reserve from accumulated surplus	0
105	Transfer from reserve to accumulated surplus	-75
619	BALANCE AT END OF PERIOD	544
	OFF STREET CAR PARK	
267	Balance at end of previous reporting period	267
0	Transfer to reserve from accumulated surplus	0
0	Transfer from reserve to accumulated surplus	0
267	BALANCE AT END OF PERIOD	267
	PLANT REPLACEMENT	
1,561	Balance at end of previous reporting period	1,561
0	Transfer to reserve from accumulated surplus	0
0	Transfer from reserve to accumulated surplus	0
1,561	BALANCE AT END OF PERIOD	1,561
	LADY NELSON PARK REDEVELOPMENT	
6	Balance at end of previous reporting period	6
0	Transfer to reserve from accumulated surplus	0
0	Transfer from reserve to accumulated surplus	0
6	BALANCE AT END OF PERIOD	6
	ASSET REPLACEMENT	
1,296	Balance at end of previous reporting period	1,296
0	Transfer to reserve from accumulated surplus	0
0	Transfer from reserve to accumulated surplus	0
1,296	BALANCE AT END OF PERIOD	1,296

**CITY OF MOUNT GAMBIER
BUDGET 2014/15**

Statement of Changes in Equity

BUDGET 2013/14 \$ '000		WIP 2014/15 \$ '000
	LAND DIVISION - OUTSTANDING WORK	
232	Balance at end of previous reporting period	232
0	Transfer to reserve from accumulated surplus	0
0	Transfer from reserve to accumulated surplus	0
232	BALANCE AT END OF PERIOD	232
	DOWNSTREAM DRAINAGE	
116	Balance at end of previous reporting period	116
0	Transfer to reserve from accumulated surplus	0
0	Transfer from reserve to accumulated surplus	0
116	BALANCE AT END OF PERIOD	116
	WORK IN PROGRESS	
3,537	Balance at end of previous reporting period	3,537
0	Transfer to reserve from accumulated surplus	0
0	Transfer from reserve to accumulated surplus	-5,485
3,537	BALANCE AT END OF PERIOD	-1,948
	CITY CENTRE IMPROVEMENT	
688	Balance at end of previous reporting period	688
0	Transfer to reserve from accumulated surplus	0
0	Transfer from reserve to accumulated surplus	0
688	BALANCE AT END OF PERIOD	688
	MAJOR CAPITAL WORKS	
482	Balance at end of previous reporting period	482
0	Transfer to reserve from accumulated surplus	0
0	Transfer from reserve to accumulated surplus	0
482	BALANCE AT END OF PERIOD	482
	RESERVE FUNDS TOTAL	
0	Balance at end of previous reporting period	268
268	Transfer to reserve from accumulated surplus	0
0	Transfer from reserve to accumulated surplus	0
268	BALANCE AT END OF PERIOD	268
	MOUNT GAMBIER CEMETERY TRUST	
466	Balance at end of previous reporting period	466
0	Transfer to reserve from accumulated surplus	0
0	Transfer from reserve to accumulated surplus	0
466	BALANCE AT END OF PERIOD	466
	JUNIOR SPORTING FUND	
44	Balance at end of previous reporting period	44
0	Transfer to reserve from accumulated surplus	0
0	Transfer from reserve to accumulated surplus	0
44	BALANCE AT END OF PERIOD	44
188,785	TOTAL EQUITY AT END OF REPORTING PERIOD	188,994

**CITY OF MOUNT GAMBIER
BUDGET 2014/15**

Uniform Presentation of Finances

BUDGET 2013/14 \$ '000		WIP 2014/15 \$ '000
22,748	Operating Revenues	23,117
<u>-22,775</u>	<i>less Operating Expenses</i>	<u>-23,176</u>
-27	Operating Surplus / (Deficit) before Capital Amounts	-59
	<i>Less Net Outlays in Existing Assets</i>	
3,850	Capital Expenditure on renewal and replacement of Existing Assets	3,082
<u>-6,232</u>	<i>less Depreciation, Amortisation and Impairment</i>	<u>-6,095</u>
-224	<i>less Proceeds from Sale of Replaced Assets</i>	<u>-359</u>
<u>-2,606</u>		<u>-3,372</u>
	<i>Less Net Outlays on New and Upgraded Assets</i>	
6,709	Capital Expenditure on New and Upgraded Assets	9,727
<u>-27</u>	<i>less Amounts received specifically for New and Upgraded Assets</i>	0
0	<i>less Proceeds from Sale of Surplus Assets</i>	<u>0</u>
<u>6,682</u>		<u>9,727</u>
-4,103	Net Lending / (Borrowing) for Financial Year	-6,414

**CITY OF MOUNT GAMBIER
BUDGET 2014/15**

BUDGET	FINANCIAL INDICATORS	WIP
2013/14		2014/15
<p>These Financial Indicators have been calculated in accordance with <i>Information Paper 9 - Local Government Financial Indicators</i> prepared as part of the LGA Financial Sustainability Program for the Local Government Association of South Australia. Detailed methods of calculation are set out in the SA Model Statements.</p>		
-27	Operating Surplus (\$'000) <i>Being the operating surplus (deficit) before capital amounts .</i>	-59
0%	Operating Surplus Ratio $\frac{\text{Operating Surplus}}{\text{Rates - general \& other less NRM levy}}$ <i>This ratio expresses the operating surplus as a percentage of general and other rates, net of NRM levy.</i>	0%
9,101	Net Financial Liabilities (\$'000)	15,515
<p><i>Net Financial Liabilities are defined as total liabilities less financial assets (excluding equity accounted investments in Council businesses).</i></p>		
41%	Net Financial Liabilities Ratio $\frac{\text{Net Financial Liabilities}}{\text{Total Operating Revenue less NRM levy}}$	69%
2%	Interest Cover Ratio $\frac{\text{Net Interest Expense}}{\text{Total Operating Revenue less NRM levy less Investment Income}}$	2%
Asset Sustainability Ratio		
58%	$\frac{\text{Net Asset Renewals}}{\text{Depreciation Expense}}$	45%
<p><i>Net asset renewals expenditure is defined as net capital expenditure on the renewal and replacement of existing assets, and excludes new capital expenditure on the acquisition of additional assets.</i></p>		
67%	Asset Consumption Ratio $\frac{\text{Carrying value of depreciable assets}}{\text{Gross value of depreciable assets}}$	91%
<p><i>Total carrying value of depreciable assets divided by total reported value of depreciable assets before accumulated depreciation.</i></p>		

25 September 2014

Mr Steven Perryman
Mayor
City of Mount Gambier
PO Box 56
Mount Gambier SA 5290

Dear Mr Perryman,

AUDIT MANAGEMENT LETTER – END OF YEAR AUDIT 2013-14

We recently completed our final audit processes for the City of Mount Gambier and we intend to issue an unmodified audit opinion. We thank the staff for their assistance during the audit.

While we assume no responsibility to design audit procedures to identify matters to report to you, we communicate any matters encountered during the course of our audit which we believe should be brought to your attention.

This does not mean that there are no other matters of which you should be aware in meeting your responsibilities, nor does this report absolve you from taking appropriate action to meet these responsibilities.

Our audit findings and recommendations are found on the following pages. In addition there is a schedule of immaterial uncorrected misstatements for your review. Please sign and return the enclosed letter confirming your agreement that the amounts are indeed immaterial or advise us otherwise.

If you have any queries in relation to these matters, please do not hesitate to contact me.

Yours sincerely,



Simon Smith FCPA Registered Company Auditor
Partner

City of Mount Gambier – Audit Findings 2014

Area	Nature of findings	Risk	Recommended action
Annual Leave Balances	<p>As at 30 June 2014, there were 4 staff members whose annual leave balance was greater than 8 weeks, which is the maximum allowed at any one time according to Council policy.</p> <p>This issue has been raised in previous management letters and we have noted a significant improvement in this area.</p>	<p>The taking of leave by staff is an important internal control. The absence of a requirement for staff to take leave regularly provides an opportunity for the concealment of fraud or other inappropriate activity and increases the likelihood that errors will remain undetected.</p> <p>Accruing annual leave over long periods of time also has a financial impact, as employee's hourly rates become higher than when the leave was originally accrued.</p> <p>Furthermore, where employees do not access their annual leave entitlements on a regular basis there is an increased risk of occupational health, safety and welfare issues arising.</p>	Continue to actively monitor leave balances. Staff should be required to take leave on a regular basis.
BAS	There was a variance between the BAS and the General Ledger of approx \$25,000.	The total GST liability may be materially misstated.	We understand that this variance was due to software issues for which a help call had been lodged at time of our audit visit and that this issue has since been corrected.
Audit Committee Minutes	The audit committee minutes are not signed by the Chairperson. The minutes are presented and approved by Council.	The audit committee minutes are not an accurate reflection of the discussions that have taken place.	Sub-committee minutes such as audit committee are confirmed and signed at the next committee meeting.

City of Mount Gambier – Audit Findings 2014

Area	Nature of findings	Risk	Recommended action
Infrastructure Asset Register	Roads & Footpath Infrastructure Asset Register does not agree with the General Ledger – there is a variance of approx \$225,000. The life to date Valuation Report does however agree with the General Ledger Balance	Infrastructure Assets may be materially misstated.	We understand that your Systems people (Civica) are currently looking into this issue.

Immaterial uncorrected misstatements

Auditing standards require us to advise of immaterial uncorrected misstatements. In these cases, we did not request adjustments to the financial statements. Dollar values listed are approximations based on our audit sampling. The following immaterial uncorrected misstatements were present:

Sick Leave Provisions- approximately \$97,337 understated being the difference between Sick Leave due on termination and the amount brought to account. Council have decided to bring in the total amount over 5 years in line with budget strategy.

All adjustments that we did request were processed by staff.

Mr Simon Smith
Partner
Galpins Accountants, Auditors & Business Consultants
PO Box 246
Mount Gambier SA 5290

Dear Simon,

Immaterial Uncorrected Misstatements

I refer to your audit management letter in relation to the audit of the 2013-14 financial statements of City of Mount Gambier, including the details of immaterial uncorrected misstatements.

I believe that the effects of those uncorrected financial report misstatements aggregated during the audit are immaterial, both individually and in the aggregate, to the financial report taken as a whole.

Yours sincerely,

Mr Steven Perryman
Mayor, City of Mount Gambier

Dated / /

Audit Committee

Council's Audit Committee was initially established in November 2006, as required under Section 126 of the Local Government Act.

Council's Audit Committee comprises two persons independent of Council, one Council Member and is supported by Council staff and Council's appointed external Auditor.

Council's Audit Committee meets on a quarterly basis but has the ability to schedule further meetings if required. The Committee met on four (4) occasions during the 2012/2013 financial year.

Matters examined by the Audit Committee included:

External Auditor	2012 Interim Audit
External Auditor	2013 Interim Audit
External Auditor	2012 Statutory Audit
External Auditor	Meeting Attendance
Audit Committee	2012 Annual Report to Council
Policy Reviews	Fraud and Corruption framework Internal Control Policy Monitoring Budget Performance General Ledger policy Annual Leave policy
Long Term Financial Plan	Development / adoption of Long Term Financial Plan
Asset Revaluation	
Risk Management	Policy review Business continuity
Internal Controls	New legislation
Treasury Management	Annual Report Periodic Review
Council Annual Report	
2013/2014 Draft Business Plan and Budget	
Budget Reviews	
Information Reports	Various

The Audit Committee activities follow its adopted Work Program 2007-2014 which incorporates annual reviews of the Committees Terms of Reference and a self assessment of its own performance.

The Committee's Terms of Reference, Annual Report to Council and Work Program are available from Council's website.



TO: DONALD CURRIE (PRESIDING MEMBER)
CR ANDREW LEE
JEROEN ZWIJNENBURG
SIMON SMITH, PARTNER, GALPINS
Email: simon@galpins.com.au
CHIEF EXECUTIVE OFFICER
DIRECTOR – CORPORATE SERVICES
DIRECTOR – OPERATIONAL SERVICES
FINANCE MANAGER

REF: AF11/863

RE: **INTERNAL FINANCIAL CONTROLS - UPDATE**

Section 125 of the Local Government Act requires that Council has appropriate policies, practices and procedures of internal control to:-

- achieve its objectives,
- ensure adherence to management policies,
- to safeguard Council's assets, and
- to secure the accuracy and reliability of Council's records.

Internal financial controls have been identified as an important part of this process and in 2002 the SA Local Government Financial Management Group (SALGFMG) introduced a 'Best Practice Manual' of controls that was provided by Deloitte as a framework, however it was not adopted by many councils. More recently, the State Government amended the regulations which made it mandatory for auditors to assess the adequacy of a council's internal controls.

To comply we have agreed to use the 2012 SALGFMG Better Practice Model – Internal Controls (2012 BPM) which contains:-

- 31 business activities,
- 93 separate risks, and
- approximately 380 internal financial controls

Due to the complexity and volume of the controls it was decided to approach this project via a co-ordinated effort by the SELGA councils. The review and implementation of the 2012 BPM needs to be completed ready for commencement on 1 July 2015. Each council was responsible for separate risk categories and we met regularly from June 2013 to work through the review on a collaborative basis.

Each business activity required an assessment to be undertaken to:-

- examine current procedures,
- identify key risks threatening the achievement of Council's objectives,
- identify existing internal financials controls,
- assess current controls for effectiveness,
- identify any new controls needed as well as existing controls requiring adjustment,
- identify relevant officers for each internal control

The risk assessments were undertaken in conjunction with staff from DC Grant and have recently been completed.

Some further work is required by our staff to ensure that the document satisfies the criteria by which Local Government auditors will assess our internal controls. We will seek an opinion of the work completed to date, by our auditors, before seeking adoption of the 2012 BPM by a Council resolution.

Attached to this report are the following documents to assist with the understanding of the scope of this project:-

- 2012 BPM Summary
- Control Assessment Worksheets – Strategic Financial Planning

A handwritten signature in black ink, appearing to read 'GB', with a horizontal line extending to the right.

Gary BUTTON
FINANCE MANAGER

24th September, 2014
MT

2012 BPM Summary

Risk Category	Business Activity	No of Risks	Council
Strategic Financial Planning	<ul style="list-style-type: none"> • Budgets • General Ledger • Statutory Reporting • Management Reporting 	11	DC Grant
Assets	<ul style="list-style-type: none"> • Cash Floats & Petty Cash • Banking • Investments • Debtors • Inventory • Prepayments • Fixed Assets • Project Costing • Loans/Grants to Clubs/Community Groups 	28	Wattle Range
Liabilities	<ul style="list-style-type: none"> • Accounts Payable • Accrued Expenses • Borrowings • Employee Provisions • Taxation 	16	Naracoorte/ Lucindale
Revenue	<ul style="list-style-type: none"> • Rates/Rate Rebates • Grants • User Pay Income/Fee for Service • Investment/Interest Income • Receipting • Other Revenue 	14	Mount Gambier
Expenses	<ul style="list-style-type: none"> • Purchasing & Procurement • Payroll • Elected Members' Expenses • Credit Cards • Employee Reimbursements • Other Expenses 	22	Tatiara
External Services	<ul style="list-style-type: none"> • Contracting 	2	Robe
Total	31	93	

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Risks

Budgets

- > Risk No. 1 - Budgets do not reflect strategic objectives.
- > Risk No. 2 - Unrealistic Budgets.
- > Risk No. 3 - Budgets are inaccurately reported with differences in the Budget adopted by Council, and that exercised by council administration.

General Ledger

- > Risk No. 1 - General Ledger does not contain accurate financial information.
- > Risk No. 2 - Data contained within the General Ledger is permanently lost.

Statutory Reporting

- > Risk No. 1 - Council does not comply with statutory reporting requirements and deadlines.
- > Risk No. 2 - Council's statutory reports provide inaccurate financial information.

Management Reporting

- > Risk No. 1 - KPIs are not consistent with Corporate Objectives and accounting policies adopted by Council are not adhered to by Council administration.
- > Risk No. 2- Council's financial information is not reviewed in a timely manner to enable effective decision making.
- > Risk No. 3 - Council's management reports provide inaccurate financial information.
- > Risk No. 4 - Significant budget variances are either not investigated on a timely basis or not investigated at all.

Budgets

Control Assessment Worksheet

Risk Category - Strategic Financial Planning

Business Process - Budgets

Risk No. 1 - **Budgets do not reflect strategic objectives.**

Description: If Budgets are not linked to the objectives contained within the Annual Business plan, there is an increased risk that the initiatives and outcomes of the Strategic Management Plans will not be achieved.

Possible Controls		Control Type	Current Action	Action Plan <i>(if control not currently in place)</i>	Assessing Officer - Title & Rating		Reviewing Officer - Title & Rating	
1	Process to establish the annual budget and ensure that it is consistent with the Annual Business Plan and Strategic Management Plans.	Core	Council adopts the ABP in accordance with the SMP		GB	M	VM	M
2	On-going review by management of actual performance against budget and ensure consistency of budget in relation to Initiatives/objectives of Annual Business Plan and Strategic Management Plans.	Core	Reviewed as part of budget reviews		GB	M	VM	H
3	Budget managers are accountable for changes to for their budgets and responsible for completing budget reviews that are aligned with strategic plans.	Core	Reviewed as part of budget reviews. Budget Policy in place. Budget reviews go to management team for endorsement.		GB	H	VM	H
4	Establishment of clear links and relationship between budgets and Strategic Management Plans.	Core	Annual Business Plan to be more specific in related links with the Strategic Management Plan through the Performance Management Software	Implement / Improve Performance Management Software which Links to SMP	GB	L	VM	L
5	Council has a long term financial plan which underpins the development of the annual budget and aligns with council's strategic management plans.	Core	To ensure that all 3 plans are reviewed together, firstly by staff then council		GB	L	VM	L
6	Council has adopted a budget Framework which is delegated to the Council administrators who are responsible to put in place a framework of internal controls over budget formulation and management.	Core	Budget Policy		GB	L	VM	L
Prepared By:		Weighted Risk Assessment			Residual Risk Assessment			
Date:		Likelihood	5 Unlikely		Likelihood			
		Consequence	3 Moderate		Consequence			
		Rating	Moderate		Rating			
		Accept	Yes		Accept			

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**Risk Category - Strategic Financial Planning
Business Process - Budgets**

Control Assessment Worksheet

Risk No. 2 - Unrealistic Budgets.

Description: Unrealistic budgets will lead to significant variances and the associated inefficiency in analysing and addressing variance analysis. If budgets are too aggressive, than this can have a detrimental effect on employees' morale. On the other hand, if budgets are set at easily attainable levels, this will result in Council not maximising performance.

Possible Controls		Control Type	Current Action	Action Plan (if control not currently in place)	Assessing Officer - Title & Rating		Reviewing Officer - Title & Rating		
1	Budgets based on realistic and achievable assumptions and validated by facts.	Core	Staff provide their current estimates and forward planning	Staff training around project management and the consideration of having KPI's attributed to employment contracts.	GB	H	VM	H	
2	Budgets approved by appropriate level of management and adopted by Council in accordance with Local Government Act.	Core	Council adopts budget in accordance with the Act		GB	L	VM	M	
3	All amendments to Budgets must be approved by Council and impact on financial sustainability considered.	Core	Council adopts budget reviews in accordance with the Act.		GB	L	VM	L	
4	End of year actual budget compared to adopted budget; significant variances explained.	Core	This is done in accordance with the Act.		GB	L	VM	L	
5	Budgets regularly reviewed by management for pertinence and accuracy.	Additional	Budget officers are required to review this monthly and finance brings to their attention any major discrepancies.	Consider linking budget management to staff KPI's	GB	M	VM	M	
6	Budgets amended to take into account significant changes in operations, amendments must be made in accordance with the Local Government Act.	Additional	Budget amendments are done in accordance with the Act		GB	L	VM	L	
7	Regular meetings are held between Finance staff and responsible Budget Managers.	Additional	Regular meetings are held with Finance & budget officers		GB	L	VM	L	
Prepared By:									
Date:		Inherent Risk Assessment				Residual Risk Assessment			
		Likelihood	1 Unlikely			Likelihood			
		Consequence	3 Moderate			Consequence			
		Rating	Moderate			Rating			
		Accept	Yes			Accept			

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Risk No. 3 – Budgets are inaccurately reported with differences in the Budget adopted by Council, and that exercised by council administration.

Description: If Budgets are inaccurately reported (i.e. processing errors occur when inputting the Budget into the financial system), this will result in actual performance not being measured as accurately as required.

Possible Controls		Control Type	Current Action	Action Plan <small>(if covered not currently in place)</small>	Assessing Officer Title & Rating		Reviewing Officer Title & Rating	
1	Access to Budget information and master file is restricted/limited to appropriately authorised personnel.	Core	There are restrictions in place for minimal staff access		GB	L	VM	L
2	Original Budget and any approved changes are compared to the Budget entered into the financial system for accuracy by appropriate level of management or an independent person with identified variances investigated.	Additional	Regular reconciliation with budget with independent sign off.		GB	L	VM	L
Prepared By:								
Date:								
		Inherent Risk Assessment			Residual Risk Assessment			
		Likelihood	4 Rare		Likelihood			
		Consequence	4 Major		Consequence			
		Rating	Moderate		Rating			
		Accept	Yes		Accept			

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General Ledger

Control Assessment Worksheet

Risk Category – Strategic Financial Planning
Business Process – General Ledger

Risk No. 1 - **General Ledger does not contain accurate financial information.**

Description: If processing errors (i.e. inaccurate journals) occur in the General Ledger, this may result in the General Ledger, as well as the financial statements and management reports being misstated.

Possible Controls	Control Type	Current Action	Action Plan <small>(If control not currently in place)</small>	Assessing Officer - Title & Rating		Reviewing Officer - Title & Rating	
1 All updates and changes to programmes are authorised, tested and documented.	Core	Audit Trail is run to show changes to any General Ledger and this is signed off independently regularly.		GB	L	VM	L
2 Access to General Ledger maintenance is restricted to authorised personnel.	Core	There are restrictions in place for minimal staff access		GB	L	VM	L
3 General Ledger reconciliations (including control and clearing accounts) are prepared on a regular basis; all reconciliations independently reviewed.	Core	General Ledger reconciliations are performed regularly and signed by an independent officer		GB	L	VM	L
4 Manual journal entries recorded in the register are authorised by the officer preparing the journal and an independent reviewer.	Core	All journals are authorised by two officers.		GB	L	VM	L
5 Off-site backup of data, program and documentation.	Core	Data is hosted offsite. Disaster Recovery Plan is in place.		GB	H	VM	H
6 System does not allow posting of unbalanced journals.	Core	Software does not allow unbalanced journals		GB	L	VM	L
7 Amendments to the structure of the General Ledger framework are approved by an authorised officer.	Core	Currently one person amends the GL framework Audit Trail is run and independently signed		GB	L	VM	L
8 General Ledger policies and procedures are appropriately created, updated & communicated to relevant personnel in the finance department.	Core	General Ledger policies and procedures are in place.		GB	L	VM	L
9 The chart of accounts is regularly updated to ensure account allocations are correct.	Additional	Reviewed at regular intervals		GB	L	VM	L
10 All journals are independently reviewed (including check to ensure correct account allocation).	Additional	All journals are authorised by two officers.		GB	L	VM	L
11 All journals, including manual entries, marked as posted accompanied by date, reason, and journal number and posting reference.	Additional	System printouts are included against manual entries		GB	L	VM	L

Prepared By:

Date:

Initial Risk Assessment		Residual Risk Assessment	
Likelihood	5 Critical	Likelihood	
Consequence	3 Moderate	Consequence	
Rating	Moderate	Rating	
Accept	Yes	Accept	

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Control Assessment Worksheet

Risk Category – Strategic Financial Planning
 Business Process – General Ledger

Risk No. 2 - **Data contained within the General Ledger is permanently lost.**

Description: If adequate back-up procedures are not employed by Council, data within the General Ledger may be permanently lost resulting in significant operational inefficiencies.

Possible Controls	Control Type	Current Action	Action Plan (if control not currently in place)	Assessing Officer - Title & Rating		Reviewing Officer - Title & Rating	
1 Formal disaster recovery plan adopted by Council or Senior Executive.	Core	Disaster Recovery Plan in place		GB	H	VM	H
2 Off-site backup of data, program and documentation.	Core	Currently offsite		GB	M	VM	M
3 All updates and changes to programmes are authorised, tested and documented.	Core	Audit Trail is run to show changes to any General Ledger and this is signed off independently regularly.		GB	L	VM	L
4 Access to General Ledger maintenance is restricted to authorised personnel.	Core	There are restrictions in place for minimal staff access		GB	L	VM	L
5 General Ledger policies and procedures are appropriately created, updated & communicated to relevant personnel in the finance department.	Core	General Ledger policies and procedures are in place.		GB	L	VM	L

Prepared By: _____

	Inherent Risk Assessment		Residual Risk Assessment	
Date: _____	Likelihood	A Rare	Likelihood	
	Consequence	E Catastrophic	Consequence	
	Rating	High	Rating	
	Accept	Yes	Accept	

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Statutory Reporting

Control Assessment Worksheet

Risk Category – Strategic Financial Planning

Business Process – Statutory Reporting

Risk No. 1 - **Council does not comply with statutory reporting requirements and deadlines.**

Description: If Council does not comply with statutory reporting requirements, this may result in Council being liable to pay statutory breaching penalties.

Possible Controls	Control Type	Action Plan		Assessing Officer - Title & Rating		Reviewing Officer - Title & Rating	
		(if control not currently in place)	(if control not currently in place)				
1 Statutory financial reports prepared by suitably qualified staff, reviewed by senior management and/or Audit Committee.	Core	Currently reviewed by all		GB	M	VM	M
2 Council has a mechanism in place to ensure statutory reporting deadlines are met. Designated person monitors compliance with reporting deadlines.	Core	Responsible staff are aware & act and comply		GB	L	VM	L
3 Council has adopted all of the prescribed financial reporting requirements, such as: LTFFP, AMP, Budgets, Annual Financial Statements, Annual Business Plan, Strategic Plans and Annual Reports to ensure compliance with the Local Government Act and relevant regulations.	Core	All plans are completed and operational		GB	L	VM	L
4 Relevant personnel responsible for preparing statutory reports are provided regular training to keep abreast of changes to reporting requirements.	Additional	Current training plan is in place LGA Circulars reviewed for any training opportunities and changes to legislative requirements		GB	L	VM	L
5 Regular liaison with external auditors, legal and tax advisors to ensure timely completion and lodgement of statutory documents.	Additional	Currently liaise with external auditors		GB	L	VM	L

Prepared By:	Initial Risk Assessment		Residual Risk Assessment	
Date:	Likelihood	5 Unlikely	Likelihood	
	Consequence	3 Moderate	Consequence	
	Rating	Moderate	Rating	
	Accept	Yes	Accept	

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Control Assessment Worksheet

Risk Category – Strategic Financial Planning
 Business Process – Statutory Reporting

Risk No. 2 - Council's statutory reports provide inaccurate financial information.

Description: If inaccurate financial information is contained within statutory reports (i.e. annual statements), then Council faces the risk of not fulfilling its statutory obligations. This may result in legal and financial penalties.

Possible Controls		Control Type	Current Action	Action Plan <small>(If cannot act currently in place)</small>	Assessing Officer - Title & Rating		Reviewing Officer - Title & Rating	
1	Actual results compared to budget regularly; management reviews and investigates significant variances.	Core	Budget officers are required to review this monthly and finance brings to their attention any major discrepancies.	Consider linking budget management to staff KPI's	GB	M	VM	M
2	Financial reports prepared by suitably qualified staff and reviewed by senior management or Audit Committee.	Core	Currently reviewed by all		GB	M	VM	M
3	General Ledger reconciliations (including control and clearing accounts) are prepared on a regular basis; all reconciliations independently reviewed.	Core	General Ledger reconciliations are performed regularly and signed by an independent officer		GB	L	VM	L
4	Policies and procedures, standard charts of accounts, and related guidance are updated on a regular basis.	Additional	General Ledger policies and procedures are in place.		GB	L	VM	L
5	Regular liaison with external auditors, legal and tax advisors to ensure that statutory reports include accurate information and are in accordance with statutory reporting requirements.	Additional	Currently liaise with external auditors		GB	L	VM	L
Prepared By:								
Date:								
		Likelihood		Residual Risk Assessment				
		Consequence		Likelihood				
		Rating		Consequence				
		Accept		Rating				
				Accept				

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Management Reporting

Control Assessment Worksheet

Risk Category – Strategic Financial Planning
 Business Process – Management Reporting

Risk No. 1 – **KPIs are not consistent with Corporate Objectives and accounting policies adopted by Council are not adhered to by Council administration.**

Description: If KPIs are not linked to the Corporate Objectives, then senior management will be striving towards measures that ultimately will not lead to the achievement of the desired corporate objectives.

Possible Controls	Control Type	Action Plan		Assessing Officer - Title & Rating		Reviewing Officer - Title & Rating		
		(if control not currently in place)	(if control not currently in place)					
1 KPIs are established that are consistent with the Corporate Objectives.	Core	Yes			GB	L	VM	L
2 On-going review and reporting of actual performance against budget by management; management perform on-going review of consistency of KPIs in relation to Corporate Objectives.	Core	Reviewed regularly			GB	L	VM	L
3 Accounting Policies and Procedures are appropriately created, updated & communicated to appropriate personnel in the financial reporting department. Knowledgeable personnel monitor changes in guidance & regulations that affect the entity & make the appropriate changes to the entity's corporate accounting policies & procedures on a timely basis.	Core	Policies are currently being reviewed.			GB	L	VM	L
4 The long term financial plan is reviewed regularly and the performance of KPI's monitored.	Core	Reviewed regularly			GB	L	VM	L
Prepared By:			Inherent Risk Assessment		Residual Risk Assessment			
Date:	Likelihood	5 Unlikely	Likelihood		Likelihood			
	Consequence	2 Minor	Consequence		Consequence			
	Rating	Low	Rating		Rating			
	Accept	Yes	Accept		Accept			

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Control Assessment Worksheet

Risk Category – Strategic Financial Planning
 Business Process – Management Reporting

Risk No. 2 – Council's financial information is not reviewed in a timely manner to enable effective decision making.

Description: If the senior management does not review financial performance effectively, informed decisions as to the performance of Council and plans effectively for the future may not be achieved.

Possible Controls	Control Type	Current Action	Accept Plan (if control not currently in place)	Assessing Officer - Title & Rating		Reviewing Officer - Title & Rating	
1 Ensure that roles and responsibilities are documented and within Delegations of Authority register and is maintained and updated.	Core	Refer to delegations of authority register		GB	L	VM	L
2 Council reviews its financial performance in accordance with relevant legislative requirements.	Core	Reviews financial performance regularly		GB	M	VM	M
3 Management clearly informed of their duties and responsibilities in relation to reporting.	Additional	Documented in PD's and reviewed regularly in performance reviews		GB	L	VM	L
4 Reporting timetable is clearly communicated to all relevant staff to ensure that reporting deadlines are met.	Additional	Governance Officer maintains a timetable of all reporting deadlines.		GB	L	VM	L
5 Designated independent officer reviews the reporting timetable to ensure that management reviews the appropriate information on a regular and timely basis	Additional	Separate governance officer		GB	L	VM	L
Prepared By:	Inherent Risk Assessment		Residual Risk Assessment				
Date:	Likelihood	2 Unlikely	Likelihood				
	Consequence	2 Minor	Consequence				
	Rating	Low	Rating				
	Accept	Yes	Accept				

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Control Assessment Worksheet

Risk Category – Strategic Financial Planning

Business Process – Management Reporting

Risk No. 3 – Council's management reports provide inaccurate financial information.

Description: If management reports are inaccurate due to IT processing errors or unreliable data, the Elected Body and the senior management will not be able to monitor the performance of Council effectively.

Possible Controls	Control Type	Current Action	Action Plan (if control not currently in place)	Assessing Officer - Title & Rating		Reviewing Officer - Title & Rating	
1 Ensure that roles and responsibilities are documented and within Delegations of Authority register and is maintained and updated.	Core	Refer to delegations of authority register		GB	L	VM	L
2 Regular reviews of data accuracy & completeness are performed concurrently with the reporting process through on-going integrity checks of the Trial Balance, and the known budget position. Variances and omissions (if any) are dealt with immediately.	Core	Regular checks		GB	M	VM	M
3 Management to confirm the accuracy of the information contained within their respective report.	Core	Regular meetings & discussions		GB	M	VM	M
4 Regular independent internal review conducted and management reports produced to ensure that reporting issues are identified and fully transparent. Senior management investigate any significant issues and variances and ensure they are dealt with in a timely.	Additional	Regularly report to management & investigated		GB	M	VM	M
5 Automated exception reports generated on a regular basis that automatically identify variances; significant variances may be identified using a standard threshold (either percentage or dollar value).	Additional	Regular checks, engine room for budget, audit trails and reconciliations to ledgers		GB	M	VM	M
6 Regular IT audits to be performed focusing on data accuracy and security. Results of these IT Audits reviewed by management and action plan promptly implemented.	Additional	Log in restrictions exist changes to this must be approved by management. Access rights are reviewed regularly.		GB	NA	VM	NA
Prepared By:	Inherent Risk Assessment		Residual Risk Assessment				
Date:	Likelihood	5 Unlikely	Likelihood				
	Consequence	3 Moderate	Consequence				
	Rating	Moderate	Rating				
	Accept	Yes	Accept				

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Control Assessment Worksheet

Risk Category – Strategic Financial Planning
Business Process – Management Reporting

Risk No. 4 – Significant budget variances are either not investigated on a timely basis or not investigated at all.

Description: Significant budget variances may indicate a major operational issue that requires immediate attention. If these variances are either not addressed by management on a timely basis or not at all, then this may have a major impact upon the operational efficiency of Council.
 This risk assumes that Councils already perform comparisons of actual performance against budget. It should be noted that if actual performance is not compared against budget, the senior management will not be notified of any variances/unusual trends that may indicate significant operational issues that require immediate attention. Also without budget comparisons, the senior management is unable to measure the performance of Council.

Possible Controls		Control Type	Current Action	Action Plan <small>(if control not currently in place)</small>	Assessing Officer - Title & Rating		Reviewing Officer - Title & Rating	
1	Management regularly reports on actual performance against budget.	Core	Regularly reporting		GB	M	VM	M
2	Management review the exception reports on a regular basis and investigate all significant variances; evidence of review demonstrated must be provided.	Core	Regular checks, engine room for budget, audit trails and reconciliations to ledgers		GB	M	VM	M
Prepared By:								
Date:								
		Inherent Risk Assessment			Residual Risk Assessment			
		Likelihood	5 Unlikely		Likelihood			
		Consequence	4 Major		Consequence			
		Rating	Moderate		Rating			
		Accept	yes		Accept			

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CORPORATE AND COMMUNITY SERVICES REPORT NO. 65/2014

SUBJECT: TREASURY MANAGEMENT - ANNUAL REVIEW 2014

REF: AF11/810

Goal: Governance

Strategic Objective: Demonstrate innovative and responsive organisational governance.

1. INTRODUCTION

1.1 Council has established a \$12m Cash Advance Debenture (CAD) variable interest rate loan facility on the following basis:

- \$7m on 10th August, 2010 for a five year term;
- \$5m on 17th June, 2013 for a fifteen year term
- floating interest rate (24 hour basis)
- interest rate reflects RBA cash rate
- drawdown may be in full or part
- floating rate principal may fluctuate and subject to 24 hours notice may be drawn/repaid and drawn again up to the available limit until maturity date
- surplus credit funds can temporarily reduce floating rate loan outstandings
- repayment of floating rate principal prior to facility expiry date is at the option of Council
- interest rate may be varied subject to 24 hours notice
- no application or preparation fees

1.2 Referenced in this Report are previous, recent Treasury Management/CAD Corporate and Community Services Reports:

- Corporate and Community Services Report 64/2011 (Annual Review)
- Corporate and Community Services Report 52/2012 (Annual Review)
- Corporate and Community Services Report 19/2013 (Increased CAD Loan Facility)
- Corporate and Community Services Report No. 68/2013 (Annual Review)
- Corporate and Community Services Report No. 75/2013 (Conversion to Fixed Loan)

2. CAD OPERATING 2012/2013

2.1 CAD Balance as at 30th June, 2013: \$6,480,596 (funds allocated/committed as 'Borrowings' by Council) - (refer previous CCS Report 68/2013)

2.2 2013/2014 CAD TRANSACTIONS

PROJECT	13/14 CAD BUDGET	CAD WORK IN PROGRESS (TO 14/15)
Landfill	912,164	1,088,000
Hospital	2,205,825	294,000
Rail Lands	-	-
CBD	-	840,000
Aquatic	150,628	-
Totals	3,268,617	2,222,000

Corporate and Community Services Report No. 65/2014 cont'd...

2.3 CAD SUMMARY (as at 30th June, 2014)

- CAD credit limit \$12m
- funds allocated/committed to CAD
 - Balance as at 30th June, 2013 \$6,480,596
 - - 2013/2014 year - spent \$3,268,617
 - - 2013/2014 year - repayments \$518,000
 - Balance as at 30th June, 2014 \$9,231,213

2.4 CAD VARIABLE INTEREST MOVEMENTS

- commenced the year @ 5.0%
- reduced to 4.75% in August 2013
- closed the year @ 4.75%

2.5 CAD INTEREST PAYABLE

Council's 2013/2014 Budget provided for an interest payable estimate of \$169,000 on the use of the CAD facility for the financial year (based on an assumption that interest would be payable for 6 months of the year).

At years end, due to the internal management of Council's cash, interest paid on the use of the CAD facility for the financial year amounted to \$26,000 - a saving of \$143,000.

Assisting in returning this result was a number of factors including:

- major capital works projects actual tender amounts being less than anticipated (and Budgeted for)
- major capital works projects funding not being required until late in the financial year
- success in grant funding for major capital works projects which in turn reduces Council's reliance on loan funding to complete projects

This budget saving has been reflected in progressive Budget reviews during the course of the financial year.

3. TREASURY MANAGEMENT

3.1 TREASURY MANAGEMENT POLICY

Council's Treasury Management Policy (T150) provides for the following in regard to interest rate risk exposures:

Council has set range limits for both fixed and variable interest rate borrowings in order to minimise net interest costs on average over the longer term and at the same time manage interest rate movement risks within acceptable limits.

3.1.1 *Fixed Interest Rate Borrowings*

To ensure an adequate mix of interest rate exposures, Council will restructure its portfolio of borrowings, as old borrowings mature and new ones are raised, to progressively achieve and thereafter maintain on average in any year, not less than 30% of its gross debt in the form of fixed interest rate borrowings.

Corporate and Community Services Report No. 65/2014 cont'd...

In order to spread its exposure to interest rate movements, Council will aim to have a variety of maturity dates on its fixed interest rate borrowings over the practically available maturity spectrum.

In circumstances where Council needs to raise new debt it will use the opportunity as necessary to increase its holdings of medium to long term borrowings (3 years or more duration).

Council also will ensure that no more than 25% of its fixed interest rate borrowings mature in any year.

3.1.2 Variable Interest Rate Borrowings

Council will restructure its portfolio of borrowings, as old borrowings mature and new ones are raised, to progressively achieve, and then maintain, not less than 30% of its gross debt on average in any year in the form of variable interest rate borrowings.

Council will establish, and make extensive use of either a long-term variable interest rate borrowing facility or the LGFA's Cash Advance Debenture facility that requires interest payments only and that enables any amount of principal to be repaid or redrawn at call. The redraw facility will provide Council with access to liquidity when needed.

3.2 CURRENT LOAN PROFILE

As this entire process of Treasury Management matures we need to further develop our understanding of how Treasury Management affects our loan profile and the manner in which Councils debt is formally reported.

Council's traditional Fixed Interest loans (set loan period/interest rate) continue to be recorded and reported as they always have been.

Since moving to Treasury Management Council has introduced a variable interest (CAD) facility for loan funding requirements.

This is where the recording and reporting of Council's debt profile becomes complex.

On the one hand, via previous Budgets Council has allocated/committed variable loan funds to the value of \$9.231m as at 30th June, 2014.

	\$	%
Balance of Fixed Loans	3,617,990	28
Balance of Variable Loans	9,231,213	72
Gross Debt as at 30 th June, 2014	12,849,203	100

These recordings made annually via this Report are really "off system" recordings designed to track Council's approved loan borrowings/allocations to major projects and include annual repayments made as part of the annual budget process.

On the other hand Council's formal reporting process (Annual Audited Statements) records Council's overall debt at \$4.781m as at 30th June, 2014.

Corporate and Community Services Report No. 65/2014 cont'd...

The resultant variation is due to the effect of Treasury Management - any excess Council funds are deposited against Council's variable loan (CAD) loan facility and that essentially is the difference in what is allocated/committed to that of Council's actual debt position.

The holistic management of Council's cash resources is monitored daily and therefore any outstanding debt changes on a daily basis.

For example Council's CAD 'debt' rose to \$4.2m at the end of August 2014 being the low point of the year in terms of Council's cash holdings. However following the first rate instalment period in September Council's CAD 'debt' has been reduced to nil.

3.3 FUTURE LOAN PROFILE

Council's 2014/2015 Budget provides for borrowings for major capital works projects to the value of approximately \$1.1m.

A further amount of \$2.2m allocated in the 2013/2014 Budget but not spent on major capital works projects is also carried forward to 2014/2015 as 'Work in Progress'.

Although not included in the 2014/2015 Budget, sale of land proceeds to value of approximately \$600,000 are expected to be received and applied to debt during the 2014/2015 financial year.

Taking into account the aforementioned proposed transactions Council's allocated/committed loan profile as at 30th June, 2015 is anticipated to be:

	\$	%
Balance of Fixed Loans	3,444,000	22
Balance of Variable Loans	11,900,000	78
Gross Debt as at 30 th June, 2015	15,344,000	100

Although Council's allocated/committed debt projections will be nearing its capacity at 30th June, 2015 the actual recorded debt due to Treasury Management practices will be a significantly lesser figure (refer explanation in 3.2).

3.4 LONG TERM FINANCIAL PLAN (LTFP)

Council's LTFP (December, 2013) provides for the following:

YEAR	AMOUNT	ACTUAL
2013/2014	\$4.6M	\$3.269
2014/2015	\$1.19M	\$3.3 (est.) \$1.1 Budget \$2.2 Work in Progress
	\$6.5m	\$6.569

The LTFP estimates repayments being made on an overall debt amount of \$8.321m as at 30th June, 2014.

In actual fact, Council, as at 30th June, 2014 is making repayments on an overall debt amount of \$4.781m - a significant positive variance to the LTFP predictions.

4. SUMMARY

4.1 PREVIOUS COUNCIL RESOLUTION

Following the 2013 Annual Review, Council resolved:

(a) *Corporate and Community Services Report No. 75/2013 be received;*

(b) *Council authorise the conversion of \$4m of the existing CAD (variable) loan commitment to fixed interest credit foncier loan with the Local Government Finance Authority on either of the following basis:*

- *when Council's Cash Advance Debenture (CAD) variable rate loan facility is drawn to a value of over \$4,000,000*
- or;*
- *at a time when the Reserve Bank of Australia reduces the cash rate below the current rate of 2.5%.*

4.2 CONCLUSION

Council is also advised that recently the CAD facility had been drawn over the \$4m referred to in the resolution at 4.1 above. However, no action has been taken due to the financial advantages being gained as a result of a combination of Treasury Management practices and the generational low cash advance interest being experienced.

All indicators (including the most recent Reserve Bank of Australia statement on Monetary Policy) point towards a continued period of stability in interest rates and in the economic outlook generally.

It is therefore being recommended that in the short term Council hold the present position, continue current practices to take advantage of the current economic circumstances.

RECOMMENDATION

(a) Corporate and Community Services Report No. 65/2014 be received;

(b) Council, given the financial benefits being gained, continue the current Treasury Management practices whilst generational low interest rates are being experienced.



Grant HUMPHRIES
DIRECTOR – CORPORATE SERVICES

Sighted:

Mark McSHANE
CHIEF EXECUTIVE OFFICER



FINANCIAL SERVICES

City of Mount Gambier
PO Box 56
Mount Gambier SA 5290

Audit Certificate

Certificate detailing balances outstanding on Debenture Loans as at 30 June 2014 :-

Please note - due to computerisation of the records relating to this loan/s, the balance/s outstanding may differ marginally from the original repayment chart.

Debenture / Reference Number	Maturity Date	CAD Facility Expiry Date	Amount Borrowed or CAD Limit \$	Interest Rate %	Balance Outstanding \$	Accrued Int. to 30/06/2014 \$
101	16/03/2019		282,000.00	5.0500	158,489.66	2,327.17
102	15/06/2024		4,000,000.00	5.9700	3,390,197.37	8,847.86
91	15/11/2014		300,000.00	7.6000	16,310.52	158.29
94	17/01/2015		430,000.00	7.9000	46,650.49	1,679.80
99	16/08/2014		95,000.00	6.5500	6,341.35	154.83
MtGamCA103	01/07/2014	10/08/2015	7,000,000.00	Variable	1,162,743.00	8,316.78
MtGamCA104		17/06/2028	5,000,000.00	Variable	0.00	0.00
Total:					4,780,732.39	21,484.73

Certified Correct

Robert Hardy
Senior Manager Financial Markets
Dated: 02/07/14

Local Government Finance Authority
of South Australia

PO Box 7050 Hutt Street Adelaide South Australia 5000
12th Floor 147 Pirie Street Adelaide South Australia 5000
Phone (08) 8223 1550 Fax (08) 8223 6085
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RESERVE BANK OF AUSTRALIA

Media Release

Number 2014-15

Date 2 September 2014

Embargo For Immediate Release

Statement by Glenn Stevens, Governor: Monetary Policy Decision

At its meeting today, the Board decided to leave the cash rate unchanged at 2.5 per cent.

Growth in the global economy is continuing at a moderate pace. China's growth remains generally in line with policymakers' objectives, with weakening property markets a challenge in the near term. Commodity prices in historical terms remain high, but some of those important to Australia have declined this year.

Financial conditions overall remain very accommodative. Long-term interest rates and risk spreads remain very low. Volatility in many financial prices is currently unusually low. Markets appear to be attaching a very low probability to any rise in global interest rates or other adverse event over the period ahead.

In Australia, the most recent survey data indicate gradually improving business conditions and some recovery in household sentiment after a weaker period around mid year, suggesting moderate growth in the economy is occurring. Resources sector investment spending is starting to decline significantly. Investment intentions in some other sectors continue to improve, though these areas of capital spending are expected to see only moderate growth in the near term. Public spending is scheduled to be subdued. Overall, the Bank still expects growth to be a little below trend over the year ahead.

The recorded rate of unemployment has increased recently, despite some improvement in most other indicators for the labour market this year. The Bank's assessment remains that the labour market has a degree of spare capacity and that it will probably be some time yet before unemployment declines consistently. Growth in wages has declined noticeably and is expected to remain relatively modest over the period ahead, which should keep inflation consistent with the target even with lower levels of the exchange rate.

Monetary policy remains accommodative. Interest rates are very low and have continued to edge lower over recent months as competition to lend has increased. Investors continue to look for higher returns in response to low rates on safe instruments. Credit growth has picked up a little, including most recently to businesses. The increase in dwelling prices continues. The exchange rate, on the other hand, remains above most estimates of its fundamental value, particularly given the declines in key commodity prices. It is offering less assistance than would normally be expected in achieving balanced growth in the economy.

Looking ahead, continued accommodative monetary policy should provide support to demand and help growth to strengthen over time. Inflation is expected to be consistent with the 2–3 per cent target over the next two years.

In the Board's judgement, monetary policy is appropriately configured to foster sustainable growth in demand and inflation outcomes consistent with the target. On present indications, the most prudent course is likely to be a period of stability in interest rates.



City of Mount Gambier

Financial Statements

2013 / 2014

Civic Centre
10 Watson Terrace
(P O Box 56)
Mount Gambier SA
5290
P 08 8721 2555
F 08 8724 9791

CITY OF MOUNT GAMBIER

General Purpose Financial Reports for the year ended 30 June 2014

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CITY OF MOUNT GAMBIER

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

CERTIFICATION OF FINANCIAL STATEMENTS

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

- the accompanying financial statements comply with the *Local Government Act 1999, Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards.
- the financial statements present a true and fair view of the Council's financial position at 30 June 2014 and the results of its operations and cash flows for the financial year.
- internal controls implemented by the Council provide a reasonable assurance that the Council's financial records are complete, accurate and reliable and were effective throughout the financial year.
- the financial statements accurately reflect the Council's accounting and other records.

.....
Mark McShane
CHIEF EXECUTIVE OFFICER

.....
Steve Perryman
MAYOR

Date:

CITY OF MOUNT GAMBIER

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
INCOME			
Rates	2	16,826	15,772
Statutory charges	2	378	357
User charges	2	3,530	3,393
Grants, subsidies and contributions	2	1,278	2,232
Investment income	2	32	31
Reimbursements	2	229	191
Other income	2	467	476
Total Income		<u>22,740</u>	<u>22,452</u>
EXPENSES			
Employee costs	3	8,772	8,318
Materials, contracts & other expenses	3	8,467	7,837
Depreciation, amortisation & impairment	3	5,907	5,662
Finance costs	3	262	336
Total Expenses		<u>23,408</u>	<u>22,153</u>
OPERATING SURPLUS / (DEFICIT)		(668)	299
Asset disposal & fair value adjustments	4	(3,227)	(1,838)
Amounts received specifically for new or upgraded assets	2	3,064	835
NET SURPLUS / (DEFICIT)		<u>(831)</u>	<u>(704)</u>
transferred to Equity Statement			
Other Comprehensive Income		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME		<u>(831)</u>	<u>(704)</u>

This Statement is to be read in conjunction with the attached Notes.

CITY OF MOUNT GAMBIER

**STATEMENT OF FINANCIAL POSITION
as at 30 June 2014**

ASSETS	Notes	2014 \$'000	2013 \$'000
Current Assets			
Cash and cash equivalents	5	1,173	675
Trade & other receivables	5	1,132	1,149
Inventories	5	<u>37</u>	<u>40</u>
Total Current Assets		<u>2,342</u>	<u>1,864</u>
Non-current Assets			
Financial assets	6	154	248
Infrastructure, property, plant & equipment	7	<u>195,144</u>	<u>194,011</u>
Total Non-current Assets		<u>195,298</u>	<u>194,259</u>
Total Assets		<u>197,640</u>	<u>196,123</u>
LIABILITIES			
Current Liabilities			
Trade & other payables	8	2,643	1,116
Borrowings	8	243	356
Provisions	8	<u>1,742</u>	<u>1,723</u>
Total Current Liabilities		<u>4,628</u>	<u>3,195</u>
Non-current Liabilities			
Borrowings	8	4,538	3,618
Provisions	8	<u>252</u>	<u>257</u>
Total Non-current Liabilities		<u>4,790</u>	<u>3,875</u>
Total Liabilities		<u>9,418</u>	<u>7,070</u>
NET ASSETS		<u>188,222</u>	<u>189,053</u>
EQUITY			
Accumulated Surplus		46,307	48,060
Asset Revaluation Reserves	9	131,574	131,574
Other Reserves	9	<u>10,341</u>	<u>9,419</u>
TOTAL EQUITY		<u>188,222</u>	<u>189,053</u>

This Statement is to be read in conjunction with the attached Notes.

CITY OF MOUNT GAMBIER

STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2014

	Notes	Accumulated Surplus	Asset Revaluation Reserve	Available for sale Financial Assets	Other Reserves	TOTAL EQUITY
		\$'000	\$'000	\$'000	\$'000	\$'000
2014						
Balance at end of previous reporting period		48,060	131,574	-	9,419	189,053
Restated opening balance		48,060	131,574	-	9,419	189,053
Net Surplus / (Deficit) for Year		(831)				(831)
Other Comprehensive Income						
Transfers between reserves		(922)			922	-
Balance at end of period		46,307	131,574	-	10,341	188,222
2013						
Balance at end of previous reporting period		52,707	131,574	-	5,476	189,757
Restated opening balance		52,707	131,574	-	5,476	189,757
Net Surplus / (Deficit) for Year		(704)				(704)
Other Comprehensive Income						
Transfers between reserves		(3,943)			3,943	-
Balance at end of period		48,060	131,574	-	9,419	189,053

This Statement is to be read in conjunction with the attached Notes

CITY OF MOUNT GAMBIER

STATEMENT OF CASH FLOWS for the year ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
<u>Receipts</u>			
Rates - general & other		16,808	15,754
Fees & other charges		408	385
User charges		3,993	3,676
Investment receipts		69	63
Grants utilised for operating purposes		1,374	2,399
Reimbursements		252	210
Other revenues		2,748	2,022
<u>Payments</u>			
Employee costs		(8,719)	(8,407)
Materials, contracts & other expenses		(9,935)	(10,049)
Finance payments		(230)	(342)
Net Cash provided by (or used in) Operating Activities		6,768	5,711
 CASH FLOWS FROM INVESTING ACTIVITIES			
<u>Receipts</u>			
Amounts specifically for new or upgraded assets		3,064	835
Sale of replaced assets		276	212
Repayments of loans by community groups		126	106
<u>Payments</u>			
Expenditure on renewal/replacement of assets		(6,574)	(5,010)
Expenditure on new/upgraded assets		(3,969)	(1,022)
Net Cash provided by (or used in) Investing Activities		(7,077)	(4,879)
 CASH FLOWS FROM FINANCING ACTIVITIES			
<u>Receipts</u>			
Proceeds from borrowings		1,163	-
<u>Payments</u>			
Repayments of borrowings		(356)	(1,138)
Net Cash provided by (or used in) Financing Activities		807	(1,138)
Net Increase (Decrease) in cash held		498	(306)
Cash & cash equivalents at beginning of period	10	675	981
Cash & cash equivalents at end of period	10	1,173	675

This Statement is to be read in conjunction with the attached Notes

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 1 - SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1 Basis of Preparation

1.1 Compliance with Australian Accounting Standards

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

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

1.2 Historical Cost Convention

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

1.3 Critical Accounting Estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates, and requires management to exercise its judgement in applying Council's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are specifically referred to in the relevant sections of this Note.

1.4 Rounding

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

2 The Local Government Reporting Entity

The City of Mount Gambier is incorporated under the SA Local Government Act 1999 and has its principal place of business at 10 Watson Terrace, Mount Gambier. These financial statements include the Council's direct operations and all entities through which Council controls resources to carry on its functions. In the process of reporting on the Council as a single unit, all transactions and balances between activity areas and controlled entities have been eliminated.

3 Income recognition

Income is measured at the fair value of the consideration received or receivable. Income is recognised when the Council obtains control over the assets comprising the income, or when the amount due constitutes an enforceable debt, whichever first occurs.

Where grants, contributions and donations recognised as incomes during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the amounts subject to those undischarged conditions are disclosed in these notes. Also disclosed is the amount of grants, contributions and receivables recognised as incomes in a previous reporting period which were obtained in respect of the Council's operations for the current reporting period.

City of Mount Gambier

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 1 - Significant Accounting Policies (cont)

In the month of June in recent years the Federal Government has paid amounts of untied financial assistance grants, which are recognised on receipt, in advance of the year of allocation. In June 2011, one quarter of the 2011/12 allocation amounting to \$552 was paid in advance; in June 2012, two quarters of the 2012/13 allocation: \$1,196; and in June 2013, again two quarters of the 2013/14 allocation: \$1,267. Accordingly, in the reporting period ended 30 June 2013, Council's operating surplus was effectively overstated by \$1,267.

The actual amounts of untied grants received during the reporting periods (including the advance allocations) are disclosed in Note 2.

4 Cash, Cash Equivalents and other Financial Instruments

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

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

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

All financial instruments are recognised at fair value at the date of recognition. A detailed statement of the accounting policies applied to financial instruments forms part of Note 12.

5 Inventories

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

6 Infrastructure, Property, Plant & Equipment

6.1 Land under roads

Council has elected not to recognise land under roads acquired prior to 1 July 2008 as an asset in accordance with AASB 1051 Land under Roads. Land under roads acquired after 30 June 2008 has not been recognised as in the opinion of Council it is not possible to reliably attribute a fair value, and further that such value if determined would be immaterial.

6.2 Initial Recognition

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

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

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

City of Mount Gambier

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 1 - Significant Accounting Policies (cont)

6.3 Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Council for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life. Examples of capitalisation thresholds applied during the year are given in Note 7. No capitalisation threshold is applied to the acquisition of land or interests in land.

6.4 Subsequent Recognition

All material asset classes are revalued on a regular basis such that the carrying values are not materially different from fair value. For infrastructure and other asset classes where no active market exists, fair value is determined to be the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. Further detail of existing valuations, methods and valuers are provided at Note 7.

6.5 Depreciation of Non-Current Assets

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

Depreciation methods, useful lives and residual values of classes of assets are reviewed annually.

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

6.6 Impairment

Assets that have an indefinite useful life are not subject to depreciation and are reviewed annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount (which is the higher of the present value of future cash outflows or value in use).

For assets whose future economic benefits are not dependent on the ability to generate cash flows, and where the future economic benefits would be replaced if Council were deprived thereof, the value in use is the depreciated replacement cost. In assessing impairment for these assets, a rebuttable assumption is made that the current replacement cost exceeds the original cost of acquisition.

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

6.7 Borrowing Costs

Borrowing costs in relation to qualifying assets (net of offsetting investment revenue) have been capitalised in accordance with AASB 123 "Borrowing Costs". The amounts of borrowing costs recognised as an expense or as part of the carrying amount of qualifying assets are disclosed in Note 3, and the amount (if any) of interest revenue offset against borrowing costs in Note 2.

7 Payables

7.1 Goods & Services

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

City of Mount Gambier

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 1 - Significant Accounting Policies (cont)

7.2 Payments Received in Advance & Deposits

Amounts received from external parties in advance of service delivery, and security deposits held against possible damage to Council assets, are recognised as liabilities until the service is delivered or damage reinstated, or the amount is refunded as the case may be.

8 Borrowings

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period to which it relates, and is recorded as part of "Payables". Interest free loans are carried at their nominal amounts; interest revenues foregone by the lender effectively being a reduction of interest expense in the period to which it relates.

9 Employee Benefits

9.1 Salaries, Wages & Compensated Absences

Liabilities for employees' entitlements to salaries, wages and compensated absences expected to be paid or settled within 12 months of reporting date are accrued at nominal amounts (including payroll based oncosts) measured in accordance with AASB 119.

Liabilities for employee benefits not expected to be paid or settled within 12 months are measured as the present value of the estimated future cash outflows (including payroll based oncosts) to be made in respect of services provided by employees up to the reporting date. Present values are calculated using government guaranteed securities rates with similar maturity terms.

Weighted average discount rate	2.44% (2013, 3.06%)
Weighted average settlement period	1 year (2013, 1 year)

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

AWU employees are entitled to the payment of sick leave under the AWU Enterprise Agreements No. 8 of 2012, on the following basis:-

Annual Cash-Out – Clause 25.5

Termination Pay-Out – Clause 25.4

A provision has been raised in 2014 for \$22 and will be increased over a 5 year period to match the maximum in any one year that would need to be paid by Council. Currently that figure is \$120, however to date only two employees have qualified for this benefit with \$22 being paid since the introduction of this benefit in 2012.

9.2 Superannuation

The Council makes employer superannuation contributions in respect of its employees to the Local Government Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently. No changes in accounting policy have occurred during either the current or previous reporting periods. Details of the accounting policies applied and Council's involvement with the schemes are reported in Note 16.

City of Mount Gambier

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 1 - Significant Accounting Policies (cont)

10 Provision for Carbon Taxation

Council operates a landfill facility, which operates below the taxation threshold of 25,000 tonnes of carbon dioxide equivalent (CO₂e) gas emissions.

Council considers that it has no current or likely future liability for this tax.

11 Leases

Lease arrangements have been accounted for in accordance with Australian Accounting Standard AASB 117.

In respect of finance leases, where Council substantially carries all of the risks incident to ownership, the leased items are initially recognised as assets and liabilities equal in amount to the present value of the minimum lease payments. The assets are disclosed within the appropriate asset class, and are amortised to expense over the period during which the Council is expected to benefit from the use of the leased assets. Lease payments are allocated between interest expense and reduction of the lease liability, according to the interest rate implicit in the lease.

In respect of operating leases, where the lessor substantially retains all of the risks and benefits incident to ownership of the leased items, lease payments are charged to expense over the lease term.

12 GST Implications

In accordance with UIG Abstract 1031 "Accounting for the Goods & Services Tax"

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

13 Pending Accounting Standards

Certain new accounting standards and UIG interpretations have been published that are not mandatory for the 30 June 2012 reporting period and have not been used in preparing these reports.

AASB 7	Financial Instruments – Disclosures
AASB 9	Financial Instruments
AASB 10	Consolidated Financial Statements
AASB 11	Joint Arrangements
AASB 12	Disclosure of Interests in Other Entities
AASB 127	Separate Financial Statements
AASB 128	Investments in Associates and Joint Ventures
AASB 132	Financial Instruments: Presentation

Standards containing consequential amendments to other Standards and Interpretations arising from the above - AASB 2010-7, AASB 2011-7, AASB 2012-2, AASB 2012-3, AASB 2012-5, AASB 2012-6, AASB 2012-10, AASB 2013-3, AASB 2013-8 and AASB 2013-9.

(Standards not affecting local government have been excluded from the above list.)

Council is of the view that none of the above new standards or interpretations will affect any of the amounts recognised in the financial statements, but that they may impact certain information otherwise disclosed.

The Australian Accounting Standards Board is currently reviewing AASB 1004 *Contributions*. It is anticipated that the changes resulting from this review may have a material effect on the timing of the recognition of grants and contributions, but the financial consequences cannot be estimated until a revised accounting standard is issued.

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 2 - INCOME

	Notes	2014 \$'000	2013 \$'000
RATES REVENUES			
<u>General Rates</u>		16,383	15,479
Less: Discretionary rebates, remissions & write offs		(163)	(153)
		<u>16,220</u>	<u>15,326</u>
<u>Other Rates</u> (including service charges)			
Natural Resource Management levy		<u>550</u>	<u>536</u>
		550	536
<u>Other Charges</u>			
Penalties for late payment		<u>56</u>	<u>63</u>
		56	63
Less: Discretionary rebates, remissions & write offs			(153)
		<u>16,826</u>	<u>15,772</u>
STATUTORY CHARGES			
Development Act fees		108	90
Town planning fees		101	105
Animal registration fees & fines		122	121
Parking fines / expiation fees		38	29
Other licences, fees, & fines		<u>9</u>	<u>12</u>
		378	357
USER CHARGES			
Cemetery/crematoria fees		608	643
Green Waste Collection		274	360
Hall & equipment hire		70	42
Sales - general		2,396	2,126
Sundry		<u>182</u>	<u>222</u>
		3,530	3,393
INVESTMENT INCOME			
Interest on investments			
Local Government Finance Authority		29	21
Banks & other		1	8
Loans to community groups		<u>2</u>	<u>2</u>
		32	31

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

NOTE 2 - INCOME (continued)

	Notes	2014 \$'000	2013 \$'000
REIMBURSEMENTS			
- for roadworks		72	52
- for private works		55	56
- other		102	83
		229	191
OTHER INCOME			
Insurance & other recoupments - infrastructure, property, plant & equipment		246	399
Donations		75	53
Sundry		146	24
		467	476
GRANTS, SUBSIDIES, CONTRIBUTIONS			
Amounts received specifically for new or upgraded assets		3,064	835
Other grants, subsidies and contributions		1,278	2,232
		4,342	3,067
<i>The functions to which these grants relate are shown in Note 11.</i>			
Sources of grants			
Commonwealth government		2,581	189
State government		1,760	2,878
Other		1	0
		4,342	3,067

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

NOTE 2 - INCOME (continued)

	2014	2013
	Notes	
	\$'000	\$'000
Conditions over grants & contributions		
<i>Grants and contributions which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows:</i>		
<i>Unexpended at the close of the previous reporting period</i>	1,000	1,000
<i>Less: expended during the current period from revenues recognised in previous reporting periods</i>		
<i>Railway Lands</i>	(1,000)	
<i>Subtotal</i>	(1,000)	
<i>Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>		
<i>Roads Infrastructure</i>		
<i>Heritage & Cultural Services</i>		
<i>Subtotal</i>		
<i>Unexpended at the close of this reporting period</i>		1,000
<i>Net increase (decrease) in assets subject to conditions in the current reporting period</i>	(1,000)	

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 3 - EXPENSES

	Notes	2014 \$'000	2013 \$'000
EMPLOYEE COSTS			
Salaries and Wages		8,055	7,770
Employee leave expense		149	37
Superannuation - defined contribution plan contributions	16	802	744
Workers' Compensation Insurance		227	211
Other		45	67
Less: Capitalised and distributed costs		(506)	(511)
Total Operating Employee Costs		8,772	8,318
 Total Number of Employees		 118	 116
<i>(Full time equivalent at end of reporting period)</i>			
 MATERIALS, CONTRACTS & OTHER EXPENSES			
<u>Prescribed Expenses</u>			
Auditor's Remuneration			
- Auditing the financial reports		19	19
Elected members' expenses		272	284
Subtotal - Prescribed Expenses		291	303
 <u>Other Materials, Contracts & Expenses</u>			
Contractors		2,886	2,887
Energy		877	845
Maintenance		6	6
Legal Expenses		18	46
Levies paid to government - NRM levy		544	532
Parts, accessories & consumables		1,738	1,507
Professional services		171	80
Sundry		1,936	1,631
Subtotal - Other Materials, Contracts & Expenses		8,176	7,534
		8,467	7,837

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 3 - EXPENSES (cont)

	Notes	2014 \$'000	2013 \$'000
DEPRECIATION, AMORTISATION & IMPAIRMENT			
Depreciation			
Buildings & Other Structures		2,563	2,606
Infrastructure		2,140	1,953
Plant & Equipment		683	591
Minor Plant		31	22
Office Equipment		258	258
Other .		232	232
		<u>5,907</u>	<u>5,662</u>
FINANCE COSTS			
Interest on Loans		<u>262</u>	<u>336</u>
		<u>262</u>	<u>336</u>

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 4 - ASSET DISPOSAL & FAIR VALUE ADJUSTMENTS

	Notes	2014 \$'000	2013 \$'000
INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT			
<i>Assets renewed or directly replaced</i>			
Proceeds from disposal		276	212
Less: Carrying amount of assets sold		<u>3,503</u>	<u>2,050</u>
Gain (Loss) on disposal		<u>(3,227)</u>	<u>(1,838)</u>
NET GAIN (LOSS) ON DISPOSAL OR REVALUATION OF ASSETS		<u>(3,227)</u>	<u>(1,838)</u>

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 5 - CURRENT ASSETS

	Notes	2014 \$'000	2013 \$'000
CASH & EQUIVALENT ASSETS			
Cash on Hand and at Bank		647	167
Deposits at Call		526	508
		<u>1,173</u>	<u>675</u>
 TRADE & OTHER RECEIVABLES			
Rates - General & Other		411	393
Rates postponed for State Seniors		-	-
Accrued Revenues		4	41
Debtors - general		539	537
GST Recoupment		118	86
Loans to community organisations		60	92
		<u>1,132</u>	<u>1,149</u>
 INVENTORIES			
Stores & Materials		15	24
Trading Stock		22	16
		<u>37</u>	<u>40</u>

Aggregate write-downs and other losses recognised as an expense, and reversals of these, were not material in amount in either year. All such reversals occurred principally as a result of clerical inaccuracies during stores operations.

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 6 - NON-CURRENT ASSETS

FINANCIAL ASSETS	Notes	2014 \$'000	2013 \$'000
Receivables			
Loans to community organisations		<u>154</u>	<u>248</u>
TOTAL FINANCIAL ASSETS		<u>154</u>	<u>248</u>

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	2013						2014					
	Fair Value Level	AT FAIR VALUE	AT COST	ACCUM DEPN	CARRYING AMOUNT	AT FAIR VALUE	AT COST	ACCUM DEPN	CARRYING AMOUNT			
Land - 2	2	7,546	-	-	7,546	7,451	-	-	7,451			
Land - 3	3	31,913	1,729	-	33,642	33,318	89	-	33,407			
Buildings & Other Structures - 2	2	53,425	-	(2,945)	50,480	53,425	1,075	(4,387)	50,113			
Buildings & Other Structures - 3	3	65,349	-	(28,489)	36,860	65,349	958	(29,610)	36,697			
Infrastructure		75,559	3,515	(20,888)	58,186	75,559	7,812	(23,028)	60,343			
Plant & Equipment		4,685	349	(583)	4,451	4,685	1,065	(1,177)	4,573			
Minor plant		155	43	(22)	176	155	74	(53)	176			
Office Equipment		-	1,716	(894)	822	-	1,775	(1,144)	631			
Other		1,926	154	(232)	1,848	1,926	291	(464)	1,753			
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT		240,558	7,506	(54,053)	194,011	241,868	13,139	(59,863)	195,144			
Comparatives		241,342	3,223	(48,874)	195,691	240,558	7,506	(54,053)	194,011			

This Note continues on the following pages.

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	CARRYING AMOUNT MOVEMENTS DURING YEAR										2014 \$'000 CARRYING AMOUNT	
	2013 \$'000 CARRYING AMOUNT	\$'000										Net Revaluation
		Additions		Disposals	Depreciation	Impairment	Transfers	Renewals	New/Upgrade	Other		
Land - 2	7,546	1,657	-								(957)	-
Land - 3	33,642	89	-	-	-	-	-	-	-	-	-	33,407
Buildings & Other Structures - 2	50,480	795	280	-	(1,442)	-	-	-	-	-	-	50,113
Buildings & Other Structures - 3	36,860	200	1,966	(2,316)	(1,121)	-	-	-	-	-	-	36,697
Infrastructure	58,186	1,168	3,118	-	(2,140)	-	-	-	-	-	-	60,343
Plant & Equipment	4,451	5	1,026	(226)	(683)	-	-	-	-	-	-	4,573
Minor plant	176	-	32	(1)	(31)	-	-	-	-	-	-	176
Office Equipment	822	55	14	(2)	(258)	-	-	-	-	-	-	631
Other	1,848	-	137	-	(232)	-	-	-	-	-	-	1,753
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT	194,011	3,969	6,573	(3,502)	(5,907)	-	-	-	-	-	-	195,144
Comparatives	195,691	1,022	5,010	(2,050)	(5,662)	-	-	-	-	-	-	194,011

This Note continues on the following pages.

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 7 (cont) – INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

Valuation of Assets

General Valuation Principles

Accounting procedure: Upon revaluation, the current new replacement cost and accumulated depreciation are re-stated such that the difference represents the fair value of the asset determined in accordance with AASB 13 *Fair Value Measurement*: accumulated depreciation is taken to be the difference between current new replacement cost and fair value. In the case of land, fair value is taken to be the current replacement cost.

Highest and best use: For land which Council has an unfettered right to sell, the "highest and best use" recognises the possibility of the demolition or substantial modification of some or all of the existing buildings and structures affixed to the land.

Much of the land under Council's care and control is Crown land or has been declared as community land under the provisions of the Local Government Act 1999. Other types of restrictions also exist.

For land subject to these restrictions, the highest and best use is taken to be the "highest and best use" available to Council, with a rebuttable presumption that the current use is the "highest and best use". The reason for the current use of a large proportion of Council's assets being other than the "highest and best use" relates to Council's principal role as the provider of services to the community, rather than the use of those assets for the generation of revenue.

For buildings and other structures on and in the land, including infrastructure, "highest and best use" is determined in accordance with the land on and in which they are situated.

Transition to AASB 13: The requirements of AASB 13 *Fair Value Measurement* have been applied to all valuations undertaken since 1 July 2013 as shown by the valuation dates by individual asset classes below.

Fair value hierarchy level 2 valuations: Certain land, and the buildings and structures thereon, are shown above as being based on fair value hierarchy level 2 valuation inputs. They are based on prices for similar assets in an active market, with directly or indirectly observable adjustments for specific advantages or disadvantages attaching to the particular asset.

Fair value hierarchy level 3 valuations of land: Valuations of Crown land, community land and land subject to other restrictions on use or disposal, shown above as being based on fair value hierarchy level 3 valuation inputs, are based on prices for similar assets in an active market, but include adjustments for specific advantages or disadvantages attaching to the particular asset that are not directly or indirectly observable in that market, or the number and / or amount of observable adjustments of which are so great that the valuation is more fairly described as being based on level 3 valuation inputs.

Fair value hierarchy level 3 valuations of buildings, infrastructure and other assets: There is no known market for these assets and they are valued at depreciated current replacement cost. This method involves:

The determination of the cost to construct the asset (or its modern engineering equivalent) using current prices for materials and labour, the quantities of each being estimated based on recent experience of this or similar Councils, or on industry construction guides where these are more appropriate.

The calculation of the depreciation that would have accumulated since original construction using current estimates of residual value and useful life under the prime cost depreciation method adopted by Council.

This method has significant inherent uncertainties, relying on estimates of quantities of materials and labour, residual values and useful lives, and the possibility of changes in prices for materials and labour, and the potential for development of more efficient construction techniques.

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

Office Furniture & Equipment	\$1,000
Other Plant & Equipment	\$1,000
Buildings - new construction/extensions	\$10,000
Park & Playground Furniture & Equipment	\$2,000
Road construction & reconstruction	\$10,000
Paving & footpaths, Kerb & Gutter	\$2,000

City of Mount Gambier

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 7 – Property, Plant & Equipment (cont)

Drains & Culverts	\$5,000
Reticulation extensions	\$5,000
Sidelines & household connections	\$5,000
Artworks	\$5,000

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

Plant, Furniture & Equipment	
Office Equipment	5 to 10 years
Office Furniture	10 to 20 years
Vehicles and Road-making Equip	5 to 8 years
Other Plant & Equipment	5 to 15 years
Building & Other Structures	
Buildings – masonry	50 to 100 years
Buildings – other construction	20 to 40 years
Park Structures – masonry	50 to 100 years
Park Structures – other construction	20 to 40 years
Playground equipment	5 to 15 years
Benches, seats, etc	10 to 20 years
Infrastructure	
Sealed Roads – Surface	15 to 25 years
Sealed Roads – Structure	20 to 50 years
Unsealed Roads	10 to 20 years
Bridges – Concrete	50 years
Paving & Footpaths, Kerb & Gutter	10 to 70 years
Drains	70 years
Other Assets	
Library Books	10 to 15 years
Artworks	indefinite

Land & Land Improvements

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

Freehold land and land over which Council has control, but does not have title, is recognised on the cost basis. No capitalisation threshold is applied to the acquisition of land or interests in land.

Land improvements, including bulk earthworks with an assessed unlimited useful life, are recognised on the cost basis, originally deriving from a valuation at 30 June 2012 by Mr Martin Oldfield, BBus Property (Val) AAPI Certified Practising Valuer of Maloney Field Services at current replacement cost. Additions are recognised at cost.

Buildings & Other Structures

Buildings and other structures were revalued as at 30 June 2012 by Mr Martin Oldfield, BBus Property (Val) AAPI Certified Practising Valuer of Maloney Field Services at current replacement cost. As at 30 June 2013 Building and Structures that are 'Not Council Controlled' were identified and were removed from our financial statements.

Infrastructure

Transportation assets were valued by Council officers at depreciated current replacement cost during the reporting period ended 30 June 2012, based on actual costs incurred during the reporting periods ended 30 June 2011 and 2012. All acquisitions made after the respective dates of valuation are recorded at cost.

Stormwater drainage infrastructure was valued by Council officers as at 30 June 2012 at depreciated current replacement cost, based on actual costs incurred during the reporting period ended 30 June 2012. All acquisitions made after the respective dates of valuation are recorded at cost.

City of Mount Gambier

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 7 – Property, Plant & Equipment (cont)

Plant, Furniture & Equipment

These assets were valued by Council officers as at 30 June 2012 at depreciated current replacement cost, based on actual costs incurred during the reporting period ended 30 June 2012. All acquisitions made after the respective date of valuation are recorded at cost.

All other assets

These assets are recognised on the cost basis. Library books and other lending materials were valued by Council officers as at 30 June 2012 at depreciated current replacement cost, based on actual costs incurred during the reporting period ended 30 June 2012. All acquisitions made after the respective date of valuation are capitalised in bulk, and written out when fully depreciated.

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 8 - LIABILITIES

	Notes	2014		2013	
		\$'000		\$'000	
		Current	Non-current	Current	Non-current
TRADE & OTHER PAYABLES					
Goods & Services		2,222		1,001	
Payments received in advance		189		33	-
Accrued expenses - employee entitlements		59		20	-
Accrued expenses - other		50		18	-
Deposits, Retentions & Bonds		123		44	-
		2,643	-	1,116	-
 BORROWINGS					
Loans		243	4,538	356	3,618
		243	4,538	356	3,618
 <i>All interest bearing liabilities are secured over the future revenues of the Council.</i>					
 PROVISIONS					
Employee entitlements (including oncosts)		1,742	252	1,723	257
		1,742	252	1,723	257

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 9 - RESERVES

ASSET REVALUATION RESERVE	1/7/2013	Net Increments (Decrements)	Transfers, Impairments	30/6/2014
Notes	\$'000	\$'000	\$'000	\$'000
Land	30,511			30,511
Buildings & Other Structures	73,182			73,182
Infrastructure	23,718			23,718
Minor plant	495			495
Office Equipment	3,668			3,668
TOTAL	131,574			131,574
<i>Comparatives</i>	<i>131,574</i>			<i>131,574</i>

OTHER RESERVES	1/7/2013	Transfers to Reserve	Transfers from Reserve	30/6/2014
Long Service Leave	724			724
Off Street Car Park	267			267
Plant Replacement	1,561			1,561
Lady Nelson Park Development	6			6
Asset Replacement	1,296			1,296
Land Divison - Outstanding Work	232			232
Downstream Drainage	116	55		171
Work In Progress	3,537	4,385	(3,537)	4,385
City Centre Improvement	688			688
Major Capital Works	482			482
Mount Gambier Cemetery Trust	466	12		478
Junior Sporting Fund	44	7		51
TOTAL OTHER RESERVES	9,419	4,459	(3,537)	10,341
<i>Comparatives</i>	<i>5,476</i>	<i>3,951</i>	<i>(8)</i>	<i>9,419</i>

PURPOSES OF RESERVES

Asset Revaluation Reserve

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

Other Reserves

Long Service Leave

Established to fund City of Mount Gambier employee long service entitlements.

Ongoing Reserve Fund

Transfers from the Fund are made as required

Transfers to the Fund include Council budgetary allocations, interest received and funds from other employers in respect of transferred employees.

Off Street Parking Reserve

Established to fund off street parking initiatives in to Mount Gambier City Centre precinct
Ongoing Reserve Fund
Transfers from the Fund are made as and when required
Transfers to the Fund include Council budgetary allocations and Interest received

Plant Replacement

Established to fund Council's plant and machinery fleet requirements
Ongoing Reserve Fund
Transfers from the Fund are made as and when required
Transfers to the Fund include Council budgetary allocations and interest received

Lady Nelson Park Development

Established to fund any development works that may occur at The Lady Nelson suite
Ongoing Reserve Fund
Transfers from the Fund are made as and when required
Transfers to the Fund include Council budgetary allocations and interest received

Asset Replacement

Established to fund the City of Mount Gambier Asset replacement/renewal requirements
Ongoing Reserve Fund
Transfers from the Fund are made as and when required
Transfers to the Fund include Council budgetary allocations, interest received, any sales etc.

Land Divison Outstanding Works

Funds held in trust to ensure land divisons are completed
Ongoing Reserve Fund
Transfers from the Fund are made as and when land divison obligations are certified as completed
Transfers to the Fund are funds deposited by developers in respect of their land division obligations

Downstream Drainage

Funds contributed by developers and held by Council to complete drainage obligations
Ongoing Reserve Fund
Transfers from the Fund are made as and when required
Transfers to the Fund are developer contributions and interest received

Work in Progress

Established to fund Council works and projects that are carried over from one budgetary year to the next
Ongoing Reserve Fund
Transfers from the Fund are made as and when required with works and projects normally completed in the year following
Transfers to the Fund include funds for work and projects that have been allocated in one budget year but not completed in that year

City Centre Improvement

Established to fund improvements and initiatives in the Mount Gambier City Centre precinct
Ongoing Reserve Fund
Transfers from the Fund are made as and when required
Transfer to the Fund include Council budgetary allocations and interest received

Major Capital Works

Established to assist Council fund impending major capital works projects
Ongoing Reserve Fund
Transfers from the Fund are made as and when required
Transfers to the Fund include budgetary allocations and interest received

Mount Gambier Cemetery Trust

Established to fund any development works or projects that may be required at the Carinya Gardens Cemetery and Crematorium

Ongoing Reserve Fund

Transfers from the Fund are made as and when required

Transfers to the Fund include Cemetery Trust budgetary allocations and interest received

Junior Sporting Fund

Established to fund the operations of the Mount Gambier Junior Sporting Fund

Ongoing Reserve Fund

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 10 - RECONCILIATION TO CASH FLOW STATEMENT

(a) Reconciliation of Cash

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

	Notes	2014 \$'000	2013 \$'000
Total cash & equivalent assets	5	1,173	675
Less: Short-term borrowings	8	-	-
Balances per Cash Flow Statement		1,173	675

**(b) Reconciliation of Change in Net Assets to Cash
from Operating Activities**

Net Surplus (Deficit)	(831)	(704)
Non-cash items in Income Statement		
Depreciation, amortisation & impairment	5,907	5,662
Net increase (decrease) in unpaid employee benefits	53	(89)
Grants for capital acquisitions treated as Investing Activity	(3,064)	(835)
Net (Gain) Loss on Disposals	3,227	1,838
	5,292	5,872
Add (Less): Changes in Net Current Assets		
Net (increase) decrease in receivables	(15)	(33)
Net (increase) decrease in inventories	3	7
Net increase (decrease) in trade & other payables	1,488	(135)
Net Cash provided by (or used in) operations	6,768	5,711

(c) Financing Arrangements

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

Bank Overdrafts	-	-
Corporate Credit Cards	21	27
LGFA Cash Advance Debenture facility	12,000	12,000

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

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 11 - FUNCTIONS

INCOMES, EXPENSES AND ASSETS HAVE BEEN DIRECTLY ATTRIBUTED TO THE FOLLOWING FUNCTIONS & ACTIVITIES												
	INCOME		EXPENSES				OPERATING SURPLUS (DEFICIT)		GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)	
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	2013	2014	2013	2014	2013	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Administration / Support Services	17,992	17,858	4,968	4,790	13,024	13,068		1,494	2,584	21,770	21,602	
Community Support	859	826	2,246	1,831	(1,387)	(1,005)		16	44	13,817	13,711	
Culture	554	527	2,873	2,851	(2,319)	(2,324)		209	234	51,888	51,491	
Economic Development	408	407	1,402	1,293	(994)	(886)		-	-	5,858	5,813	
Environment	1,899	1,888	4,070	3,065	(2,171)	(1,177)		-	10	5,531	5,488	
Recreation	109	105	2,722	2,179	(2,613)	(2,074)		-	-	44,013	43,676	
Regulatory Services	396	357	406	1,161	(10)	(804)		-	-	-	-	
Transport	108	177	2,761	2,486	(2,653)	(2,309)		2,623	195	40,345	40,035	
Engineering / Indirect	-	-	1,281	1,883	(1,281)	(1,883)		-	-	8,197	8,134	
Unclassified Activities	415	307	679	614	(264)	(307)		-	-	6,221	6,173	
TOTALS	22,740	22,452	23,408	22,153	(668)	299		4,342	3,067	197,640	196,123	

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

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 11 (cont) - COMPONENTS OF FUNCTIONS

The activities relating to Council functions are as follows:

Administration / Support Services

Governance, Elected Members, Organisational, Support Services, Accounting/Finance, Payroll, Human Resources, Information Technology, Communication, Rates Administration, Records, Occupancy, Contract Management, Customer Service, Other Support Services, Revenues, Separate and Special Rates.

Community Services

Public Order and Safety, Crime Prevention, Emergency Services, Other Fire Protection, Other Public Order and Safety, Health Services, Pest Control – Health, Immunisation, Preventive Health Services, Other Health Services, Community Support, Other Services for the Aged and Disabled, Children and Youth Services, Community Assistance, Other Community Support, Community Amenities, Bus Shelters, Cemeteries / Crematoria, Public Conveniences, Car Parking – non-fee-paying and Other Community Amenities.

Culture

Library Services, Other Library Services, Cultural Services, Cultural Venues, Heritage, Museums and Art Galleries, and Other Cultural Services.

Economic Development

Regional Development, Tourism, and Other Economic Development and activities.

Environment

Animal/Plant Boards, Waste Management, Domestic Waste, Green Waste, Recycling, Transfer Station, Other Waste Management, Other Environment, Stormwater and Drainage, Street Cleaning, Street Lighting, Streetscaping, Natural Resource Management Levy, and Other Environment.

Recreation

Parks and Gardens, Sports Facilities – Indoor, Sports Facilities – Outdoor, Swimming Centres – Outdoor, and Other Recreation.

Regulatory Services

Dog and Cat Control, Building Control, Town Planning, Clean Air/Pollution Control, Litter Control, Health Inspection, Parking Control, and Other Regulatory Services.

Transport

Footpaths and Kerbing, Roads – sealed, Roads – formed, Roads – natural formed, Roads – unformed, Traffic Management and Other Transport.

Engineering / Indirect

Engineering office expenses, AWU employee's expenses and entitlements, depot expenses, plant and machinery expenses.

Unclassified Activities

Finance charges and investment revenue, private works and sundry property maintenance.

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 12 - FINANCIAL INSTRUMENTS

All financial instruments are categorised as *loans and receivables*.

Accounting Policies - Recognised Financial Instruments

Bank, Deposits at Call, Short Term Deposits	<p>Accounting Policy: Carried at lower of cost and net realisable value; Interest is recognised when earned.</p> <p>Terms & conditions: Deposits are returning fixed interest rates of 2.50% (2013: 2.75%). Short term deposits have an average maturity of 1 day and an average interest rates of 2.50% (2013: 1 day, 2.75%).</p> <p>Carrying amount: approximates fair value due to the short term to maturity.</p>
Receivables - Rates & Associated Charges (including legals & penalties for late payment)	<p>Accounting Policy: Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.</p> <p>Terms & conditions: Secured over the subject land, arrears attract interest of 0.666% (2013: 0.708%) Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State.</p> <p>Carrying amount: approximates fair value (after deduction of any allowance).</p>
Receivables - Fees & other charges	<p>Accounting Policy: Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.</p> <p>Terms & conditions: Unsecured, and do not bear interest. Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries.</p> <p>Carrying amount: approximates fair value (after deduction of any allowance).</p>
Receivables - other levels of government	<p>Accounting Policy: Carried at nominal value.</p> <p>Terms & conditions: Amounts due have been calculated in accordance with the terms and conditions of the respective programs following advice of approvals, and do not bear interest. All amounts are due by Departments and Agencies of State and Federal Governments.</p> <p>Carrying amount: approximates fair value.</p>
Liabilities - Creditors and Accruals	<p>Accounting Policy: Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Council.</p> <p>Terms & conditions: Liabilities are normally settled on 30 day terms.</p> <p>Carrying amount: approximates fair value.</p>
Liabilities - Interest Bearing Borrowings	<p>Accounting Policy: Carried at the principal amounts. Interest is charged as an expense as it accrues.</p> <p>Terms & conditions: secured over future revenues, borrowings are repayable (Principal and interest over a fixed term); interest is charged at fixed (or variable - describe) rates between 5.05% and 7.90% (2013: 5.05% and 7.90%)</p> <p>Carrying amount: approximates fair value.</p>
Liabilities - Finance Leases	<p>Accounting Policy: accounted for in accordance with AASB 117.</p>

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 12 (cont) - FINANCIAL INSTRUMENTS Liquidity Analysis

2014	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets					
Cash & Equivalents	1,173			1,173	1,173
Receivables	543			543	543
Other Financial Assets	60	154		214	214
Total	1,776	154	-	1,930	1,930
Financial Liabilities					
Payables	2,534			2,534	2,534
Current Borrowings	243			243	243
Non-Current Borrowings	-	803	3,735	4,538	4,538
Total	2,777	803	3,735	7,315	7,315
2013	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets					
Cash & Equivalents	675			675	675
Receivables	578	-	-	578	578
Other Financial Assets	92	212	35	339	339
Total	1,345	212	35	1,592	1,592
Financial Liabilities					
Payables	1,078	-	-	1,078	1,078
Current Borrowings	356	-	-	356	356
Non-Current Borrowings	-	828	2,790	3,618	3,618
Total	1,434	828	2,790	5,052	5,052

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

	30 June 2014		30 June 2013	
	Weighted Average Interest Rate	Carrying Value	Weighted Average Interest Rate	Carrying Value
	%	\$'000	%	\$'000
Other Variable Rates	4.78		5.00	-
Fixed Interest Rates	6.48	4,781	6.55	3,974
		<u>4,781</u>		<u>3,974</u>

Net Fair Value

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

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 12 (cont) - FINANCIAL INSTRUMENTS

Risk Exposures

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

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

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

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

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 13 - FINANCIAL INDICATORS

	2014	2013	2012
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These Financial Indicators have been calculated in accordance with *Information Paper 9 - Local Government Financial Indicators* prepared as part of the LGA Financial Sustainability Program for the Local Government Association of South Australia. Detailed methods of calculation are set out in the SA Model Statements.

Operating Surplus Ratio

<u>Operating Surplus</u>	(4%)	2%	(4%)
Rates - general & other less NRM levy			

This ratio expresses the operating surplus as a percentage of general and other rates, net of NRM levy.

Adjusted Operating Surplus Ratio	(4%)	2%	(4%)
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*In recent years the Federal Government has made advance payments prior to 30th June from future year allocations of financial assistance grants, as explained in Note 1. The **Adjusted Operating Surplus Ratio** adjusts for the resulting distortion in the disclosed operating result for each year.*

Net Financial Liabilities Ratio

<u>Net Financial Liabilities</u>	31%	23%	27%
Total Operating Revenue less NRM levy			

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

Asset Sustainability Ratio

<u>Net Asset Renewals</u>	107%	85%	52%
Infrastructure & Asset Management Plan required expenditure	*	*	*

Net asset renewals expenditure is defined as net capital expenditure on the renewal and replacement of existing assets, and excludes new capital expenditure on the acquisition of additional assets.

Amounts shown above an asterisk () indicate that depreciation expense has been used as a proxy, pending finalisation of the Infrastructure & Asset Management Plan.*

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 14 - UNIFORM PRESENTATION OF FINANCES

The following is a high level summary of both operating and capital investment activities of the Council prepared on a simplified Uniform Presentation Framework basis.

All Councils in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis.

The arrangements ensure that all Councils provide a common 'core' of financial information, which enables meaningful comparisons of each Council's finances

	2014 \$'000	2013 \$'000
Income	22,740	22,452
less Expenses	<u>23,408</u>	<u>22,153</u>
Operating Surplus / (Deficit)	(668)	299
<i>less Net Outlays on Existing Assets</i>		
Capital Expenditure on renewal and replacement of Existing Assets	6,574	5,010
Depreciation, Amortisation and Impairment	(5,907)	(5,662)
Proceeds from Sale of Replaced Assets	(276)	<u>(212)</u>
	391	(864)
<i>less Net Outlays on New and Upgraded Assets</i>		
Capital Expenditure on New and Upgraded Assets <i>(including investment property & real estate developments)</i>	3,969	1,022
Amounts received specifically for New and Upgraded Assets	(3,064)	(835)
Proceeds from Sale of Surplus Assets <i>(including investment property and real estate developments)</i>	-	-
	<u>905</u>	<u>187</u>
Net Lending / (Borrowing) for Financial Year	<u>(1,964)</u>	<u>976</u>

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 15 - OPERATING LEASES

Lease payment commitments of Council

Council has entered into non-cancellable operating leases for various items of computer and other plant and equipment.

No lease imposes any additional restrictions on Council in relation to additional debt or further leasing.

Leases in relation to computer and office equipment permit Council, at expiry of the lease, to elect to re-lease, return or acquire the equipment leased.

No lease contains any escalation clause.

Commitments under non-cancellable operating leases that have not been recognised in the financial statements are as follows:

	2014 \$'000	2013 \$'000
Not later than one year	26	63
Later than one year and not later than 5 years	13	39
Later than 5 years	-	-
	<u>39</u>	<u>102</u>

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 16 – SUPERANNUATION

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

Marketlink (Accumulation Fund) Members

Marketlink receives both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of employee earnings in accordance with superannuation guarantee legislation (9.25% in 2013/14; 9% in 2012/13). No further liability accrues to the Council as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Salarylink (Defined Benefit Fund) Members

Salarylink is a defined benefit scheme where the benefit payable is based on a formula determined by the member's contribution rate, number of years and level of contribution and final average salary. Council makes employer contributions to Salarylink as determined by the Trustee based on advice from the appointed Actuary. The rate is currently 6.3% (6.3% in 2012/13) of "superannuation" salary.

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

The Salarylink section is a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by each employer, and employees may transfer to another employer within the local government sector and retain membership of the Fund, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided by AASB 119.32(b), Council does not use defined benefit accounting for these contributions.

The most recent actuarial investigation was conducted by the Scheme's actuary, A C Miller, FIAA, of Russell Employee Benefits Pty Ltd as at 30 June 2011. The Trustee has determined that the current funding arrangements are adequate for the expected Salarylink liabilities. However, future financial and economic circumstances may require changes to Council's contribution rates at some future time.

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 17 - CONTINGENCIES & ASSETS & LIABILITIES NOT RECOGNISED IN THE BALANCE SHEET

The following assets and liabilities do not qualify for recognition in the Balance Sheet but knowledge of those items is considered relevant to user of the financial report in making and evaluating decisions about the allocation of scarce resources.

1. LAND UNDER ROADS

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

At reporting date, Council controlled 220 km of road reserves of average width 20 metres.

2. POTENTIAL INSURANCE LOSSES

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

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

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

3. BANK GUARANTEES

Council has guaranteed certain loans and other banking facilities advanced to community organisations and sporting bodies, amounting to \$210,000 (2013: \$210,000) at reporting date.

Council does not expect to incur any loss arising from these guarantees.

4. LEGAL EXPENSES

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

5. "CARBON" TAX

From 1 July 2012 a new tax on emissions of certain "greenhouse" gases commenced operation. Council has a number of garbage landfill facilities which emit, and will continue for many years to emit, gases of this type.

Using current calculation methods, emissions from Council's landfill facilities are substantially below current taxable thresholds. This situation is expected to continue while thresholds remain at current levels.

Information currently available provides assurances that "legacy emissions" from garbage placed in landfills prior to commencement of the tax will not subsequently become liable to the tax. However, should taxable thresholds be substantially reduced Council may be subject to taxation on landfill deposits made after 1 July 2013. No liability has been recognised in these reports.

CITY OF MOUNT GAMBIER

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014**

CERTIFICATION OF AUDITOR INDEPENDENCE

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of City of Mount Gambier for the year ended 30 June 2014, the Council's Auditor, Galpins Accountants, Auditors & Business Consultants, has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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

.....
Mark McShane
CHIEF EXECUTIVE OFFICER

.....
Donald Currie
**PRESIDING MEMBER
AUDIT COMMITTEE**

Date:

CITY OF MOUNT GAMBIER
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014

STATEMENT BY AUDITOR

I confirm that, for the audit of the financial statements of City of Mount Gambier for the year ended 30 June 2014, I have maintained my independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011* made under that Act.

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

Simon Smith

Galpins Accountants, Auditors & Business Consultants

Dated this day of 2014