

I hereby give notice that an Audit and Risk Committee Meeting will be held on:

Date: Monday, 26 September 2022
Time: 4.30 p.m.
Location: Council Chamber
Civic Centre
10 Watson Terrace
Mount Gambier

AGENDA

Audit and Risk Committee Meeting **26 September 2022**



Sarah Philpott
Chief Executive Officer
21 September 2022

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1 ACKNOWLEDGEMENT OF COUNTRY

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 FIRST NATIONS PEOPLES HAVE WITH THE LAND.

2 APOLOGY(IES)

Nil

3 CONFIRMATION OF MINUTES

[Audit and Risk Committee Meeting - 25 July 2022](#)

[Special Audit and Risk Committee Meeting - 22 August 2022](#)

RECOMMENDATION

That the minutes of the Audit and Risk Committee meeting held on 25 July 2022 and the Special Audit and Risk Committee meeting held on 22 August 2022 be confirmed as an accurate record of the proceedings of the meeting.

4 QUESTIONS WITHOUT NOTICE



5 REPORTS

5.1 CORRESPONDENCE RECEIVED – REPORT NO. AR22/58445

Meeting: Audit and Risk Committee
CM9 Reference: AF11/863
Author: Ashlee Pasquazzi, Executive Administrator Corporate and Regulatory Services
Authoriser: Darren Barber, General Manager Corporate and Regulatory Services

REPORT RECOMMENDATION

1. That Audit and Risk Committee Report No. AR22/58445 titled 'Correspondence Received' as presented on 26 September 2022 be noted.



BACKGROUND

The report provides details of correspondence received since the previous ordinary meeting of the Audit and Risk Committee held 25 July 2022 and is provided for information.

DISCUSSION

The following correspondence has been received since the last ordinary meeting:

- Report of the Auditor-General - Report 5 of 2022 - Management of kerbside waste services

CONCLUSION

This report presents the attached correspondence received for presentation to the Audit and Risk Committee for noting in line with the Audit and Risk Committee Terms of Reference:

13.3 Other Matters - Shall give consideration to:

- **Relevant Audits** - *Consider the findings and recommendations of relevant audits undertaken by the SA Auditor General's Office, the South Australian Ombudsmen, Independent Commissioner Against Corruption (ICAC) and other agencies to ensure Council considers the relevant recommendations.*

ATTACHMENTS

1. Auditor-General's Report 5 of 2022 - Management of kerbside waste services [↓](#)



**Report of the
Auditor-General**



Report 5 of 2022

Management of kerbside waste services



[P.P.4D

Report of the Auditor-General

Report 5 of 2022

Management of kerbside waste services

Delivered to the President of the Legislative Council and the Speaker of the
House of Assembly on 15 August 2022 and published on 17 August 2022
under to section 38(2) of the *Public Finance and Audit Act 1987*

First Session, Fifty-Fifth Parliament

By authority: C. McArdle, Government Printer, South Australia

2022

*The Auditor-General's Department acknowledges and respects
Aboriginal people as the State's first people and nations, and
recognises Aboriginal people as traditional owners and occupants of
South Australian land and waters.*



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Enquiries about this report should be directed to:

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15 August 2022

President
Legislative Council
Parliament House
ADELAIDE SA 5000

Speaker
House of Assembly
Parliament House
ADELAIDE SA 5000

Dear President and Speaker

**Report of the Auditor-General:
Report 5 of 2022 *Management of kerbside waste services***

Under section 32(1)(c) of the *Public Finance and Audit Act 1987* (PFAA), I have conducted a review of the management of kerbside waste services by The Corporation of the City of Norwood, Payneham and St Peters (NPSP Council) and the City of West Torrens (West Torrens Council).

I present to each of you my independent assurance report on the findings of the review.

Copies of this report have also been provided to the NPSP Council and the West Torrens Council.

Content of the report

Our review assessed whether the NPSP Council and the West Torrens Council have effectively managed kerbside waste services to work towards achieving their targets and the targets set by the State Government for diversion of waste from landfill.

We concluded that both Councils successfully collect, transport and process kerbside waste to a high level of community satisfaction. We found some common areas where neither Council was operating effectively, including that they:

- did not have strategic plans for waste management setting out their objectives, strategies and performance targets
- did not have a formal waste education strategy and program
- did not monitor and report against local waste performance targets.

We also found some areas where both Councils were operating effectively in managing kerbside waste services.

Our detailed conclusions are in section 4.1 for the NPSP Council and section 5.1 for the West Torrens Council of this report.

My responsibilities

Reviews conducted under section 32(1)(c) of the PFAA are assurance engagements that assess whether a publicly funded body is achieving economy, efficiency and effectiveness in its activities. These engagements conclude on the performance of the activities evaluated against identified criteria.

The Auditor-General's roles and responsibilities in undertaking reviews are set out in the PFAA. Section 32(1)(c) of the PFAA empowers me to conduct this review while sections 32(4) to (6) deals with the reporting arrangements.

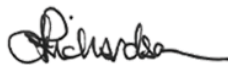
The review was conducted in line with the Standard on Assurance Engagements *ASAE 3500 Performance Engagements*. We complied with the independence and other relevant ethical requirements for assurance engagements.

Acknowledgements

The audit team for this report was Salv Bianco, Andrew Corrigan, Iolanda Telford, Kris Slaytor and Sharon Ryan. They were assisted by Blue Environment Pty Ltd.

We appreciate the cooperation and assistance given by staff of the NPSP Council and the West Torrens Council.

Yours sincerely



Andrew Richardson
Auditor-General

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1 Report overview

1.1 Introduction

We chose two councils, The Corporation of the City of Norwood, Payneham and St Peters (NPSP Council) and the City of West Torrens (West Torrens Council), to assess whether they have effectively managed their kerbside waste services to work towards achieving their targets and the targets set by the SA Government for diverting waste from landfill.

Kerbside waste management is an essential and highly valued service provided by councils to their communities. The kerbside waste services we refer to in this report are the household three-bin waste system: residual waste bin (red or blue), co-mingled recyclables bin (yellow) and organics bin (green).

Metropolitan councils spent \$158 million on providing these services in 2019-20 and not effectively managing them increases the risks of:

- reduced levels of waste services, negatively impacting community satisfaction and public health and safety
- significant cost increases
- less waste diverted from landfill, and the associated costs and environmental impacts
- higher rates of contamination in recycling and organic kerbside bins.

However, if kerbside waste services are properly managed, waste can become a valuable resource for reuse, repurposing or recycling.

The SA Government has set targets for metropolitan councils for landfill diversion in its waste strategies. While these targets are not mandatory, we found that both Councils we reviewed are committed to working towards them and to continuous improvement in this area.

All further comments and analysis are for kerbside waste management in the metropolitan area unless otherwise stated.

1.2 Overall observations

We concluded that both Councils successfully collect, transport and process kerbside waste to a high level of community satisfaction.

There are many related areas that contribute to the overall effective management of kerbside waste services. We found some common areas where neither Council was operating effectively, including that they:

- did not have strategic plans for waste management setting out their objectives, strategies and performance targets

- did not have a formal waste education strategy and program
- did not monitor and report against local waste performance targets.

We also found some areas where both Councils were operating effectively in managing kerbside waste services.

Our detailed conclusions are in section 4.1 for the NPSP Council and section 5.1 for the West Torrens Council.

Councils face many challenges in providing kerbside waste services to their communities and achieving the State targets for waste. Section 2.7 provides more detail on these challenges.

1.3 The structure of this report

This report details our review approach and results (including audit conclusions, findings and recommendations) for the two metropolitan councils we reviewed and their responses as follows:

- section 2 provides an overview of kerbside waste management across the local government sector
- section 3 details our review mandate, objectives and approach
- section 4 provides an overview of the NPSP Council's kerbside waste management services, the results of our review and the Council's responses
- section 5 provides an overview of the West Torrens Council's kerbside waste management services, the results of our review and the Council's responses.

2 Background

2.1 Why this review is important

Kerbside waste is a shared concern for governments, communities and individuals. It must be effectively managed to ensure the health, wellbeing and safety of the public is preserved, the environment is protected and resources are recovered.

Councils incur significant costs in providing these services and not effectively managing them increases the risks of:

- reduced levels of waste services, negatively impacting community satisfaction and public health and safety
- significant cost increases
- less waste diverted from landfill, and the associated costs and environmental impacts
- higher rates of contamination in recycling and organic kerbside bins.

The benefits of effective kerbside waste management to public health, wellbeing and safety are clear. They range from preventing the infestation and spread of disease by vermin and the emission of odours, to averting unsightly and cluttered kerbsides that can impact the safety of pedestrians and enjoyment of street aesthetics.

The environmental benefits of effectively managing kerbside waste are also well established. Less waste in landfill (particularly food waste) reduces the release of greenhouse gases, keeps valuable material resources circulating within the economy, lowers energy demands and saves water usage.¹ Diverting organic waste such as food and garden waste from landfill to appropriate resource recovery and treatment, including aerobic commercial composting systems reduces the amount of methane,² a contributor to climate change, being emitted from landfills.

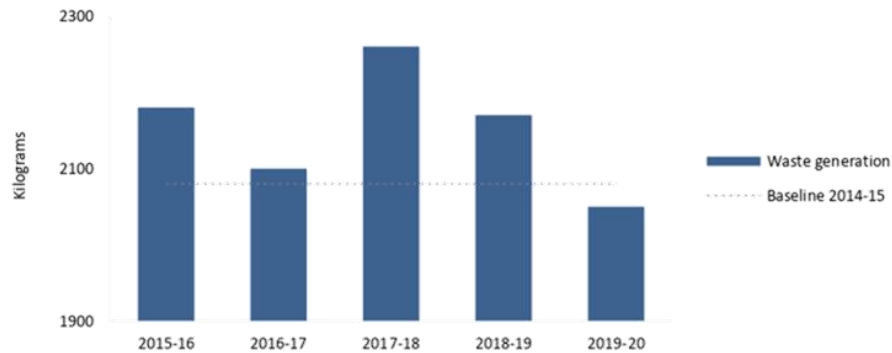
However, waste generation per capita remains a challenge for South Australians.³ Figure 2.1 shows the total waste generated per capita in South Australia for the last five years.

¹ Green Industries SA 2021, *South Australia's Recycling Activity Survey 2019-20 Report*, Government of South Australia, Adelaide, p. 77.

² Green Industries SA 2021, *Valuing our Food Waste, South Australia's strategy to reduce and divert household and business food waste 2020–2025*, Government of South Australia, Adelaide.

³ Green Industries SA 2020, *South Australia's Recycling Activity Survey 2018-19 Report*, Government of South Australia, Adelaide, p. 8.

Figure 2.1: Total per capita waste generation for South Australia



Source: *South Australia's Recycling Activity Survey 2016-17 Financial Year Report*, p. 10 and *South Australia's Recycling Activity Survey 2019-20 Report*, p. 12.

South Australia's Waste Strategy 2015–2020 set a target to reduce waste generated per capita by 5% by 2020 from 2015 levels. In 2017-18, waste generated per capita increased by 8.7% from the 2015 baseline. While 2018-19 saw a decrease, waste generated per capita was still 4.3% higher than 2015. In 2019-20, waste generated per capita was 1.4% lower than the baseline, but still fell short of the 5% reduction target.

All levels of government have publicly committed to improving waste management practices to reduce landfill disposal rates. This is demonstrated by the frameworks and strategies currently in place, including the national waste policy and action plan and South Australia's waste and food waste strategies.

2.2 Roles and responsibilities

Appendix 2 lists the international, national, state and local government frameworks that govern the roles and responsibilities for managing waste.

While all levels of government, together with business, waste industry groups and the community, have a role to play in managing waste, the regulation of waste management and resource recovery in Australia is shared between the Commonwealth, state and local governments. Appendix 5 provides an overview of these roles, legislation and policy.

2.2.1 Commonwealth Government

The Commonwealth Government is responsible for a national framework for waste and resource recovery, which recognises obligations under international agreements. In addition, the *Recycling and Waste Reduction Act 2020* (Cth) establishes a legislative framework to enable Australia to manage the environmental and human health and safety impacts of products and waste material more effectively, as well as the impacts of disposing of our waste.

The Commonwealth Government has developed the 2018 *National Waste Policy: Less Waste, More Resources*, and the corresponding 2019 action plan, which focuses on circular economy principles and outlines the roles and responsibilities for collective actions by businesses, governments, communities and individuals for waste management. It sets national targets, including an 80% average resource recovery rate from all waste streams by 2030.

The Commonwealth Government has also established a national food waste strategy that aims to halve food waste by 2030.

2.2.2 State government

The regulation and management of waste and resource recovery in Australia is primarily the responsibility of state and territory governments. The SA Government's key legislation in this area is the:

- *Environment Protection Act 1993* (EP Act) which provides a broad framework for the protection of the State's environment, including the regulation of waste management and promoting the waste management hierarchy. Under the EP Act, the SA Government has issued the *Environment Protection (Waste to Resources) Policy 2010*. This requires metropolitan councils to provide a weekly kerbside residual waste collection service for residential premises within their areas⁴
- *Green Industries SA Act 2004* (GISA Act) which promotes innovation and business activity in the State's waste management, resource recovery and green industry sectors and includes the principles of:
 - the circular economy
 - the waste management hierarchy
 - ecologically sustainable development
 - best practice methods and standards in waste management and efficient use of resources.

The GISA Act requires Green Industries SA (GISA) to develop a waste strategy for the state every five years.⁵ The South Australian waste strategy is discussed further in section 2.3. The GISA Act also allows GISA to provide grants to the waste and resource recovery industry, including local government.

2.2.3 Local government

The *Local Government Act 1999* (the LG Act) requires South Australian councils to provide services that benefit their areas, ratepayers, residents and visitors.⁶

In line with the LG Act, local councils:

- provide household waste and recycling collection and disposal services

⁴ *Environment Protection (Waste to Resources) Policy 2010*, clause 10(2).

⁵ GISA Act, section 18.

⁶ LG Act, section 7.

- deliver education and awareness programs
- can form regional subsidiaries (waste management authorities) that receive and process material for their constituent councils and a range of clients, including businesses and industry.

Some South Australian councils have established waste management authorities to provide waste management services. Others provide these services directly or outsource them to the private sector.

Metropolitan councils must provide a weekly kerbside collection of residual waste. However, in consulting with their communities, councils determine the level of service they will provide for recyclables and organic waste, including the frequency of bin collections. While these services are discretionary, there is a long history of metropolitan councils collecting recyclables and organic waste fortnightly. All metropolitan councils have offered a food organics and garden organics (FOGO) collection service since 2020.

Councils must balance the cost of providing these services against community expectations and the SA Government's desire that they work towards achieving landfill diversion targets.

Councils are supported by the Local Government Association of South Australia, which advocates on their and the communities' behalf to the Commonwealth and SA Governments. It has established a Waste Action Plan that outlines local government views on actions needed to stabilise the waste industry, ensure the ongoing commercial viability of recycling services and establish a circular economy.

2.3 South Australia's waste strategies

In 2005, the SA Government released South Australia's first waste strategy. Since then, waste strategies setting out the State's objectives, targets and priorities have been released every five years. Each one has sought to avoid and reduce waste, maximise the useful life of materials through reuse and recycling and maximise the diversion of waste from landfill.

Our review principally focused on the period of *South Australia's Waste Strategy 2015–2020*, although we also considered developments to December 2021. The strategy had three objectives:

- to encourage a resource efficient economy where the best or full value is obtained from products and materials produced, consumed and recovered
- to establish a clear policy framework to encourage investment in the sector
- to establish a culture enabling the community to implement zero waste strategies/ programs.

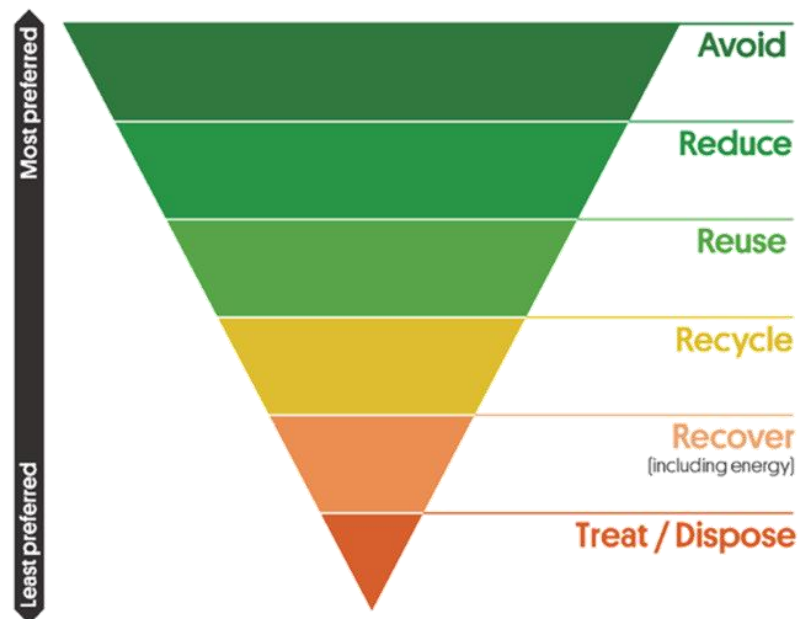
The SA Government set a landfill diversion target of 70% for metropolitan municipal solid waste by 2020. Included in this target was a goal of 60% diversion from landfill for waste in the kerbside bin system that is not mandatory for metropolitan councils. The most recent available published data about kerbside waste performance⁷ shows that no metropolitan council has achieved this goal. Some possible reasons for this are discussed in section 2.7.

The State's current waste strategy *Supporting the Circular Economy: South Australia's Waste Strategy 2020–2025* has increased the landfill diversion target for municipal solid waste to 75% by 2025. This includes a goal of 70% diversion from landfill for waste in the kerbside bin system for metropolitan councils by 2025.⁸

The State's current waste strategy also includes the internationally recognised waste management hierarchy model. This model sets the guiding principles for waste management in South Australia and its principles are enshrined in legislation across Australian states, including the EP Act and GISA Act.

Figure 2.2 shows the waste management hierarchy, which provides an order of priority⁹ for managing waste. The first priority is to avoid producing waste and the last option is to dispose of it where all other options are not reasonably practicable.

Figure 2.2: The waste management hierarchy



Source: Supporting the Circular Economy: South Australia's Waste Strategy 2020–2025.

⁷ Green Industries SA 2021, *South Australia's Kerbside Waste Performance Report 2018-19*, March, Government of South Australia, Adelaide.

⁸ Green Industries SA 2020, *Supporting the Circular Economy: South Australia's Waste Strategy 2020–2025*, Government of South Australia, Adelaide, p. 17.

⁹ *Environment Protection Act 1993*, section 4B.

Councils generally focus their education programs on the priorities of avoid, reduce, reuse and recycle, while offering waste collection and processing services involving recycling, recovery, treatment and disposal.

In support of the State's waste strategy and move to a circular economy, some councils have implemented the waste management hierarchy in their own strategies, for example by:

- using recyclable materials (such as glass and plastics) in roads and park bench seats
- creating plastic-free council run venues and events
- building infrastructure to process recyclable materials.

In support of the national and State waste strategies, the SA Government has also established a food waste strategy, *Valuing our Food Waste: South Australia's strategy to reduce and divert household and business food waste 2020–2025*. Its objectives include reducing the generation of food waste, improving food waste collection and processing systems for beneficial resource use, and working towards a biological circular economy. It also includes actions for change to address food waste in households, as well as in the commercial and industrial sectors.

2.4 Waste management services

In South Australia, local councils are responsible for providing waste management services to residents. They do this primarily by collecting, processing and disposing of kerbside waste, as well as through education programs and materials for residents about responsible waste behaviour.

Figure 2.3: Metropolitan councils kerbside waste management services



All metropolitan councils offer the three-bin system to residents. However, in some metropolitan councils organics bins are optional or must be purchased by residents.

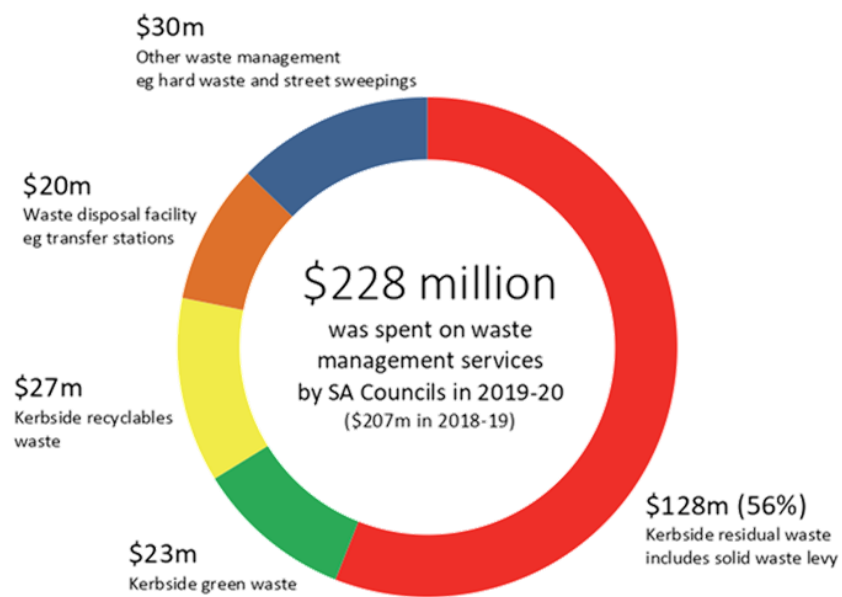
All metropolitan councils collect the residual waste bins weekly as mandated by the *Environment Protection (Waste to Resources) Policy 2010*, and the recyclables and organics bins fortnightly.

All metropolitan councils use a waste contractor or regional subsidiary to manage waste collection and disposal, with the exception of two that collect their own residual waste.

While some metropolitan councils have issued food caddies to all their households to encourage the collection of food waste, many provide them on an opt-in basis. Appendix 3 lists Adelaide metropolitan councils' organics food waste systems.

In 2019-20, South Australian councils (metropolitan and regional) spent \$228 million on waste management services. Figure 2.4 shows where this was spent.

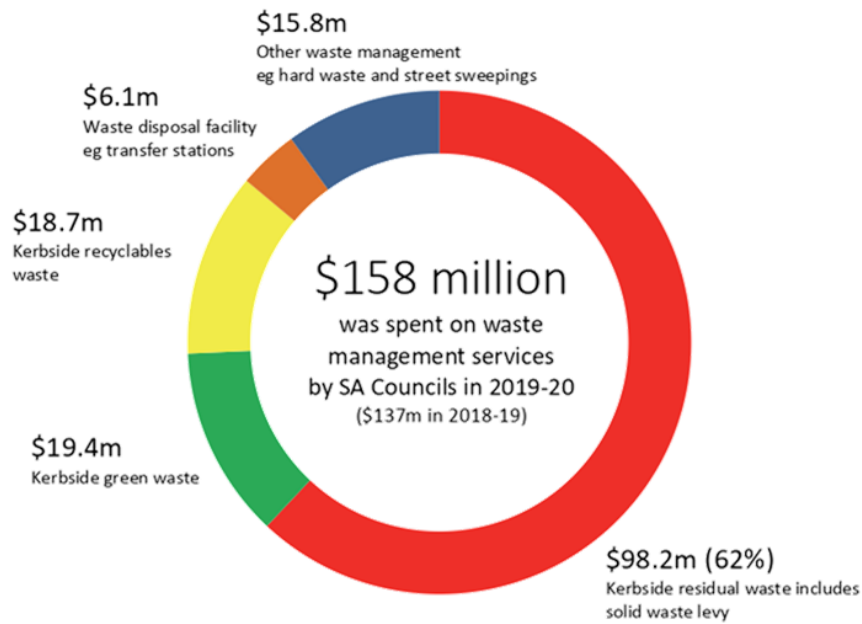
Figure 2.4: South Australian councils' waste management costs for 2019-20



Source: Prepared from South Australian Local Government Grants Commission unaudited data and GISA's annual kerbside waste performance reports.

Figure 2.5 shows that metropolitan councils spent \$158 million on waste management services in 2019-20, an increase of \$21 million (15%) from 2018-19.

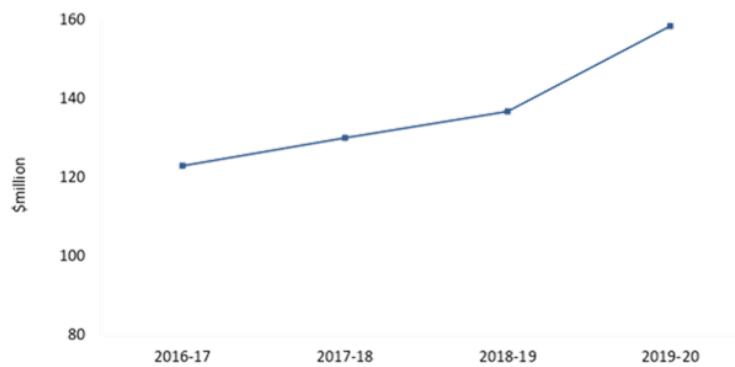
Figure 2.5: Metropolitan councils' waste management costs for 2019-20



Source: Prepared from South Australian Local Government Grants Commission unaudited data and GISA's annual kerbside waste performance reports.

While the public expects kerbside waste will be managed effectively and provided at a reasonable cost, councils' waste management expenses have increased significantly in recent years as shown in figure 2.6.

Figure 2.6: Metropolitan councils' waste management costs for last four years



Source: GISA's kerbside waste performance reports. Information for 2016-17 is based on South Australian Local Government Grants Commission unaudited data.

Ratepayers are directly impacted by the cost increases as councils seek to recover them through rates. But despite these increasing costs, there has been little change in the rate at which metropolitan councils have diverted kerbside waste from landfill. Potential reasons for this are explored in section 2.7.

2.5 Metropolitan councils' kerbside waste performance

GISA helps councils to improve kerbside waste collection systems for residents through grants, incentives and education campaigns. Reporting undertaken by GISA and published on its website includes councils' three-bin recovery rate, which represents the percentage of recyclable material (co-mingled recyclables and organics) diverted from landfill.

The formula used to calculate the three-bin recovery rate is:¹⁰

$$\text{Three-bin recovery rate} = \frac{\text{organics + recyclables}}{\text{organics + recyclables + residual}} \times 100\%$$

While GISA's kerbside waste performance report refers to this recovery rate, the State's waste strategy sets a non-mandatory landfill diversion target of 60% for metropolitan councils' household kerbside bin system. Metropolitan councils provide the waste tonnes collected from the household kerbside bin system to GISA. GISA uses this data to calculate the average metropolitan council three-bin recovery rate and reports this against the landfill diversion target in its annual kerbside performance reports. This measures the household kerbside waste performance at the beginning of the waste diversion process, being at the point of waste collection. Because recovery rates and the diversion target in this instance are both based at the point of collection from the kerbside, these measures can be compared.

The three-bin recovery rate formula does not consider contamination in the organics and recyclables bins. Contamination constitutes any material found in the recyclables bin that a materials recovery facility cannot recycle or any material found in the organics bin that is not compostable by a processing facility. Therefore, the three-bin recovery rate does not reflect the actual amount of material diverted from landfill. GISA has reported contamination of around 13% by weight (post-collection) in recyclables bins and 2% in organics bins.¹¹

GISA advised us that it collects gross data about organics and recyclables collections because this provides valuable insights into understanding:

- household behaviour and areas requiring further intervention
- trend analysis of kerbside behaviour
- geographic and socio-economic impact
- actions needed to support the State's waste strategy targets, such as education
- investment requirements for resource recovery infrastructure.

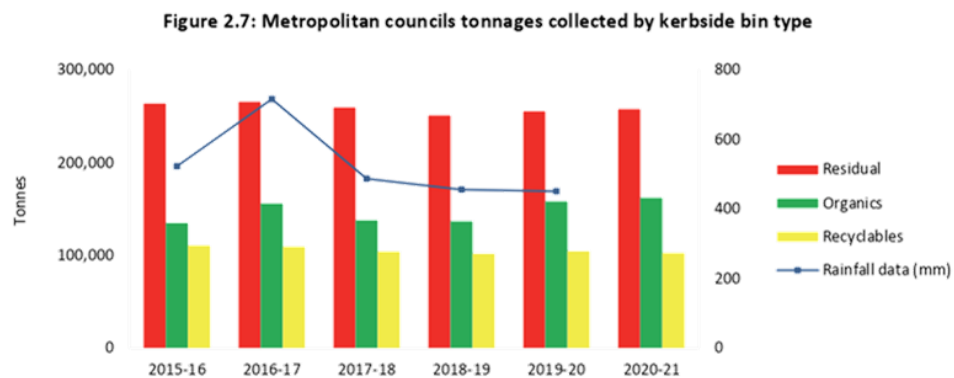
In 2019-20, about 517,800 tonnes of waste was collected from kerbsides in metropolitan Adelaide. This represented an increase of 5.8% from 2018-19 and equated to 390 kilograms

¹⁰ Green Industries SA 2021, *South Australia's Kerbside Waste Performance Report 2018-19*, March, Government of South Australia, Adelaide, p. 9.

¹¹ *ibid*, p. 29.

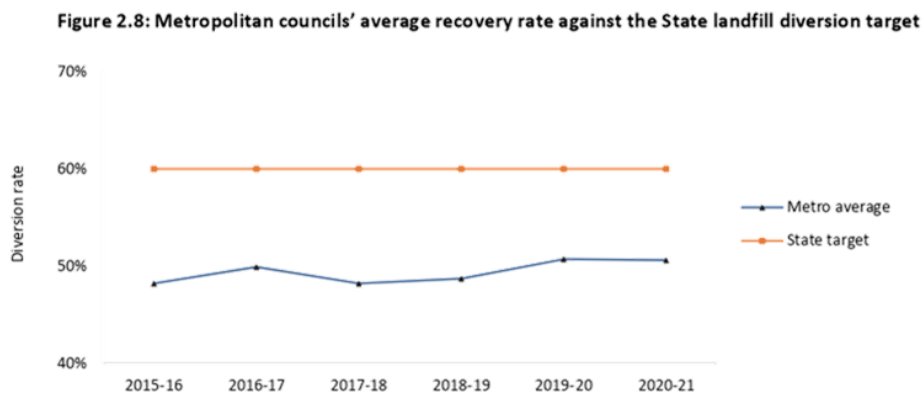
of kerbside waste per person or 1,039 kilograms of kerbside waste per serviced household. Of this, 262,600 tonnes were recovered as organics (60.2%) or recyclables (39.8%), for a total recovery rate of 50.7% (48.7% in 2018-19).¹²

Figure 2.7 shows the tonnes of waste collected in kerbside bins between 2015-16 and 2020-21 by metropolitan councils. It shows that the amount of waste collected for each kerbside bin type has remained consistent during this period. There was a slight increase in organics waste collected in 2016-17 due to higher levels of rainfall¹³ and in 2019-20 due to the full impact of a fortnightly organics bin service being introduced in Adelaide’s largest metropolitan council.¹⁴



Source: GISA’s annual kerbside waste performance reports.

Figure 2.8 shows the metropolitan councils’ average three-bin recovery rate against the State’s waste strategy target for metropolitan councils of 60% landfill diversion from the kerbside bin system for the last six years.



Source: GISA’s annual kerbside waste performance reports and South Australia’s waste strategy.

¹² Data provided to us by GISA.

¹³ Green Industries SA 2020, *South Australia’s Kerbside Waste Performance Report 2017-18*, Government of South Australia, Adelaide, p. 26.

¹⁴ Data provided to us by GISA.

The average recovery rate for metropolitan councils between 2015-16 and 2020-21 has fluctuated between 48.2% and 50.6% (an increase of 2.2%).

The Adelaide metropolitan council recovery rate of 50.7% for 2019-20 is below the State’s landfill diversion target of 60% for metropolitan councils. In 2020-21 the Adelaide metropolitan council recovery rate decreased by 0.1% to 50.6%, but still fell short of the target. The State’s target remains at 60% until 2023 but increases to 70% by 2025.¹⁵

2.6 Solid waste levy

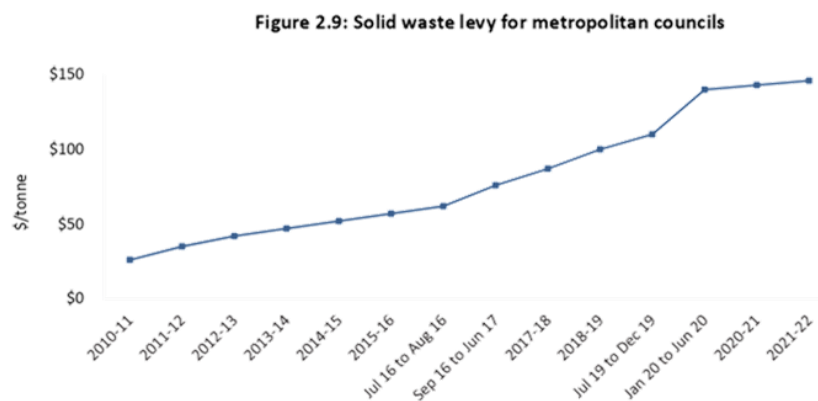
Under the EP Act a solid waste levy is payable to the Environment Protection Authority (EPA) on solid waste disposed to landfill. The waste levy incentivises resource recovery by increasing the costs of waste disposal, making resource recovery a preferable financial option.¹⁶

The levy comprises a proportion of overall waste management costs for councils. The waste levy has significantly increased in recent years, reflecting:

- the SA Government’s desire to reduce waste to landfill and move to a circular economy model¹⁷
- China’s introduction of the National Sword Policy in 2018, which prevents Australia from exporting certain waste and heavily reduces contamination rates for recyclables.

The solid waste levy was \$146 per tonne in 2021-22 compared to \$35 per tonne 10 years ago, an increase of 317%. The levy has increased by 151% since 2015-16 for metropolitan councils.

Figure 2.9 shows the increase in the solid waste levy for metropolitan councils over the past 12 years.

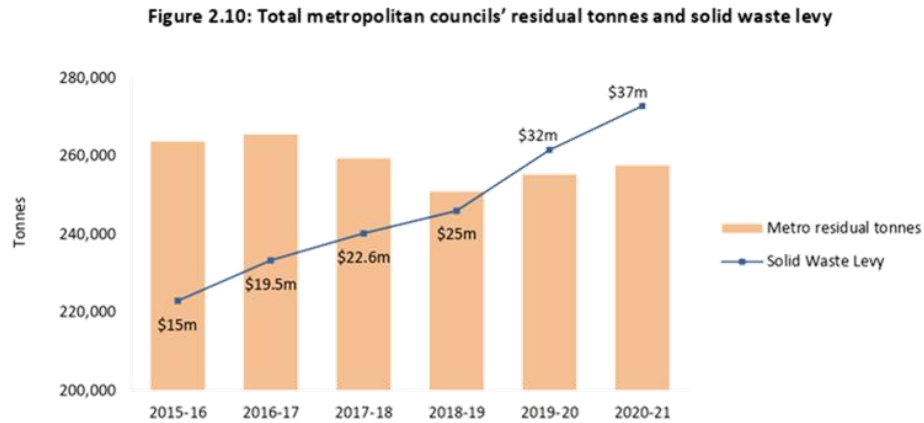


¹⁵ Green Industries SA 2020, *Supporting the Circular Economy: South Australia’s Waste Strategy 2020–2025*, Government of South Australia, Adelaide, p. 17.

¹⁶ www.epa.sa.gov.au, viewed 20 June 2022.

¹⁷ Green Industries SA 2020, *Supporting the Circular Economy: South Australia’s Waste Strategy 2020–2025*, Government of South Australia, Adelaide.

Figure 2.10 shows the effect the increase in the solid waste levy has had on the cost of disposing residual waste since 2015-16.



Source: GISA's annual kerbside waste performance reports for residual tonnes. Solid waste calculation based on total tonnage multiplied by solid waste levy.

The GISA Act requires the EPA to transfer 50% of the levies to the Green Industry Fund. The fund can only be applied by:

- GISA:
 - in line with a business plan approved by the Minister
 - in any other manner authorised by the Minister for the purposes of the GI Act
- the Minister for Climate, Environment and Water, towards the costs of:
 - climate change initiatives, including research and development, education, innovation and business activity, for mitigating the effects of climate change, minimising carbon emissions and adapting to climate change
 - managing waste or debris, or harm to the environment, following an identified major incident, major emergency or disaster under the *Emergency Management Act 2004*.

In 2020-21, the EPA transferred \$48 million (\$37 million in 2019-20) to the fund, which had a balance of \$90 million on 30 June 2021 (\$114 million on 30 June 2020).

GISA has provided approximately \$13 million in grants for waste management to councils from the fund over the last six years.

2.7 Challenges in managing kerbside waste services

Councils face many challenges in providing kerbside waste management services and achieving local and state landfill diversion targets. While some can be addressed by council activities, others are externally imposed and beyond their control. Some of the challenges are discussed below.

2.7.1 Cost pressures

Cost pressures faced by councils include:

- increases in costs at landfill sites to dispose of residual waste, primarily due to the increase in the solid waste levy explained in section 2.6. Food waste discarded in the residual bin is heavy, contributing substantially to the weight of waste sent to landfill and therefore these costs
- increases in gate fees at materials recovery facilities to dispose of co-mingled recyclables. The gate fees are impacted by the often fluctuating market prices for recycled products. For example, China's 2018 National Sword Policy impacted the price of mixed paper and cardboard and mixed plastics. At the time, the estimated increase in cost was around \$8.8 million across South Australia based on a one-year period¹⁸
- increases in transport costs (eg fuel) to collect and dispose of all waste.

2.7.2 Food waste in residual bins

The SA Government has recognised that food waste in residual bins is a financial challenge for councils with significant environmental impact. In response it published a food waste strategy (see section 2.3).¹⁹

South Australian households and businesses send around 200,000 tonnes of food waste to landfill each year. Up to 40% of the material content in residual waste bins is food waste.²⁰ This directly impacts the costs paid by councils to dispose of waste to landfill, such as the solid waste levy. The NPSP Council has estimated that savings of \$395,000 per year in landfill fees could be achieved if food waste is diverted from landfill. Appendix 4 provides a copy of the flyer that the NPSP Council distributed to its community.

Food waste is heavy due to its moisture content. If discarded with residual waste, it contributes substantially to the weight of waste sent to landfill, increasing the solid waste levy and gate fee costs paid by councils.

Food decomposing in landfill without the aid of air produces methane, a greenhouse gas around 28 times more potent than carbon dioxide at trapping heat,²¹ and a contributor to the global greenhouse gas emissions causing climate change.

Food waste in landfill is also a lost resource that could have been used, together with other types of organic waste streams, to produce commercial compost and soil enhancement products.²² As composting is an aerobic process, it produces less or prevents the release of methane and is a better environmental alternative to landfill.

There are many reasons why residents do not dispose of food waste in organics bins. These

¹⁸ Rawtec Pty Ltd 2018, *Market Analysis of South Australian Kerbside Comingled Recyclables Report for the Local Government Association of SA*, May, Adelaide.

¹⁹ Green Industries SA 2021, *Valuing our Food Waste, South Australia's strategy to reduce and divert household and business food waste 2020–2025*, Government of South Australia, Adelaide.

²⁰ *ibid*, pp. 5 and 8.

²¹ *ibid*, p. 7.

²² *ibid*, p. 14.

include a personal dislike of the look of a food caddy on a benchtop, lack of access to free compostable bags or lack of awareness about the impact of food waste in landfill. However, it is likely that most concerns are about the pests and odours produced from decomposing food while organics bins await the fortnightly collection.

Several councils have recently trialled the weekly collection of organics bins. The results of these trials have shown positive changes in residents' waste disposal behaviour and an increase in landfill diversion rates. For example, the City of Holdfast Bay recently completed an 18-month FOGO trial that involved more than 1,000 households having their organics bin collected weekly and their residual waste bin collected fortnightly. The trial found the amount of food waste disposed of in the organics bins more than doubled, achieving a landfill diversion rate of 84% in the areas participating in the trial.²³ From July 2022, the City of Holdfast Bay will provide this bin collection service to all its residents unless they want to continue having their residual bin collected weekly.

This trial shows that a weekly collection of organics bins would encourage residents to dispose of food waste more responsibly and discourage them from putting food into residual waste bins. This would help divert food waste from landfill and increase council recovery rates. However, collecting organics bins weekly without any changes to the collection frequency of other bins would increase costs for most councils. Current legislation requires metropolitan councils to collect residual waste weekly but does not prescribe how often organics and recyclables bins must be collected.

2.7.3 Legislation mandates weekly collection of residual waste bins

The SA Government's *Environment Protection (Waste to Resources) Policy 2010* requires metropolitan councils to collect kerbside residual waste weekly from residential premises within their areas.²⁴ Councils determine how often they collect recyclables and organics bins and there is a long history of councils collecting them fortnightly. These services are highly valued and relied on. All metropolitan councils now collect organics and recyclables bins fortnightly, with the exception of three that provide these services on an opt-in basis.

Councils must balance the cost of providing weekly residual waste collections against:

- the cost of collecting organics and recyclables waste more frequently
- residents' expectations about the frequency of organics and recyclables collections
- the cost of providing services that will help achieve the SA Government's landfill diversion targets.

The most recent data published by GISA indicates that no metropolitan council's recovery rate has achieved the SA Government's landfill diversion target.²⁵ Figure 2.11 shows that the average metropolitan councils' recovery rate has remained relatively unchanged in the last

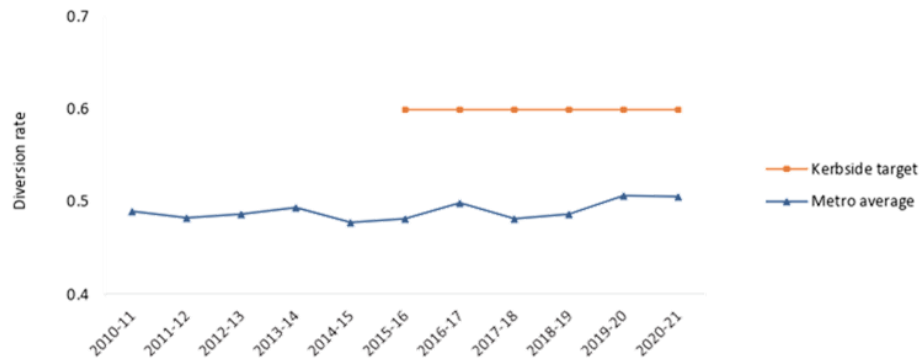
²³ www.holdfast.sa.gov.au/council/news - Households embrace weekly green bin collections | City of Holdfast Bay, viewed 22 June 2022.

²⁴ *Environment Protection (Waste to Resources) Policy 2010*, clause 10(2).

²⁵ *Green Industries SA 2021, South Australia's Kerbside Waste Performance Report 2018-19*, March, Government of South Australia, Adelaide, p. 19.

11 years. In 2009-10, the recovery rate was 48%,²⁶ with the same result achieved in 2019-20. Prior to 2015-16, the State’s waste strategy did not include landfill diversion targets for kerbside waste in the targets set for total municipal solid waste.

Figure 2.11: Metropolitan councils’ average recovery rate compared to the State target for landfill diversion



Source: GISA’s annual kerbside waste performance reports.

Allowing councils to decide how often they collect each bin type to meet community expectations may be a solution to improving landfill diversion, as demonstrated by the City of Holdfast Bay’s recent FOGO trial.

2.7.4 Multi-unit dwellings and urban infill

Multi-unit dwellings (MUDs) are generally accepted to be any dwelling other than a standalone single unit dwelling and can range from townhouses, semi-detached or row terraces, through to multi-storey apartment complexes.

Urban infill and the rise in the number of MUDs present unique challenges to councils for waste management. Councils often contract these services out to commercial contractors, as the kerbside collection service does not align with the bin types required for these buildings.

MUDs do not generally perform well in source separation, landfill diversion and the contamination of recyclables. Reasons for poor performance can include:

- design issues. Older MUDs were designed for a one or two bin waste system. Introducing a third bin can be difficult due to limited space. New MUDs may not consider waste management sufficiently in the design phase or developers may see areas for bins as expensive and wasted space.²⁷ This may result in bin systems that do not offer all three waste streams, as well as increased, ongoing waste management costs for councils and residents

²⁶ Green Industries SA 2019, *Adelaide Metropolitan Area Kerbside Waste Performance Report 2016-17*, February, Government of South Australia, Adelaide, p. 23.

²⁷ The Local Government Association of South Australia continues to advocate for the planning and design code to be reviewed to consider effective, efficient and safe waste management for medium to high density development areas.

- a lack of street access and limited turning points for waste collection vehicles
- a lack of public road verge or presentation space for kerbside bin collection
- contamination issues due to the lack of supervision or management of communal bins and residents' lack of ownership of bins.

Exploring ways to improve MUD waste performance remains a challenge for councils but is necessary to improve recovery rates.

2.7.5 Educating the community

Councils play an important role in educating the community about waste reduction and responsible recycling. Through education the community can improve its waste practices, which will reduce the amount of waste sent to landfill and councils' disposal costs and increase the volume of materials to be recycled.

However, education programs can be expensive and can absorb significant human resources. A challenge for councils is balancing the areas most in need of education to achieve the best results against the cost of providing them.

While education, in addition to other strategies such as the wider rollout and promotion of food caddy use, will help councils raise community awareness about responsible waste disposal, changing residents' behaviour long-term will remain a challenge.

3 Audit mandate, objective and scope

3.1 Our mandate

We performed our review under section 32(1)(c) of the *Public Finance and Audit Act 1987*. This allows the Auditor-General to review the efficiency, economy and effectiveness of a publicly funded body.

A council constituted under the LG Act is included in the definition of a publicly funded body.

3.2 Our objective

The objective of our review was to conclude on whether the two councils we reviewed were effectively managing kerbside waste services to work towards achieving their targets (and the targets set by the SA Government).

Our review covered the period of South Australia's Waste Strategy 2015–2020. We extended it to also consider developments between June 2020 and December 2021.

We considered whether the two councils had:

- documented plans and/or strategies to deliver kerbside waste services to meet their targets and community expectations
- implemented governance structures to manage and oversee the performance of their kerbside waste services to meet their targets and community expectations
- processes to assess the effectiveness of their education activities.

3.3 What we reviewed and how

There are many areas that contribute to the successful management of kerbside waste services. To inform our conclusion about how effectively the two Councils were managing their services, we assessed whether they had:

- established a waste strategy/plan that detailed service levels, local waste performance targets and the actions to be taken to achieve them
- established a waste education strategy and program to educate and promote responsible waste behaviour to the community in support of local and State targets
- engaged with the community and considered their expectations in waste planning
- established clear roles and responsibilities for waste management
- established frameworks and processes to identify, assess and manage waste risks
- implemented contract management processes to manage roles and responsibilities, communication with contractors and the community, and the reporting and monitoring of performance, costs and risks
- collected accurate and reliable data to monitor waste performance.

Our assessment considered:

- the LG Act requirements
- the *Environment Protection (Waste to Resources) Policy 2010*
- each Council's strategic management framework and policies
- South Australia's Waste Strategy 2015–2020 and 2020–2025 issued by GISA
- South Australia's Valuing Our Food Waste Strategy
- generally accepted standards of contract management and risk management practices.

We reviewed documents in detail and held discussions with relevant staff of each Council.

The NPSP Council's regional subsidiary, Eastern Waste Management Authority (East Waste), delivers kerbside waste management services to the community on its behalf.

For the NPSP Council, we also held discussions with East Waste staff to obtain an understanding of their role and responsibilities in delivering kerbside waste management services on the NPSP's behalf. We did not assess the activities of East Waste as part of this review.

We would like to acknowledge the staff of each Council and East Waste who went to considerable effort to promptly respond to our information requests and inquiries during the review.

3.4 What we did not review

We did not review the Councils' waste collection practices for:

- kerbside hard waste
- street sweepings, council operated parks and other public place locations
- other drop-off facilities they operate
- their commercial service operations.

We did not review waste collection practices managed by the private sector for:

- commercial and industrial waste
- construction and demolition waste
- the Container Deposit Scheme returns.

While we used waste data provided by the Councils to calculate recovery rates, we did not independently confirm the integrity of the data.

We did not review the methodology of kerbside bin audits performed by East Waste or contractors on behalf of the Councils.

We did not assess the activities of East Waste.

West Torrens Council has outsourced its waste management services to an independent contractor. We did not review the independent contractor's activities.

4 The Corporation of the City of Norwood, Payneham and St Peters

4.1 Executive summary

4.1.1 Audit conclusion

We assessed the effectiveness of the NPSP Council's management of kerbside waste services between 2015 and 2021 against our review objective in section 3.2.

We concluded that the NPSP Council successfully collects, transports and processes kerbside waste to a high level of community satisfaction.

There are many areas that contribute to the overall effective management of kerbside waste services. We identified some areas that were not operating effectively during the period we reviewed. These were:

- the development of a plan to support waste management services
- setting waste performance measures and targets
- establishing a service level agreement with East Waste
- evaluating and reporting on waste performance
- developing a waste education strategy and program.

These issues are explained in section 4.1.2.

We also identified some areas that were operating effectively during the period we reviewed. These were that the NPSP Council had:

- consulted its community and key stakeholders when it reviewed CityPlan 2030 to understand their expectations and satisfaction with the levels of waste management service
- sound processes to manage and resolve complaints from residents about collection services.

4.1.2 What we found and recommended

The key findings from our review of the NPSP Council's management of kerbside waste services were that it:

- did not have a corporate plan or an overarching plan to support its strategic objective and strategy for waste management (section 4.3.2)
- had not documented the initiatives it had identified and implemented to support its strategic objective and strategy for waste management. This reduced the effectiveness of achieving its strategic objectives and reaching its long-term vision (section 4.3.3)
- did not have a service level agreement with East Waste for waste management services (section 4.4.2)
- had not evaluated and reported its kerbside waste performance against the set target. This reduced the effectiveness of monitoring its waste performance and its capacity to take necessary action to improve its performance to reach, or get closer to, the set target (section 4.4.3)

- had not set any performance standards, measures and targets to monitor and evaluate East Waste's performance in delivering kerbside waste management services to its community (section 4.4.3)
- did not have a formal waste education strategy outlining its approach to community education on waste and recycling issues (section 4.5.1)
- had not evaluated and reported on the effectiveness of the waste initiatives and activities it implemented each financial year (section 4.5.1).

We recommended the NPSP Council:

- develop a corporate plan, and a plan that specifically covers waste management, which outlines its key priorities, corporate objectives, actions and activities to achieve the corporate objectives, and measures and targets to monitor and evaluate its performance (sections 4.3.2 and 4.3.3)
- set performance measures and targets for kerbside waste management that are consistent with those set by East Waste and support the State's waste strategy target (section 4.3.4)
- establish a service level agreement with East Waste to clarify and agree on the roles and responsibilities and other matters important to waste management services (section 4.4.2)
- evaluate and report on the outcome of all its kerbside waste initiatives and activities, actual kerbside waste performance against set targets and the performance of East Waste (section 4.4.3)
- develop and document a waste education strategy and program outlining its approach to community education on waste and recycling issues (section 4.5.1).

4.1.3 NPSP Council's response

The NPSP Council responded to our findings and advised us how it would action our recommendations, which it generally accepted. Its response to each recommendation is included in sections 4.3 to 4.5.

The NPSP Council provided a response to our proposed report to Parliament that is included as Appendix 6.

4.2 Overview of The Corporation of the City of Norwood, Payneham and St Peters

4.2.1 Waste management services

The NPSP Council is located just east of Adelaide's CBD and covers an area of around 15 km², with an estimated resident population of about 37,000.²⁸

²⁸ Australian Bureau of Statistics 2020, *Norwood Payneham St Peters: Region summary: Data by region*, ABS, viewed 25 May 2022, <<https://dbr.abs.gov.au/region.html?lga&rgn=45290>>.

Population, area and dwelling types determine the nature, type and collection frequency of the waste services councils provide.

The NPSP Council provides a standard kerbside three-bin service to about 17,500 residential households and 2,000 commercial properties.²⁹ 49.6% of households are multi-unit dwellings and 49.7% are separate houses.³⁰

Figure 4.1: NPSP Council standard kerbside three-bin waste collection service



Source: NPSP Council website.

The NPSP Council also provides households with a free food caddy and two rolls of compostable bags annually to make it easier for residents to compost food waste through their green bin.

A regional subsidiary,³¹ East Waste, delivers waste management services to the NPSP Council's community on its behalf. More information on East Waste is provided in section 4.4.1.

4.2.2 Waste management costs

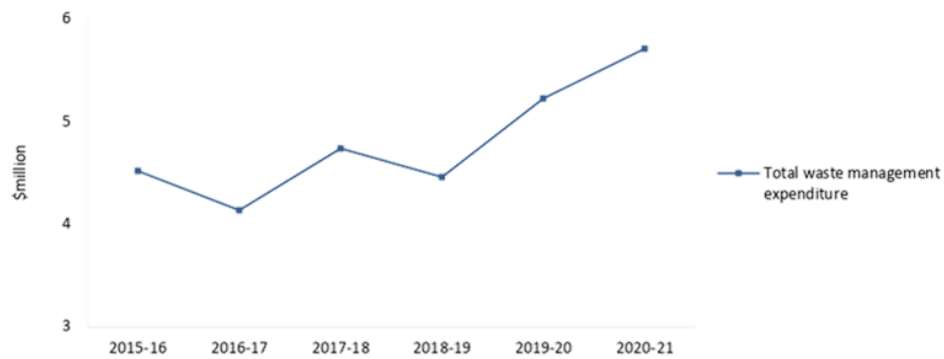
In addition to the kerbside three-bin waste service, the NPSP Council's waste management services include collecting and disposing of kerbside hard waste, public litter bins, street sweepings and illegal dumping. The costs of waste management are shown in figure 4.2 and totalled \$5.7 million in 2020-21.

²⁹ City of Norwood, Payneham and St Peters 2021, *Council Agenda and Minutes*, 5 October 2021, item 11.1, p. 19, <https://www.npsp.sa.gov.au/about_council/council_and_committees/council_agenda_and_minutes>.

³⁰ City of Norwood Payneham and St Peters 2021, *City of Norwood Payneham and St Peters: Dwelling type*, viewed 15 July 2022, <<https://profile.id.com.au/npsp/dwellings>>.

³¹ Constituent councils are Adelaide Hills Council, City of Burnside, Campbelltown City Council, City of Norwood, Payneham and St Peters, City of Mitcham, Corporation of the Town of Walkerville and City of Prospect.

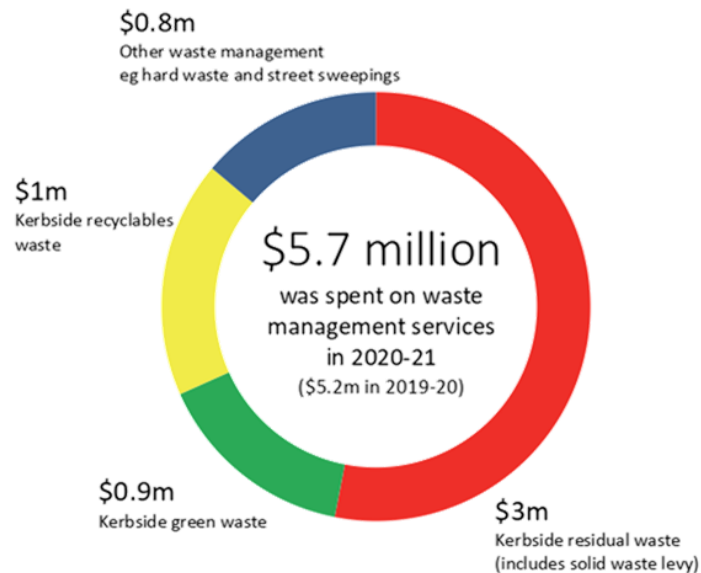
Figure 4.2: NPSP Council waste management costs for the past six years



Source: Based on data provided by the NPSP Council (unaudited).

Figure 4.2 shows that the NPSP Council’s waste management costs fluctuated annually up to 2018-19 and then increased by 17% in 2019-20 and 9% in 2020-21. This is partly due to the increase in the solid waste levy during this period. On 30 June 2019, this levy was \$100 per tonne and increased to \$143 per tonne by 30 June 2021, an increase of 43%. The increase in costs is also the result of the increase in residual waste collected by NPSP Council since 2018-19, as shown in figure 4.6. In 2020-21, the NPSP Council spent \$5.7 million on waste management services, an increase of \$500,000 (10%) from 2019-20. Figure 4.3 shows where this was spent.

Figure 4.3: NPSP Council waste management costs for 2020-21



Of the \$5.7 million, 53% was spent on collecting and disposing kerbside residual waste, including the solid waste levy. The solid waste levy is 18%³² of the NPSP Council's total waste management costs for 2020-21.

4.2.3 Kerbside waste management performance

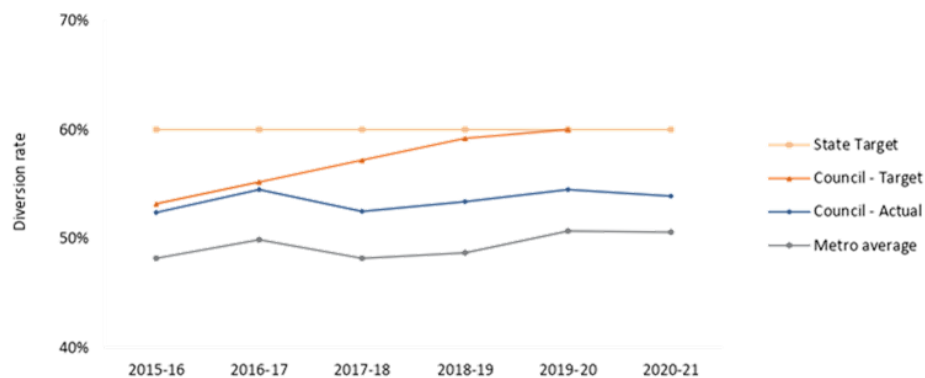
The NPSP Council's actual kerbside waste diversion from landfill rate compared to its target and the actual metropolitan council average recovery rate since 2015-16 is shown in figure 4.4.

Figure 4.4: Kerbside waste diversion from landfill rate and performance targets

Year	NPSP Council actual ³³	NPSP Council target ³⁴	Metropolitan council average ³⁵
2015-16	52.4%	53.2%	48.2%
2016-17	54.5%	55.2%	49.9%
2017-18	52.5%	57.2%	48.2%
2018-19	53.4%	59.2%	48.7%
2019-20	54.5%	60%	50.7%
2020-21	53.9%	no landfill diversion target set	50.6%

Figure 4.5 shows the above rates compared to the State's landfill diversion target of 60%.

Figure 4.5: Kerbside waste diversion from landfill rate and performance targets



Source: Based on data provided by the NPSP Council, East Waste and GISA.

³² Calculated by us based on the residual tonnes provided by the NPSP Council multiplied by the solid waste levy.

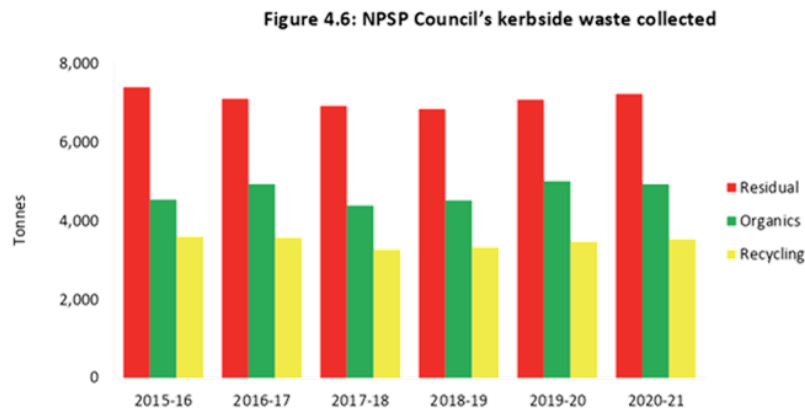
³³ This rate was calculated by us based on the formula published in GISA's annual kerbside waste performance reports. The waste collection tonnages used in the formula were provided by the NPSP Council and are unaudited. The tonnages of recycling and organics collected have not been adjusted for contamination.

³⁴ We calculated these percentages based on the performance measure and target information disclosed in the NPSP Council's CityPlan 2030 over that period.

³⁵ Taken from GISA's annual kerbside waste performance reports. Data provided to us by GISA for 2019-20 and 2020-21 on 15 June 2022.

Figure 4.5 shows that the NPSP Council achieved a higher diversion from landfill rate than the metropolitan council average but fell short of its own target each year. 2016-17 and 2019-20 were the NPSP Council's best performing years. It was close to its target in 2016-17 but by 2019-20 was 5.5% below it. Both the NPSP Council and the metropolitan council average fell short of the 60% State target by 2020-21. GISA provided us with data it has not yet published which shows that only one metropolitan council achieved a recovery rate of 60% in 2020-21.

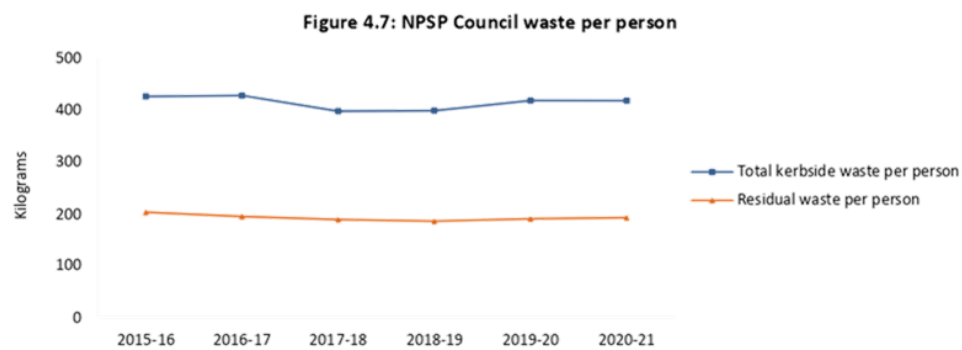
Figure 4.6 shows the NPSP Council's total tonnes collected by kerbside bins for each waste stream for the last six years.



Source: Based on data from East Waste and the NPSP Council.

Figure 4.6 shows that the amount of waste collected for each waste stream has remained steady during this period. There was a slight increase in organics waste collected in 2016-17 due to higher levels of rainfall.³⁶

Figure 4.7 shows total kerbside waste and residual waste generated per person in the NPSP Council area over the last six years.



Source: Based on data provided by East Waste and the NPSP Council about tonnes. Data about population is from the Australian Bureau of Statistics (<https://explore.data.abs.gov.au/>).

³⁶ Green Industries SA 2020, *South Australia's Kerbside Waste Performance Report 2017-18*, Government of South Australia, Adelaide, p. 26.

Figure 4.7 shows a decrease in kerbside waste generated per person in 2017-18 and an increase in 2019-20. The 2017-18 decrease was driven by a 13% decrease in organics due to higher rainfall in the previous year.³⁷ An explanation for the increase in 2019-20 may be that during the pandemic more people shopped online, increasing the amount of packaging used in shipping/postage and discarded by residents. This may have been further impacted by people establishing home offices during the initial lockdown as evidenced by the shortage of office furniture and IT equipment in South Australia in March, April and May 2020. Figure 4.7 also shows that residual waste per person has remained consistent in the NPSP Council area over the past six years.

4.2.4 Other waste management initiatives

The NPSP Council has recognised the importance of implementing innovative waste reduction and education initiatives to manage waste resources sustainably and efficiently. During our review we noted some examples of this where the NPSP Council:

- joined the Local Government Association of South Australia's circular procurement pilot project. The project is working towards developing local markets and onshore processing for recyclable materials
- implemented the plastic free precincts project, which helps food retailers in the Norwood Parade precinct to switch from single-use plastic products to reusable or compostable alternatives. This aligns with an SA Government priority to ban single-use plastics
- promotes product stewardship and buy recycled opportunities on its website.

4.3 Strategic planning for waste management services

4.3.1 Background

Section 122 of the LG Act requires a council to develop and adopt strategic management plans for the management of its area. It establishes a framework for each council to:

- identify its strategic objectives over a period of at least four years
- identify and implement strategies to achieve its strategic objectives and to deliver the range and level of services it intends to provide to its community
- identify the resources needed to support its strategies and protect its long-term financial sustainability
- set measures used to monitor and assess its performance against its objectives
- identify the extent of participation with other councils, regional bodies and State and national governments achieving common objectives.

³⁷ Green Industries SA 2020, *South Australia's Kerbside Waste Performance Report 2017-18*, Government of South Australia, Adelaide, p. 14.

The NPSP Council’s CityPlan 2030: Shaping our future (CityPlan 2030) provides its long-term strategic vision and plan. The plan is reviewed every four years to ensure it reflects the community’s vision and aspirations to 2030. It sets out the strategic planning and reporting framework and identifies the key plans that support its implementation (as shown in figure 4.8).

Figure 4.8: NPSP Council’s strategic planning and reporting framework



Source: The NPSP Council’s CityPlan 2030.

CityPlan 2030 focuses on four outcomes, with one being environmental sustainability where the NPSP Council strives to be a leader in this area. It provides the following objective and strategy for waste management:

Objective 4.1: Sustainable and efficient management of waste resources

Strategy 4.1.2: Investigate and implement innovative waste reduction and education³⁸ initiatives

CityPlan 2030 also states that minimising waste and increasing recycling and reuse remain important environmental priorities. The NPSP Council wants to use less resources, proactively monitor its waste production and recycling, and adapt its programs to continue to reduce waste.

³⁸ Education initiatives were included in the strategy in response to the 2020 mid-term review of CityPlan 2030.

4.3.2 The NPSP Council does not have overarching corporate objectives and priorities for waste management

Recommendation

The NPSP Council should develop a corporate plan that outlines the:

- key priorities and corporate objectives covering essential services like waste management
- actions and activities needed to achieve the corporate objectives and reach the Council's long-term vision
- measures and targets to monitor and evaluate its performance against the objectives.

The corporate plan should be published on the NPSP Council's website. The NPSP Council should also report outcomes against targets each year in its annual report to ensure transparency and accountability to the community.

Finding

CityPlan 2030 has a series of strategic documents to support its implementation. It states that:

The Council will also prepare a Corporate Plan to identify the specific programs and actions required to implement and integrate all of the elements of CityPlan over the next four years.

We found that the NPSP Council had not prepared a corporate plan. The risk register presented to its audit committee in October 2019 identified the development of a corporate plan as an action to mitigate the following strategic risks:

- not delivering the project or the right project
- the lack of innovation and forward planning
- the lack of organisational and departmental strategy.

A year later, an October 2020 report on the risk status to the audit committee stated that developing the corporate plan was deferred until the existing strategic plan documents³⁹ were finalised. The NPSP Council was performing a mid-term review of its CityPlan 2030 at the time.

Why it is important to have a corporate plan

Long-term strategic plans should be integrated into a council's daily operations through its operational plans (such as annual business plan, annual budget, project plans) and policies. This provides assurance that a council's resources are allocated to activities that will achieve its long-term strategic objectives. A corporate plan should clearly explain how the CityPlan 2030 strategic vision will be achieved and integrated into operational plans and processes, including waste management.

³⁹ These documents include the NPSP Council's CityPlan 2030, long-term financial plan and asset and infrastructure asset management plans.

A corporate plan also addresses the administration of the NPSP Council's own activities to ensure resources are employed efficiently and effectively to achieve its strategic and corporate objectives. It provides detailed guidance to integrate into short-term plans the key priorities and resources needed for each financial year.

NPSP Council's response

While there is not a legislative requirement for the Council to develop a corporate plan, the Council will prepare a corporate plan.

Waste management is an operational service ... the Council will consider the Auditor-General's comments in relation to waste management as an inclusion in a corporate plan.

4.3.3 The NPSP Council has not documented the initiatives that support its waste strategy

Recommendation

The NPSP Council should develop a specific plan for waste management, or a plan that is focused on environmental sustainability and includes waste as one component, that clearly documents:

- the innovative waste reduction and education initiatives identified that will be implemented to support CityPlan 2030 strategy 4.1.2
- the actions and activities performed annually that contribute to strategic objective 4.1
- the financial and human resources needed to implement the initiatives, actions and activities, and who is assigned the responsibility to implement them
- the measures and targets to monitor and evaluate the NPSP Council's performance
- how the NPSP Council has adopted the principles of the waste management hierarchy
- how East Waste's strategic actions and activities contribute to achieving the NPSP Council's strategic objectives.

Finding

The NPSP Council's planned strategy under CityPlan 2030 was to investigate innovative waste reduction and education initiatives that it intended to implement over time to meet its strategic objective. We found no documentary evidence of the outcome of this investigation.

NPSP Council staff advised us that there were no specific plans that provided this information and that the following activities were performed each year and resourced through the annual business plan and budget:

- the Reinvigorate the Food Recycling Project 2018–2021 – providing food caddies to new residential properties and to those existing ones that did not have access to one

- education activities including stalls at NPSP Council events, an annual collection calendar with waste service and 'which bin' information, a local services app, and an online waste and recycling guide.

We found that the annual business plans produced since 2015-16 had limited or no information on the NPSP Council's specific planned actions to implement its waste strategy and did not target kerbside waste avoidance or minimisation, the most preferred option of the waste management hierarchy.

East Waste delivers waste management services to the community on the NPSP Council's behalf, including education programs. The NPSP Council relies on East Waste's service and performance to help meet its strategic objectives. There is little to no detail in the NPSP Council's existing documented plans of these services to demonstrate the alignment of waste management strategies between the entities.

Why this is important

As waste disposal costs have grown substantially in recent years following SA Government increases to the solid waste levy, there is significant financial incentive for the NPSP Council to provide a cost-effective and efficient kerbside waste management service to:

- reduce the amount of kerbside waste going to landfill
- increase waste recycling and recovery
- contribute to the reduction in carbon emissions from landfill.

A documented waste management plan would help the NPSP Council to effectively implement waste strategies, achieve its strategic objectives and reach its vision.

NPSP Council's response

There is no legislative requirement on the Council to develop a waste management plan either separately or as component of another plan.

East Waste has been established by the Constituent Councils for the purposes of delivering effective kerbside waste management. It is East Waste's role to develop plans which reduce landfill, promote recycling and organics re-processing. East Waste reports to the Council in its Annual Report on how it achieves its functions under its Strategic Plan and Charter.

Notwithstanding this, East Waste has a 2030 Strategic Plan which sets out Strategies and Key Performance Indicators for leadership in waste management logistics and innovative collection and resource management services for the Constituent Councils of East Waste.

4.3.4 The NPSP Council no longer has kerbside waste performance measures and targets

Recommendation

The NPSP Council should set performance measures and targets in line with the kerbside waste management results it wants to achieve. These should be consistent with any key

performance indicators set by East Waste and support the State's waste strategy target for metropolitan councils.

Finding

Section 122(1)(d) of the LG Act requires a council's suite of strategic management plans to provide the financial and non-financial measures used to monitor and assess a council's performance against its objectives.

CityPlan 2030 outlined an objective and strategy for kerbside waste management along with the performance measure and target to evaluate the NPSP Council's performance. The performance measure and target changed over the period we reviewed.

We found that from 2016-17 the NPSP Council's kerbside performance target⁴⁰ was to achieve the State's waste target of 60% of waste diverted from landfill by 2020.

The NPSP Council removed this performance measure and target when it reviewed the CityPlan 2030 in 2020 and no longer has a landfill diversion target. NPSP Council staff advised us:

... that this performance measure was no longer a valid measurement due to the following factors, packaging weight can change, might be more volume of plastic but is lighter; or people are avoiding packaging and tonnes decrease.

We consider that these factors would impact the performance target set but would not make the performance measure invalid.

NPSP Council staff advised us that it decided to focus on circular procurement. The target set for this is a year-on-year increase in corporate purchases of products or materials that contain recycled content. However, this is not a relevant measure for the kerbside three-bin waste system.

Removing the performance measure and target means that the NPSP Council cannot clearly demonstrate:

- what it will monitor and evaluate its waste performance against. This may reduce the effectiveness of understanding changes in waste behaviours and making better and informed decisions about future education programs/initiatives
- its commitment to contributing to the State's waste target, which increases to 70% by 2025.⁴¹

We noted that East Waste's 2030 Strategic Plan provides key performance indicators to measure its success in reaching its objectives. These include:

- a percentage of total kerbside three-bin system materials is separately collected and recycled, targeting 75% by 2030 (ie waste diverted from landfill)

⁴⁰ We calculated this percentage based on the performance measure and target information disclosed in the NPSP Council's CityPlan 2030 over that period.

⁴¹ Green Industries SA 2020, *Supporting the Circular Economy: South Australia's Waste Strategy 2020-2025*, Government of South Australia, Adelaide.

- a percentage of total food waste is separately collected and recycled by 2030, targeting 100% by 2030
- reduced average contamination of the kerbside co-mingled recycling stream, targeting less than 7% by 2030.

The NPSP Council has not set performance measures and targets that align with those set by East Waste.

Why it is important to have kerbside waste performance measures and targets

For the NPSP Council to effectively oversee and monitor its kerbside waste performance, it should set performance measures and targets and regularly report actual results against them. This will inform the NPSP Council about whether its actions have been successful in achieving its targets, or whether changes to activities are needed to improve results.

NPSP Council's response

Waste reduction targets have been removed from City Plan 2030, which due to current legislative constraints, is an outcome of the Council having little control over this, other than through seeking to influence behaviour change through education. Obtaining accurate information through household bin audits, to measure progress against targets, is very costly and cannot be replicated or indeed justified on an annual basis.

It is noted that the South Australian Waste Strategy 2020-2025, sets a Municipal Solid Waste target of 75% diversion by 2025. The Council has and will continue to work with the State Government to deliver programs and initiatives that seek to achieve this target. It is noted that following previous major waste system interventions, such as food waste programs, a plateau has been reached in household behaviours and new critical intervention will be required which are led or supported by the State Government. These interventions will, by necessity, need to include changes to legislation which has been set by the State Government in respect to Local Government waste collection services.

The Council accepts that it should set performance measures and targets that align with East Waste's 2030 Strategic Plan. However, these performance measures and targets are operational rather than strategic. It is intended to incorporate performance measures and targets in the service agreement with East Waste.

4.4 Governance and service arrangements

4.4.1 Background

The NPSP Council is a constituent council of East Waste, a regional subsidiary established under section 43 of the LG Act. East Waste operates under a Charter that outlines its

governance, administrative and financial management arrangements. It is governed by a board of management and a councillor of the NPSP Council has been appointed to this board. The NPSP Council receives a copy of the board of management's meeting minutes and agenda papers.

East Waste delivers waste management services to the community on the NPSP Council's behalf. Its primary purpose is to collect and dispose of waste within the areas of its constituent councils. The NPSP Council may arrange for East Waste to provide other functions such as:

- promote the minimisation of waste and recycling of recyclable materials
- undertake waste community education programs
- conduct all activities in a way that complies with regulatory requirements and minimises risk to the constituent councils.⁴²

An NPSP Council manager attends a regular East Waste Committee meeting to discuss service and operation matters.

4.4.2 The NPSP Council does not have a service level agreement with its service provider for waste management services

Recommendation

The NPSP Council should establish a service level agreement with East Waste to have clarity and agreement on roles and responsibilities and other matters important to delivering waste management services.

Finding

We found that there is no contract or service level agreement between the NPSP Council and East Waste for the provision of waste services. East Waste prepared an 'offerings' spreadsheet that outlines the services agreed with the NPSP Council. This document did not include any details on the NPSP Council's operational performance expectations and standards.

East Waste is subject to the joint direction and control of its constituent councils, who are ultimately liable for its activities. It is important that the NPSP Council properly oversees and monitors East Waste's performance, manages risks and takes action to direct its activity when necessary. This will help ensure East Waste effectively implements the NPSP Council's service level policy decisions.

We found the NPSP Council has little oversight over the waste activity and service delivery performance specific to it and its community. This is because the NPSP Council has not set any key performance measures and targets to enable it to monitor and evaluate East Waste's performance.

⁴² Eastern Waste Management Authority Charter, clause 9.2, 26 September 2017.

NPSP Council staff advised us that information specific to the NPSP Council's performance and activity is limited to waste tonnages, additional bins and service exceptions.

The NPSP Council should have a service level agreement that at a minimum:

- clearly outlines its and East Waste's roles and responsibilities for common functions such as community education activities and dealing with complaints
- sets out its expectations of performance standards, measures and targets in delivering the agreed services. These would need to be aligned with the NPSP Council's strategic objectives, performance standards and targets for waste management
- provides the data and information required to enable it to:
 - monitor and evaluate East Waste's performance in service delivery against the pre-determined standards, performance measures and targets
 - inform its future waste management strategy and policy decisions
 - inform its future community education programs, including an evaluation of the effectiveness of existing education programs and waste initiatives
 - assess and evaluate East Waste's management of risks
- requires East Waste to detail the controls in place to ensure waste data used for reporting and decision making is complete and accurate. East Waste should also certify annually that the controls have been operating effectively.

NPSP Council's response

The Council agrees that a Service Level Agreement with East Waste would allow the Council to set governance and performance measures and targets addressing waste management. The Council intends to develop a Service Level Agreement that allows the Council to monitor East Waste on the service delivery of kerbside waste management and other services. As discussed, the Service Level Agreement will include the recommendation outlined in [section 4.3.4].

4.4.3 The NPSP Council did not evaluate and report against the key performance targets and waste initiatives

Recommendation

The NPSP Council should ensure there is proper oversight, monitoring and reporting on the performance of kerbside waste management services by:

- setting clear performance measures and targets it wants to achieve and that support the State's waste strategy
- evaluating and reporting actual performance against set targets
- evaluating and reporting on the outcome of all waste initiatives and activities that support performance
- consulting with East Waste to establish key performance measures and targets and define the data and information needed to monitor and evaluate their performance.

Finding

We reviewed how the NPSP Council monitored, evaluated and reported on the performance of its kerbside waste management services. We found that it has gaps in some important areas. This is because the NPSP Council:

- did not evaluate and report on actual performance against established targets
- did not evaluate the effectiveness of all waste initiatives and activities to inform decisions on future actions and allocation of resources
- did not consider and decide on the opportunities identified as part of evaluating one of its key waste initiatives
- did not establish performance measures and targets for East Waste.

Key performance measure and target

Prior to 2020-21, the NPSP Council aimed to achieve a target of 60% of waste diverted from landfill by 2019-20.

East Waste provided the total tonnages collected by waste stream and the percentage of waste diverted from landfill for each financial year. The NPSP Council's annual reports provided the annual waste tonnages by waste stream but did not report on its performance against the 60% diversion target.

Our analysis of the NPSP Council's actual kerbside waste diversion from landfill rate compared to the performance target and the metropolitan council average since 2015-16 is provided in section 4.2.3.

If the NPSP Council had clear oversight of its kerbside bin waste performance against targets, it would have been evident that it had not achieved its target each year and was not on track to achieve this and the State target over time. It could have then considered changes needed to improve its performance to reach, or get close to, the targets.

Waste reduction and education initiatives and activities

NPSP Council staff advised us that information on waste management activity is provided to elected members when needed. For example, the elected members were informed of the Reinvigorate the Food Recycling Project 2018–2021. This project's purpose was to increase the use of food caddies by giving them out to residents between 31 August 2019 and 30 June 2021. The NPSP Council exceeded its target of 3,200 with a total of 4,211 food caddies given out.

The NPSP Council prepared a report for the elected members and GISA⁴³ on the outcome of its evaluation of the project, which included:

- the outcome of the resident survey results
- an analysis of organics collection data.

⁴³ GISA provided funding to the NPSP Council under its Kerbside Performance Plus Food Organic Incentives Program.

The report outlined a further opportunity to increase the diversion of food waste from landfill by reviewing the frequency of kerbside waste collection at the State level and undertaking further modelling and trials to better understand how this could further influence behaviour change. The report did not provide any recommendations to the elected body for decision on these opportunities and the next steps to further the NPSP Council's waste initiatives and education programs.

We also found that the NPSP Council is not evaluating the effectiveness of all the waste management initiatives and activities it undertakes during the year. Consequently, a summary of the outcome and impact of these activities on achieving strategic objectives is not provided to the elected body to inform future decisions on waste management services.

East Waste's performance and kerbside bin service to the community

The NPSP Council has not set any performance standards, measures and targets to monitor and evaluate East Waste's performance in delivering kerbside waste management services to its community.

East Waste's 10-year business plan recommends key performance indicators that could be implemented and reported against to the NPSP Council.

Why it is important to monitor and report on kerbside waste performance

To effectively oversee and monitor its waste performance, the NPSP Council must regularly see actual results reported against set performance targets. This comparison, together with evaluation of programs/initiatives and East Waste's performance, will inform the NPSP Council about whether its actions have been successful in achieving its targets, or whether changes are needed to improve results and work towards achieving its strategic objectives and vision.

NPSP Council's response

The Council intends to develop a Service Level Agreement with East Waste and part of that Agreement, will include key performance measures and targets for East Waste to deliver and report to the Council. This will increase East Waste's accountability to the Council, as well as shaping future performance measures and targets.

The Council accepts that regular reporting of key performance measures and targets is necessary and is ultimately a key facet in informing the community on waste management indicators.

4.4.4 No reporting on kerbside waste performance targets to the community

Recommendation

The NPSP Council's annual report should provide performance information on its kerbside waste management activity against measures and targets.

Finding

Schedule 4 of the LG Act requires a council to report on its performance in implementing its strategic management plans and against its annual business plan each year. A council is required to provide this information in its annual report.

Consistent with these requirements, the NPSP Council's strategic planning and monitoring framework provides for regular reporting to its community through its annual report.

Our review of the NPSP Council's annual reports from 2015-16 to 2020-21 found that they did not provide information on waste management performance against the measure and target published in CityPlan 2030. However, they did comment on the various waste activities and initiatives the NPSP Council had implemented during the year. The lack of performance reporting makes it difficult for a reader of the annual report to have a clear and accurate understanding of how well the NPSP Council performed against its waste management objectives.

Why it is important to report on performance

Clear performance reporting on the delivery of waste management services against set measures and targets:

- enables the NPSP Council to demonstrate, and be held to account for, its achievements in meeting its objectives and working towards its vision
- provides useful information about the effectiveness of services provided that strengthens community trust
- keeps the community and key stakeholders better informed, which may strengthen future community engagement in managing waste.

NPSP Council's response

It is intended to report the established performance measures and targets as per the Service Level Agreement with East Waste in the Council's 2022-2023 Annual Report.

4.4.5 Residual waste tonnages collected are not reconciled

Recommendation

The NPSP Council should consult with East Waste to:

- identify effective controls to ensure residual waste data is complete and accurate
- determine who is responsible for implementing these controls.

Finding

East Waste provides data on the waste tonnages collected from the kerbside three-bin system to the NPSP Council, which is published in its annual report. NPSP Council staff advised us that they do not check the data for accuracy or completeness.

East Waste staff advised us that each month they reconcile the tonnes of organics and recyclables collected recorded on its drivers' weigh bridge dockets to invoices received from third parties who sort and process this material. East Waste then invoices the NPSP Council for the disposal of organics and recyclables once this reconciliation is done.

East Waste records the data on the drivers' weigh bridge dockets for residual waste, but does not perform a reconciliation as the NPSP Council receives these invoices directly from the third party. NPSP Council staff advised us that they review the invoices for reasonableness only.

Why it is important to reconcile the data

Reconciling the data East Waste records and what the NPSP Council is invoiced helps to minimise the risk of overpayment.

NPSP Council's response

The Council agrees that tighter measures need to be put in place to cross-check data provided by East Waste and the third-party at the time of invoicing. To progress this, discussions will be held with East Waste to better understand the process and take correct action as required.

4.4.6 Risk management framework not fully implemented

Recommendation

The NPSP Council should finalise and fully implement its risk management framework as a matter of priority. To assist with this, it should develop an implementation plan that provides the key activities, allocation of responsibilities and time frames to implement the framework. Key activities should include:

- endorsing the risk management procedure and distributing it to all staff
- delivering a risk management training program to all staff as soon as practicable after the risk management procedure is released
- having a dedicated resource to ensure its policy requirements are being met, risks are regularly reviewed, evaluated and reported, and the risk register is maintained
- assigning responsibility for managing individual risks to the manager level and recording this in the risk register
- regularly reviewing and reporting on risks as provided in the policy and procedure.

Finding

Risk management is the process by which potential impediments and opportunities for a council to achieve its objectives are managed. It underpins a council's control environment and is therefore integral to its operations.

The NPSP Council's risk management policy (dated October 2020) provides its risk management principles and defines responsibilities for risk management across its operations. Its audit committee is responsible for monitoring the NPSP Council's risk exposure by determining if appropriate risk management processes are in place.

We found that some aspects of the NPSP Council's risk management process had not been finalised and fully implemented across its operations. This is because:

- the risk management procedure was in draft and had not been distributed to NPSP Council staff
- the risk register does not assign responsibility for managing risk at the manager level
- the information in the risk register is incomplete as the risk assessment and the evaluation of the effectiveness of controls are not documented for some risks
- the risk treatment plans we reviewed did not assign responsibility and time frames for implementing the appropriate action
- there was no documentary evidence that the risk registers had been reviewed since 2019
- the executive leadership team had not provided the audit committee with quarterly reports on extreme and high operational risks
- there was no annual reporting of strategic risks to the audit committee.

NPSP Council staff advised us that the manager responsible for helping the executive leadership team to implement the risk management framework was seconded to assist the local government sector in responding to emergency events for extended periods of time. The NPSP Council did not have a dedicated resource to progress the implementation of its risk management framework and practices during these absences. Our review of audit committee meeting minutes and agenda papers found no evidence that it had considered the implications of these secondments and whether to reassess the time frames to implement the framework.

NPSP Council's response

The Council has endorsed a Risk Management Policy which is periodically reviewed and updated and which is supported by a Risk Register which sets out key strategic and operational risks. A new Risk Management Procedure and a Risk Management Implementation Plan is currently being finalised to ensure that the new Procedure is effectively embedded throughout the organisation. The new Procedure - and supporting Implementation Plan - has been designed to improve the quality of Council's Risk Register, assign risk control plans (including responsibilities) and ensure the necessary training is undertaken.

Since the examination conducted by the Auditor-General, the Council has drafted an Implementation Plan. A large number of the comments and recommendations in these findings have been actioned and systematically adopted to the risk management framework.

In addition, a Service Level Agreement with East Waste will assist the Council set, monitor and evaluate key performance measures and targets delivered by East Waste.

4.4.7 Waste management risks not fully assessed and documented

Recommendation

The NPSP Council should regularly assess East Waste's assessment and response to risks to determine whether they are appropriate and adequate in delivering waste management services. The outcome of this assessment should be documented in the NPSP Council's risk register and reported to its audit committee.

The NPSP Council should identify and assess any remaining waste management risks it is responsible for managing. These risks should be clearly documented in the risk register.

The NPSP Council should review its business continuity plan (BCP) to ensure it is up to date and contains accurate information in preparing and responding to emergency events. The NPSP Council should have a copy of East Waste's current BCP.

Finding

We found that the NPSP Council's risk register did not specifically identify risks related to the delivery of waste management services. Without these risks being clearly documented it was difficult to determine if the NPSP Council had identified and was managing all of its waste management risks. NPSP Council staff advised us that the risk statements are broad and the operational risk of business interruption was relevant to these services.

The NPSP Council's risk register identifies its BCP as a key existing control to mitigate business interruption risk. Its BCP (dated May 2018) identifies domestic waste management as a critical function. It outlines the policy and procedures in place to be ready for an event and the immediate action response. For waste management, the contract with East Waste is identified as the policy and procedure but we found that there is no contract. One immediate action needed in response to an emergency is to ask East Waste about its BCP.

It is important that the NPSP Council has a copy of East Waste's current BCP in preparedness for an emergency. This will ensure the risks and responsibilities of the NPSP Council and East Waste are clearly understood before an event occurs and enable the NPSP Council to respond quickly.

In response to our document requests, NPSP Council staff also referred us to East Waste's risk documents, including its risk management framework, risk registers and business continuity framework and plan.

This shows how reliant the NPSP Council is on East Waste's risk management practices. However, the NPSP Council did not provide documentary evidence that it had assessed and accepted East Waste's risk responses as appropriate and adequate in delivering waste management services.

We also found that the NPSP Council's risk analysis did not consider:

- the financial impacts of a failure in recyclables and organic waste collections, to facilitate waste reduction and the market fluctuations in recyclable materials
- the impacts on pathways of collected material due to various disruptions. For example, the NPSP Council relies on third parties to manage the recycling and disposal of collected materials. In recent years there have been fires and materials recovery facilities market failures that have had major impacts on pathways of collected material, including additional financial outlays (such as costs for transporting recyclables to interstate facilities or storing them pending local sorting availability, or additional costs and levies of sending recyclables to landfill) and reputational impacts (such as community affront on landfilling collected recyclables)
- the oversight and monitoring of East Waste's performance.

NPSP Council's response

See the NPSP Council's response in section 4.4.6.

4.5 Waste management education activities

4.5.1 Background

East Waste's services include delivering waste community education programs to its constituent councils. It developed an education program for them in 2016-17, which focused on promoting behaviours to ensure residential waste material is put in the correct bin.

The program is updated each year for the activities that will be delivered across the constituent councils, including the delivery of waste education to schools and the general community and a range of education resource materials (such as waste tips via social media, street signage, bin stickers and articles for the constituent councils' websites).

The NPSP Council also provides community education, which includes:

- stalls at events
- an annual collection calendar with waste service and 'which bin' information
- a local services app
- an online waste and recycling guide to things like the supply of compostable bags and educational materials.

The NPSP Council provides education resources directly to residents based on weekly reports it receives from East Waste for illegal additional bins and service exceptions (such as missed bins, contamination in bins and bins too heavy to lift).

4.5.2 The NPSP Council does not have a formal waste education strategy

Recommendation

The NPSP Council should develop and document a waste education strategy and program. This should align with its overall waste strategy and support the achievement of its strategic objectives.

The NPSP Council should establish a system for annual planning of the education program, monitoring its implementation and reviewing its performance.

Finding

The NPSP Council relies primarily on East Waste's community education activities but also carries out some of its own.

We met with NPSP Council and East Waste staff to discuss the waste education activities that had been carried out during the review period.

We found that the NPSP Council does not have its own policy, strategy or plan that:

- demonstrates how its, and East Waste's, community education programs will support its strategic objectives and contribute towards achieving the State's waste strategy and targets
- outlines the activities and information needed to inform the education approach to address waste and recycling issues
- describes the nature and extent of East Waste's role in community waste education
- shows how East Waste's waste education strategy aligns with its own
- provides the financial and human resources allocated to deliver education programs and activities
- outlines the approach to evaluating the effectiveness of waste education programs and activities in improving kerbside waste performance, such as bin audits, regular analysis of waste data and community involvement
- supports the implementation of innovative waste education initiatives.

East Waste's education activities

We found that East Waste's education program was not documented in, or linked to, an NPSP Council strategy. There was no documentary evidence that the NPSP Council had assessed this program to ensure it would help meet its strategic objectives for waste management and agreed service delivery to its community (such as how many and which schools in the NPSP Council area East Waste would deliver waste education to in each year).

The NPSP Council's waste education activity evaluation

East Waste staff advised us that it is very difficult to evaluate the effectiveness of a specific education activity/initiative. It conducted a kerbside bin audit in late 2019 to assess kerbside waste performance and understand household waste disposal and recycling behaviour. These audits identify issues in waste behaviours, such as the nature of contamination and the incorrect use of bins. This information helps to make informed decisions to improve services and make changes to the education program for the region and the NPSP Council.

The NPSP Council engaged a third party to do a kerbside bin audit in 2016. The purpose was to gain accurate and reliable data on the performance of the kerbside waste management system and the recycling behaviours of its residents. This information would then be used to identify opportunities for performance improvement and develop education materials targeting specific behaviour issues.

NPSP Council staff advised us that some recommendations from the 2016 bin audit were progressed, including facilitating ongoing and more frequent data collection to monitor progress. We found no documentary evidence that the NPSP Council had regularly analysed kerbside waste data to monitor performance and determine whether it was successful in changing community behaviour.

We found that the NPSP Council did not have a documented approach to evaluating the effectiveness of its waste education activities, such as the impact the education activity has on landfill diversion rates.

Why it is important to have a waste education strategy

A documented waste education strategy will help the NPSP Council to define its strategic education directions, set clear objectives and describe the actions it will take to educate the community on areas such as:

- practicing the waste management hierarchy with increased focus on avoiding or minimising waste
- increasing the level of food scrap recycling
- disposing of food scrap recycling in the organics bin
- increasing the level of recycling
- decreasing the level of contamination in recycling.

Further, a documented strategy will help the NPSP Council make decisions about the priority of education programs and activities, prepare plans and allocate resources to them. Education programs can be expensive and can absorb significant human resources. Without a clear vision of program objectives, the NPSP Council may find it difficult to assess whether sufficient and suitable resources have been applied to deliver specific programs.

NPSP Council's response

The Council agrees that educating the community on waste management with a focus on minimising waste and increasing the recycling, food scrap and general recycling, is fundamental to reducing landfill and improving recycling.

The Council will seek to provide greater clarity over the educational activities which it already conducts each year, with the production of an internal Waste Education Calendar, documenting events, campaigns, materials that will be rolled out in any given year and how this integrates with the educational activities conducted by East Waste which the Constituent Councils fund.

The Service Level Agreement will also document the education programs and formats to be delivered or overseen by East Waste (such as schools' education) and the expectation for the minimum number of sessions to be delivered. The Service Level Agreement will include a requirement on East Waste to report to the Council on the effectiveness of the education activities in accordance with the opening statement of the service level agreement and East Waste's 2030 Strategic Plan.

The Service Level Agreement will not remove the education activities undertaken by the Council. However, these activities will be consistent with the topics provided for in the Service Level Agreement. The Council will endeavour to publish the annual education plan on its website.

4.6 What the NPSP Council did well

We found some areas of effective waste management that were operating effectively during the period we reviewed. These included the NPSP Council:

- consulting its community and key stakeholders when it reviewed CityPlan 2030 to understand their expectations and satisfaction with the levels of waste management service
- having sound processes to manage and resolve complaints from residents about kerbside waste collection services
- having a waste management policy that outlined domestic kerbside waste collection services, additional bin requirements and lost and stolen bins. It was updated in late 2021 to provide direction on specific areas such as MUDs and hard waste services.

5 City of West Torrens

5.1 Executive summary

5.1.1 Audit conclusion

We assessed the effectiveness of West Torrens Council's management of kerbside waste services between 2015 and 2021 against our review objective in section 3.2.

We concluded that West Torrens Council successfully collects, transports and processes kerbside waste to a high level of community satisfaction.

There are many areas that contribute to the overall effective management of kerbside waste services. We identified three areas that were not operating effectively during the period we reviewed. These were:

- establishing a stand-alone waste strategy
- setting local performance targets
- establishing a formal education strategy.

These issues are explained in section 5.1.2.

We also identified some areas where West Torrens Council was operating effectively during the period, including that it had:

- established clear roles and responsibilities for waste management, including an oversight and monitoring committee
- sound frameworks and processes to identify, assess and manage waste risks
- clear processes to manage and resolve complaints from residents about collection services.

West Torrens Council has recognised the importance of continuous improvement in waste management. For example, it has recognised the need for and developed a local waste strategy and has completed, or has plans in place to start, other initiatives.

5.1.2 What we found and recommended

The key findings from our review of West Torrens Council's management of kerbside waste services were that it:

- did not have a stand-alone waste strategy that identified its key priorities and objectives for waste management, established local targets and measures to monitor performance and detailed the specific actions and activities that it would take to achieve these. We acknowledge West Torrens Council commenced developing a stand-alone waste strategy (see section 5.3.2)

- had not set local performance targets for waste management, reducing the effectiveness of its monitoring of waste performance (see section 5.3.3)
- did not have a formal waste education strategy that outlined its approach to community education on waste and recycling issues and defined how it would assess the effectiveness of its education activities (see section 5.5.1).

We recommended that West Torrens Council:

- sets local performance targets that support the State's waste strategy targets for metropolitan councils and reports its waste performance against them
- develops and documents a waste education strategy that aligns to its waste strategy and local targets.

5.1.3 West Torrens Council's response

West Torrens Council responded to our detailed findings and advised us how it would action our recommendations, which it accepted.

West Torrens Council's response to each individual recommendation is included in sections 5.3 to 5.5 and in section 5.7.

West Torrens Council provided a response to our proposed report to Parliament that is included as Appendix 7.

5.2 Overview of the City of West Torrens

5.2.1 Waste management services

West Torrens Council is located immediately west of the City of Adelaide. Its estimated resident population is around 61,000 with a population density of 1,649 people per square kilometre. It covers an area of around 37 km² and census data from 2021 shows that 37% of its dwellings are medium or high density, while 63% are separate houses.⁴⁴

Population, area and dwelling type determine the nature, type and collection frequency of the waste services councils provide. West Torrens Council provides a three-bin kerbside waste collection service that consists of:

- weekly residual waste
- fortnightly organics
- fortnightly recycling.

⁴⁴ City of West Torrens 2021, *City of West Torrens: dwelling type*, viewed 15 July 2022, <<https://profile.id.com.au/west-torrens/dwellings>>.

Residents are entitled to a free food caddy and a roll of compostable bags, as well as replacement bags.

West Torrens Council has developed a shared waste service for MUDs to provide kerbside services to developments that would not have qualified for its waste collection service.

An independent waste contractor provides collection and transportation services for West Torrens Council's three-bin kerbside waste.

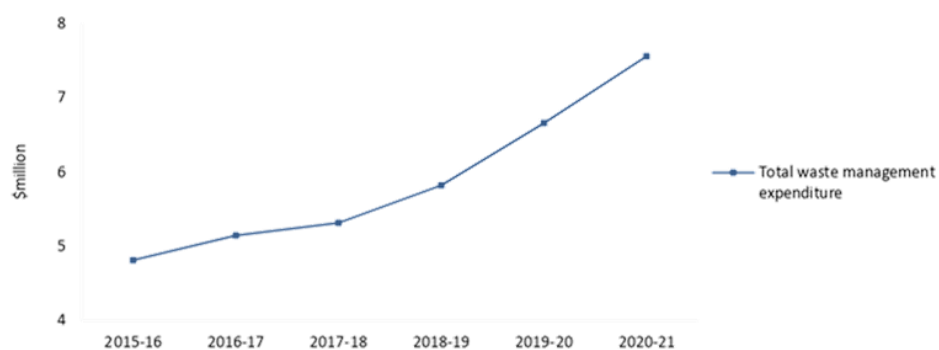
In addition to the kerbside three-bin waste service, West Torrens Council collects and disposes of kerbside hard waste and public litter bins, street sweepings and illegal dumping.

5.2.2 Waste management costs

In 2020-21, West Torrens Council incurred \$7.5 million in waste management costs.

Figure 5.1 shows West Torrens Council's waste management costs over six years.

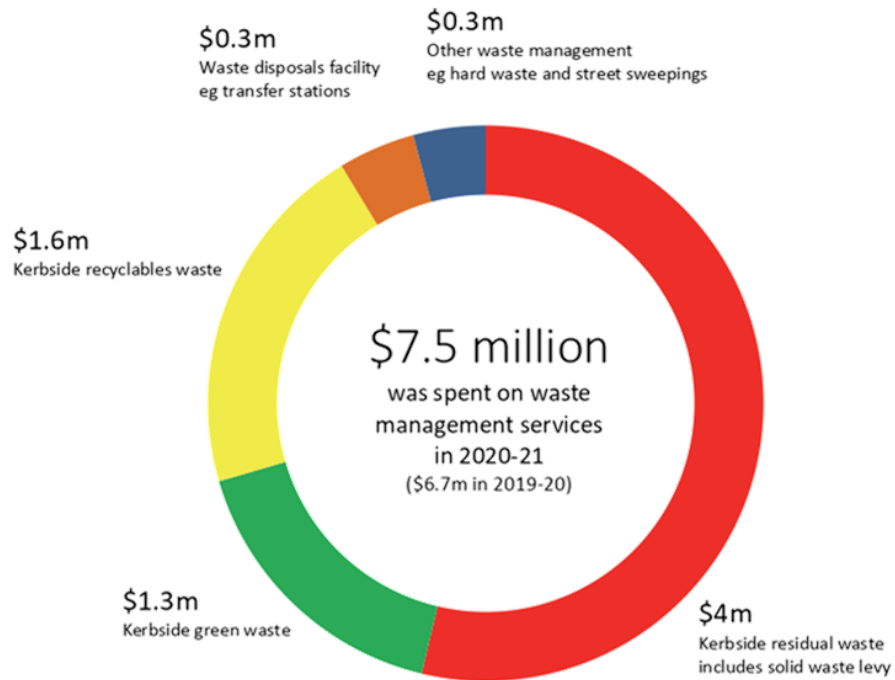
Figure 5.1: West Torrens Council's waste management costs over six years



Source: West Torrens Council's audited financial statements which are audited by a private sector accounting firm.

Figure 5.1 shows that waste management costs have increased since 2018-19. This is partly due to the increase in the solid waste levy during this period. On 30 June 2019, the solid waste levy for metropolitan councils was \$100 per tonne. By 30 June 2021, the levy for metropolitan councils was \$143 per tonne, an increase of 43%. The increase in costs is also the result of the increase in residual waste collected by West Torrens Council since 2018-19, as shown in figure 5.3. In 2020-21, West Torrens Council spent \$7.5 million on waste management services, an increase of \$800,000 (12%) from 2019-20. Figure 5.2 shows where this was spent.

Figure 5.2: West Torrens Council waste management costs for 2020-21



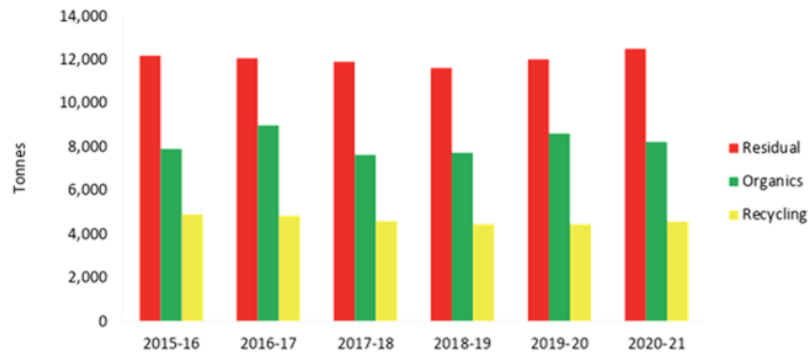
Of the \$7.5 million, 53% was spent on collecting and disposing kerbside residual waste, including the solid waste levy. The solid waste levy is 24%⁴⁵ of West Torrens Council's total waste management costs for 2020-21.

5.2.3 Kerbside waste management performance

Figure 5.3 shows the total tonnages by waste stream collected by West Torrens Council over six years.

⁴⁵ Calculated by us based on the residual tonnes provided by West Torrens Council multiplied by the solid waste levy.

Figure 5.3: Kerbside waste collected by West Torrens Council

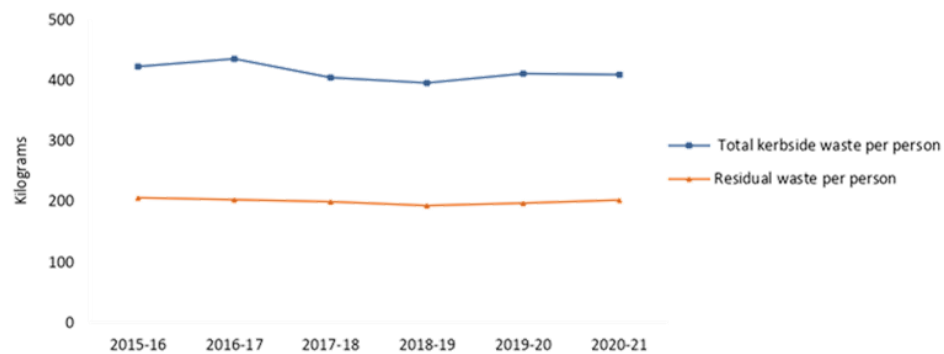


Source: Based on data provided by West Torrens Council (unaudited).

Figure 5.3 shows that residual waste is consistently West Torrens Council’s largest waste stream, followed by organics and then recyclables. This is in line with other metropolitan councils as shown in figure 2.7.

Figure 5.4 shows total kerbside waste and residual waste generated per person in the West Torrens Council area over six years.

Figure 5.4: Waste per person in West Torrens Council



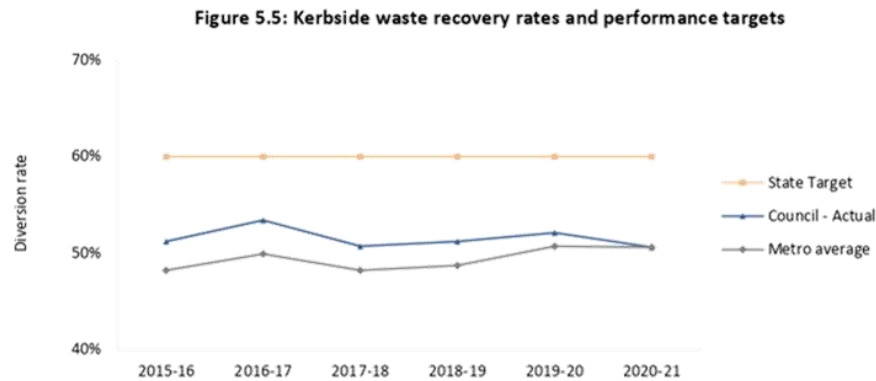
Source: Based on data about tonnes provided by West Torrens Council. Data about population is from the Australian Bureau of Statistics (estimated resident population by local government area) (<https://explore.data.abs.gov.au/>).

Figure 5.4 shows that total kerbside waste generated per person decreased from 2016-17 until 2019-20. The decrease in 2017-18 was driven by a 13% decrease in organics due to higher rainfall in the previous year.⁴⁶ An explanation for the increase in 2019-20 may be that during the pandemic more people shopped online, increasing the amount of packaging used in shipping/postage then discarded by residents. This may have been further impacted by

⁴⁶ Green Industries SA 2020, *South Australia’s Kerbside Waste Performance Report 2017-18*, Government of South Australia, Adelaide, p. 14.

people establishing home offices during the initial lockdown as evidenced by the shortage of office furniture and IT equipment in South Australia in March, April and May 2020. Figure 5.4 also shows that residual waste generated per person has remained relatively consistent in the West Torrens Council area over the past five years.

Figure 5.5 shows West Torrens Council’s actual recovery rates compared to the metropolitan council average since 2015-16 and the State target for metropolitan councils of 60% landfill diversion from the kerbside bin system.



Source: Based on data provided by West Torrens Council and GISA.

West Torrens Council’s actual recovery rates compared to the State metropolitan council averages are shown in figure 5.6.

Figure 5.6: West Torrens Council and metropolitan council average recovery rates

Year	West Torrens Council kerbside collection recovery rate ⁴⁷	Metropolitan councils average recovery rate ⁴⁸
2015-16	51.2%	48.2%
2016-17	53.4%	49.9%
2017-18	50.7%	48.2%
2018-19	51.2%	48.7%
2019-20	52.1%	50.7%
2020-21	50.6%	50.6%

These results show that West Torrens Council has mostly achieved a higher recovery rate than the average attained by metropolitan councils. 2016-17 was West Torrens Council’s best performing year with it ahead of the metropolitan councils’ average recovery rate by 3.5%. However, during this period West Torrens Council still fell 6.6% short of the State’s waste strategy landfill diversion target for metropolitan councils of 60%. The 1.5% decrease in West Torrens Council’s recovery rate from 2019-20 to 2020-21 was in part due to people

⁴⁷ This rate was calculated by us using unaudited data about collection tonnages provided by West Torrens Council using the formula published in GISA’s kerbside waste performance reports. The tonnages of recycling and organics collected from the kerbside have not been adjusted for contamination.

⁴⁸ GISA’s annual kerbside waste performance reports. Data provided by GISA for 2019-20 and 2020-21.

working from home during the pandemic and some residents disposing of recyclable material in the residual bin rather than waiting for the recycling bin collection week. There was also a fruit fly outbreak in late 2020 and 2021 and some residents were instructed to dispose of fruit in their residual bin instead of their organics bin. In June and July 2020 and in March, April and May 2021, Adelaide experienced drier than average weather resulting in a reduced need for pruning and therefore garden waste generation.

GISA provided us with data it has not yet published which shows that only one metropolitan council achieved a recovery rate of 60% in 2020-21.⁴⁹

5.2.4 Other waste management initiatives

West Torrens Council has recognised the importance of continuous improvement in waste services and the solutions it provides to its community are key to encouraging responsible waste behaviour. During our review we noted some examples of its commitment to improvement and innovation including that it:

- had recently undertaken a weekly green waste bin collection trial in West Beach, intended to encourage responsible food waste recycling and diversion of food waste away from landfill
- planned a trial with RecycleSmart to provide a booked home collection service for recyclable items not accepted through kerbside recycling
- planned a pilot to determine the most effective interventions to improve source separation of waste in MUDs
- together with industry parties is investigating the technical, commercial and economic feasibility of using municipal solid waste to produce hydrogen from gasification to be used for hydrogen derived fertiliser products and hydrogen powered heavy haulage vehicles.

5.3 Governance and strategic planning for waste management services

5.3.1 Background

Legislation

The LG Act requires councils to develop and adopt plans for the strategic management of their areas.⁵⁰ These are published on councils' websites for community scrutiny and information.⁵¹ Strategic planning helps councils to set long-term directions and priorities, evaluate their operations (including community services) and address issues unique to their local areas. This process also gives councils the opportunity to consider strategies to achieve SA Government objectives.

⁴⁹ GISA's annual kerbside waste performance reports. Data provided by GISA for 2019-20 and 2020-21.

⁵⁰ LG Act, section 122.

⁵¹ LG Act, section 132.

While the LG Act does not require councils to have dedicated waste strategies, their strategic management plans must indicate how they have considered State objectives and strategies. Increasingly councils have recognised the importance of waste strategies to set goals for waste reduction, communicate how these will be achieved and demonstrate their support for State objectives.

Community plan

West Torrens Council's community plan has guided the strategic planning of waste management. It is the lead strategic document that determines key priorities for the coming years and is a statement about what West Torrens Council will do to achieve the community's vision.

The Towards 2025 Community Plan was first released in 2009 and updated several times during its lifetime. It was replaced in February 2021 by the current lead strategic plan, the Community Plan 2030.

City Facilities and Waste Recovery General Committee

West Torrens Council has established the City Facilities and Waste Recovery General Committee under the LG Act. The Committee's primary objective is to assist West Torrens Council in its oversight and monitoring responsibilities as well as enquire into and report about operational matters including waste management. It is comprised of the Mayor and up to seven elected members and meets in alternate months.

5.3.2 West Torrens Council does not have stand-alone waste strategy

Recommendation

Although not required by legislation, we acknowledge and support West Torrens Council's development of a stand-alone waste strategy.

We recommend the waste strategy:

- identifies West Torrens Council's key priorities and objectives for waste management
- establishes local targets and measures to monitor performance and describes the actions and activities that will be taken to achieve them
- clearly identifies how West Torrens Council will support the objectives of the State's waste strategy, including any targets.

We further recommend West Torrens Council publishes the waste strategy on its website and reports outcomes against targets each year in its annual report for community information and accountability purposes.

Finding

West Torrens Council does not have a stand-alone waste strategy or plan.

Its community plan has guided the strategic planning of waste management. The Towards 2025 Community Plan acknowledged the community aspiration of reducing the ecological footprint and outlined West Torrens Council's long-term and short-term waste management strategies. Although these strategies altered slightly between versions of the plan, their intent was consistent:

- Long-term strategy:
 - To facilitate the minimisation of waste production and disposal to landfill and maximise resource recovery.
- Short-term strategies:
 - To promote waste minimisation and resource recovery within West Torrens Council, community, local businesses and industry.
 - To establish alternative waste disposal and utilisation options to reduce waste to landfill.

These strategies broadly aligned with the State's objectives of minimising waste and reducing landfill.

While each version of the plan communicated West Torrens Council's waste management goals through these strategies, it did not include detailed information about specific actions or activities that would be taken to achieve them. Further, clear targets to measure West Torrens Council's performance against were set at a high level or were not set at all and no details were provided about how waste management performance would be monitored and reviewed.

Why a waste strategy is important and what it should say

As waste disposal costs have substantially grown in recent years following the SA Government's increases to the solid waste levy,⁵² there is significant financial incentive for West Torrens Council to make every effort to reduce the amount of kerbside waste going to landfill. Further, to protect the environment it should promote reducing waste generation and increasing reuse and recycling in line with the waste management hierarchy.⁵³ A waste strategy would support West Torrens Council in this regard.

A local based waste strategy would enable West Torrens Council to:

- identify its objectives, principles and strategies, including measurable performance targets, and state how these will support the State's waste strategy
- describe the activities and actions it will take to achieve these targets, including time frames, resources and responsibilities
- describe the activities and actions it will take to monitor and maintain its performance
- assess whether its activities and actions have been effective and have resulted in reduced waste disposal costs such as the solid waste levy

⁵² The SA Government announced the solid waste levy increase in its 2019-20 State Budget. The solid waste levy increased to \$110 per tonne on 1 July 2019, and to \$140 per tonne on 1 January 2020.

⁵³ *Environment Protection Act 1993*, section 4B.

- identify and assess risks that may prevent it from achieving its objectives and targets and communicate plans about how they will be addressed.

West Torrens Council has recognised the importance of establishing a local waste strategy and has engaged a consultant to develop a 10-year waste and resource recovery strategy and a five-year action plan.

West Torrens Council's response

The Council acknowledges that there is no legislative requirement to have a standalone waste strategy. Waste management has always formed a part of Council's Community Plan and as a result departmental service plans have been prepared and reported on regularly by the waste team. However, since the 2018-2019 restructure of the waste team, efficiencies have emerged including new management with fresh and focused considerations for waste innovation, planning, processes and practices. This has culminated in Council providing budgeted funding for, and engaging with, a consultant to design a foundational waste strategy which is expected to be completed in the 2nd half of 2022. This will be a 10 year waste strategy and will align with the State's Waste Strategy and Council's Community Plan (2030), and it will consider broader global and environmental factors, and is open to bold future opportunities and innovations.

Council supports transparency and accountability in the local government sector. Publishing the strategy on the Council website facilitates improving community understanding of the Council's commitment to waste management.

While Council provides an overview of activities undertaken in the Annual Report, we currently do not measure against targets. Consideration will be given to future annual reports and whether it is appropriate to include comparison of outcomes against targets following the formal release of Council's Waste and Resource Recovery Strategy and Action Plan. Council will also consider the development of data tracking and comparisons against targets on a regular basis in a format that will be easily accessible by the general public.

5.3.3 West Torrens Council does not have local targets to easily assess its waste management performance against

Recommendation

To improve the effectiveness of the City Facilities and Waste Recovery General Committee's monitoring and oversight function, we recommend:

- West Torrens Council sets local targets in line with the waste management results it wants to achieve. These should support the State's waste strategy targets for metropolitan councils

- the bi-monthly waste management activity reports received by the Committee include reporting of actual performance against West Torrens Council's targets. This will inform the Committee which waste strategies are effective and help it to make decisions about where to spend money to achieve the best results.

Finding

The Towards 2025 Community Plan, which outlined West Torrens Council's long-term and short-term waste management strategies, did not include targets to easily measure and assess its performance against. Also, one version of the plan included an indicator of success that reflected the State average of waste to landfill. As this indicator included regional councils' performance it was not the most appropriate measure, as many regional councils do not offer all bin types and the same frequency of collection services as those offered by West Torrens Council and other metropolitan councils.

Why West Torrens Council needs local targets to monitor its waste performance

West Torrens Council needs local targets to help the City Facilities and Waste Recovery General Committee effectively oversee and monitor its waste performance.

The Committee receives a waste management activity report at each meeting that includes year-to-date data about:

- monthly kerbside bin collection tonnages by waste stream
- the monthly percentage of kerbside bin collections diverted from landfill.

While the report compares West Torrens Council's current year waste performance to the prior year, it does not compare this data to either local or State targets. This results in a less effective review by the Committee, which cannot easily assess actual waste performance against the goals West Torrens Council hopes to achieve.

Comparing actual performance to targets will inform the Committee about whether West Torrens Council's actions have been successful, or whether changes to activities are needed to achieve success. The Committee must be able to readily identify where targets are not being met, so it can determine why this has occurred and what action is needed to improve results. For instance, the effectiveness of education programs and other waste trials aimed at changing community behaviour, such as diverting food waste from residual to organic collections, can be determined by observing improved landfill diversion rates against targets over time.

West Torrens Council's response

Council is not legally required to report waste management targets against the State targets, however the Council agrees that this would provide transparency and performance benchmarking in the sector.

Council will consider opportunities to progress a reporting system to improve the tracking of real-time service and kerbside performance.

Council currently reports on the performance of kerbside service through the City Facilities and Waste Recovery General Committee, and will consider enhancing this report to compare this data against Council, Local and State targets. However, Council have identified that tracking Council's performance against other metropolitan councils is difficult while the State's Waste Strategy is not legislated. Councils calculate waste performance data using different methodologies so comparing metropolitan councils would not give a correct or clear indication of results.

5.3.4 West Torrens Council does not have a formal program for kerbside bin audits

Recommendation

We recommend West Torrens Council:

- formalises in its waste strategy its approach to kerbside bin audits which considers:
 - how often audits will be performed and their purpose, such as to provide timely and relevant information about community behaviour and waste performance to inform an education strategy
 - the audit methodology and sampling base to be used
 - the reporting requirements
- clarifies with its independent contractor who is responsible for performing kerbside bin audits and how they will be funded.

Finding

West Torrens Council does not have a formal program for kerbside bin audits. However, it did perform two audits during the period we reviewed. A formal program for kerbside bin audits would help it to:

- determine how often audits should be performed
- schedule audits
- select suburbs/streets for review
- allocate sufficient resources in advance
- ensure audits are performed.

Why kerbside bin audits are important

Kerbside bin audits are a valuable tool in the management of waste. They help a council understand the waste and recycling disposal behaviour of its community, by measuring the contents of residual waste, recycling and organics bins. This data allows the council to:

- identify waste and recycling trends within its community
- identify problems in the kerbside bin system and opportunities for improvement
- provide feedback to its community about waste management performance

- design targeted education programs to change community waste behaviour
- measure residents' waste behaviour over time, to assess whether education programs or other waste initiatives, such as supplying and distributing food caddies and compostable bags, have been successful
- compare community performance to other councils performing similar audits.

What the waste and recycling collection contract says about kerbside bin audits

An independent contractor provides West Torrens Council with kerbside waste collection, transportation and processing services.

The waste and recycling collection contract requires the independent contractor to provide West Torrens Council with electronic reporting and data for certain services. The contract describes the timing and reporting requirements for these services and refers to biennial kerbside garbage, recyclables and organics audits.

The independent contractor did not perform kerbside bin audits during the period we reviewed.

West Torrens Council has not interpreted this reporting requirement as obliging the independent contractor to perform biennial kerbside bin audits. It believes the independent contractor is obliged to contribute to the cost of the audits arranged or performed by West Torrens Council. The independent contractor has previously contributed in-kind support for kerbside audits arranged or performed by West Torrens Council by providing staff and vehicles to collect and transport bins for auditing from households to its waste and recycling centre.

How often kerbside bin audits should be performed

We are not aware of any industry standard that indicates how often kerbside bin audits should be performed. Bin audits can be costly, so West Torrens Council must weigh up the benefits of the usefulness of the information and intelligence they provide about community behaviour against the financial and human resources they commit.

The waste and recycling collection contract refers to kerbside bin audits being performed every two years. A biennial audit would provide West Torrens Council with timely and useful data about community waste behaviour and give valuable and relevant insight about areas needing improvement for its waste and education strategies.

West Torrens Council's response

Council agrees that tangible and measurable data collected through regular auditing would provide valuable measurements to identify how Council is performing, however the cost associated with the routine audit would require ongoing budget considerations.

Routine auditing will be considered for integration in Council's Waste and Resource Recovery Strategy and Action Plan (currently under development) to support budget development and will be subject to endorsement from Council each financial year. As part of the Waste and Resource Recovery Strategy and Action Plan development, Council will confer with [its] ... (waste contractor) regarding the responsibility for performing kerbside bin audits.

5.4 Service arrangements

5.4.1 West Torrens Council's original waste disposal contract could not be located

Recommendation

In line with the requirements of the LG Act, we recommend West Torrens Council keeps all contracts or correspondence that describe the terms and conditions agreed with service providers in its records management system for safekeeping and ease of retrieval.

Finding

West Torrens Council first engaged its independent contractor to provide kerbside waste transportation and disposal services in September 2010. Since then it has extended these arrangements three times.

At the time of our review, West Torrens Council's original contract with the independent contractor could not be located. Some terms of the original contract, such as those concerning fees, have no doubt changed over time or been superseded by more recent agreements. Other terms, such as those concerning roles and responsibilities, may still form the basis of current arrangements.

West Torrens Council was able to provide us with an extract from the original contract. This referred to documents that were stated to comprise the contract. However, these documents were not described in a manner that would allow them to be clearly and easily identified. For instance, no details of dates or identity of authors and recipients of correspondence were included in the references to these documents.

Without these details there is no certainty about which documents comprise the contract, and therefore the nature, content and extent of the terms and conditions agreed between the West Torrens Council and the independent contractor.

The risks to West Torrens Council if a contract cannot be found

Contracts confirm and demonstrate a meeting of the minds between parties and contain essential information about their roles and responsibilities. If West Torrens Council cannot refer to a contract to confirm these, it could be exposed to the risk of uncertainty about terms and conditions agreed with the independent contractor should a dispute arise.

Further, contracts contain valuable information needed for planning, managing compliance, performance and decision making. West Torrens Council may overlook details or information relevant to these activities if it cannot confirm the agreed terms and conditions.

The LG Act requires councils to keep accounting records that explain their revenues, expenses, assets and liabilities.⁵⁴ The LG Act includes all records and documents relevant to any receipt or payment of money in its definition of accounting records.⁵⁵

We believe a contract for the provision of services would constitute an accounting record as defined by the LG Act.

West Torrens Council's response

Since 2019, records management processes within Council's waste team have greatly improved ensuring routine uploading of documents and emails into the Council's document management system using uniformity in naming conventions to enable efficient information retrieval. This has been facilitated by the review of the waste management team and expanding the number of employees in this area with a designated team leader. As a result, Council has addressed this finding.

5.4.2 West Torrens Council does not independently check the weight of kerbside bin collections

Recommendation

We recommend the West Torrens Council investigates ways it can obtain independent assurance about the weight of kerbside bin collections. This could include:

- performing regular spot audits to observe the independent contractor's staff performing the weighing and recording process
- requesting confirmation of the calibration of the independent contractor's weighbridge, such as a letter of confirmation or a certificate from the calibrator
- considering how independent assurance of the calibration process could be included in the processing and disposal service specifications in the next procurement of these services.

Finding

West Torrens Council does not independently check the weight of kerbside bin collections.

The independent contractor weighs the kerbside residual waste, recyclables and organics bin collections on behalf of the landfill operator, the recycling company and the organics processor. It provides West Torrens Council with a monthly report on the weight of kerbside bin collections.

⁵⁴ LG Act, section 124.

⁵⁵ *ibid*, section 4.

West Torrens Council reviews the monthly report and monitors tonnages for unexpected variances against its large history of collection data. It also relies on the routine calibration of the independent contractor's weighbridge by an expert, although it does not obtain evidence that the calibration process has occurred.

Why West Torrens Council should independently check the weight of kerbside bin collections

West Torrens Council receives a monthly invoice for collection, processing and disposal services. While collection fees are based on the number of bins serviced or a fortnightly collection rate, processing and disposal fees are based on the number of tonnes collected. Further, the solid waste levy is based on the number of residual waste tonnes disposed of.

Without an independent check of the weight of collections, West Torrens Council cannot be certain of the accuracy of tonnages advised by the independent contractor, the amounts invoiced for kerbside bin processing and disposal, and the solid waste levy.

West Torrens Council's response

[The waste contractor is] ... required to operate in accordance with Environment Protection Regulations 2009. The Environment Protection Regulations 2009 outline the approval, maintenance and certification of accuracy for weighbridges in accordance with the National Measurement Act 1960. However, as part of independent data checking, Council will consider requesting calibration reports from [the waste contractor] and conduct periodic audits of weighbridge dockets to verify accuracy.

5.5 Processes to assess the effectiveness of education activities

5.5.1 West Torrens Council does not have a formal waste education strategy

Recommendation

We recommend West Torrens Council develops and documents a waste education strategy that aligns to its waste strategy and local targets. The waste education strategy should:

- demonstrate how the education programs will support West Torrens Council's and the State's waste strategy objectives and targets
- outline activities/information needed to inform the education approach, for instance kerbside bin audits
- consider the nature of resources required to develop and deliver education programs and activities
- include community input options
- include mechanisms for measuring the effectiveness of education programs and activities.

We further recommend West Torrens Council establishes a system for annual planning of the education program, monitoring its implementation and reviewing performance.

Finding

West Torrens Council does not have a formal policy, strategy or plan outlining its approach to community education on waste and recycling issues. It also does not have a process to formally evaluate the effectiveness of its education tools and programs.

In December 2020, West Torrens Council engaged its community on what they found important and what actions it should prioritise to meet their expectations. Waste management was identified as an area of community interest. Key considerations for West Torrens Council included:

- seeking to reduce waste volumes through best practice management, education and recycling
- helping businesses and organisations to pursue waste minimisation philosophy as well as West Torrens Council leading by example
- considering how it can positively influence community values of recyclable materials to help rebuild the recycling industry in South Australia and Australia.⁵⁶

What community waste education West Torrens Council currently provides

West Torrens Council currently provides a comprehensive range of waste and recycling education resources on its website, including 'what goes in which bin', an A to Z guide on waste and recycling, and a chatbot that can be used to determine whether an item can be recycled. West Torrens Council also invites face-to-face engagement with schools, community groups and businesses, and has participated in events such as National Recycling Week to engage its community on waste education.

Why West Torrens Council needs a waste education strategy

Councils play a key role in educating the community about waste reduction and responsible recycling. Through education the community can improve its waste practices, which will reduce the amount of waste sent to landfill and increase the volume of materials to be recycled.

Community behaviour directly impacts costs paid by councils for waste disposal. As the solid waste levy increases the cost of sending kerbside waste to landfill, there is strong financial incentive along with environmental concern for West Torrens Council to promote the reduction of waste generation and increase in reuse and recycling in line with the waste management hierarchy. Changing community behaviour will be key to achieving this.

A documented waste education strategy will help West Torrens Council define its strategic education directions, set clear objectives and describe the activities it will take to educate

⁵⁶ Intermethod, 6 March 2020, *Community Needs Analysis prepared for The City of West Torrens, 6 March*, p. 59.

the community on areas such as:

- practicing the waste management hierarchy
- increasing the level of food scrap recycling
- disposing of food scraps in the organics recycling bin
- increasing the level of recycling
- decreasing the level of contamination in recycling.

Further, a documented strategy will help West Torrens Council to make decisions about the priority of education programs and activities, prepare plans and allocate resources for them. Education programs can be expensive and can absorb significant human resources. Without a clear vision of education program objectives, West Torrens Council may find it difficult to assess whether sufficient and suitable resources have been applied to deliver specific programs.

West Torrens Council's response

Council recognises that no formal waste education strategy or program existed during the Review period. However, a dedicated officer has been appointed and is responsible for waste education in the community.

Following the 2018-2019 restructure of the waste team, Council's general approach to waste management has developed and matured. A new Team Leader Waste Management role was created in 2019 and a comprehensive review of the Project Officer Waste and Recycling role was completed in 2022. Council's newly employed Project Officer Waste and Recycling is seeking new tools and systems for the purposes of waste education. So, whilst no formal waste education strategy was in place during the Review period, significant developments have occurred in this area and a strategy of this nature is currently being developed as appropriately skilled and experienced resources have been engaged.

Council's current waste education program is being reviewed and reconsidered to meet the needs and expectations of the Community (including the State intended targets). The Council will consider the development of a Waste Education Strategy which aligns Council's intended goals and efforts with the State strategies. KPI's will be considered for each activity whereby measurable outputs will be generated identifying with success, and effect of change.

5.6 What West Torrens Council did well

We identified some areas of effective waste management that were operating effectively during the period we reviewed. These included that the West Torrens Council had:

- established clear roles and responsibilities for waste management, including an oversight and monitoring committee
- sound frameworks and processes to identify, assess and manage waste risks
- clear processes to manage and resolve complaints from residents about collection services.

5.7 Other observation

5.7.1 Background

Legislation

The LG Act requires councils to have procurement policies, practices and procedures directed towards achieving:

- value in the expenditure of public money
- the ethical and fair treatment of participants
- probity, accountability and transparency in procurement.⁵⁷

The LG Act requires the procurement policies to identify the circumstances when councils will call for tenders.⁵⁸

West Torrens Council's procurement policy

West Torrens Council's procurement policy provides its framework for procuring goods, works and services. It requires the West Torrens Council to be guided by principles such as value for money, probity and accountability, support of local business and engagement with the market.

While the policy recognises the appropriate procurement approach will be determined by the nature and circumstances of each purchase, it requires the West Torrens Council to use a select or open request for tender for purchases above \$200,000.

5.7.2 West Torrens Council has not used competitive procurement processes since its initial agreements for kerbside waste services

Recommendation

We recommend the West Torrens Council, in line with its procurement policy, undertakes a competitive tender process for its:

- kerbside waste, recycling and organics collection services when the current arrangements with the independent contractor expire in 2025
- kerbside waste disposal services when the current arrangements with the independent contractor expire in 2022.

Finding

West Torrens Council has not used a competitive procurement process for its kerbside waste, recycling and organics collection services since its initial contract with the independent contractor in 2005.

⁵⁷ LG Act, Part 4 section 49.

⁵⁸ LG Act, Part 4 section 49.

West Torrens Council has not used a competitive procurement process for its kerbside waste transportation and disposal services since it first engaged the independent contractor to provide these services in 2010.

West Torrens Council's kerbside waste, recycling and organics collection services

In December 2005, West Torrens Council established a contract with the independent contractor to provide kerbside waste, recycling and organic bin collection services, following a tender process. The contract was for about seven years and offered an extension to these arrangements of up to three years. It has been extended at least three times since the first extension expired, but terms have changed and services expanded during this time.

In January 2019, the independent contractor approached West Torrens Council with an offer to extend the kerbside bin collection arrangements. At this time, West Torrens Council engaged an independent waste expert to review and provide feedback about the independent contractor's offer. Following the expert's advice, West Torrens Council renegotiated certain terms and these, together with the original contract, form the basis of current arrangements that will expire in April 2025.

West Torrens Council's kerbside waste disposal services

Following a competitive procurement process, West Torrens Council first engaged the independent contractor to provide kerbside waste transportation and disposal services in September 2010.

Since its initial engagement, West Torrens Council has extended arrangements with the independent contractor three times.

In October 2014, the independent contractor presented West Torrens Council with two offers to extend the disposal arrangements. At this time, West Torrens Council engaged an independent consultant to provide advice about the competitiveness of the independent contractor's offers. This resulted in a revised offer and the first extension to the contract in February 2015.

West Torrens Council has since extended the arrangements in February 2020 and March 2021 without undertaking a competitive procurement process.

Why a competitive procurement process is important

Waste management is a key local government service provided to communities and is a substantial annual expense for councils. In 2020-21, West Torrens Council spent \$7.6 million⁵⁹ (approximately 30% of its materials, contractors and other expenses) on waste management activities. Collection and disposal costs of kerbside waste comprise a significant

⁵⁹ City of West Torrens audited financial report for the year ended 30 June 2021:
• note 3(b) shows materials, contracts and other expenses of \$24.983 million
• note 12(a) shows waste management costs of \$7.557 million.

portion of these expenses. Therefore, it is important that West Torrens Council can demonstrate it has acted appropriately and in the community's best interest when engaging providers of these services.

A competitive procurement process inviting potential suppliers to bid for the opportunity to provide West Torrens Council with significant goods or services will help demonstrate this. By encouraging competition, the community will have increased confidence that public money is used efficiently and effectively, and that:

- value for money will be achieved
- suppliers will be treated fairly and ethically
- there will be probity and transparency of process
- officers will be held accountable for their decisions.

These principles are acknowledged in the LG Act and in West Torrens Council's procurement policy.

West Torrens Council's response

Council has entered into agreements for kerbside waste services using appropriate and risk assessed procurement practices.

Council have invested significant resources in its procurement program during the Review period. Similarly to the waste team review, the procurement team was subjected to a three (3) year facilitative audit as the procurement roadmap was enacted.

Procurement processes are robust with structured templates, conventions and an increase in dedicated resources.

Council is committed to undertaking a competitive tender process in 2025 for its kerbside waste collection.

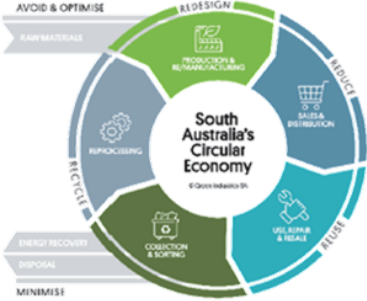
Appendix 1 – Abbreviations and terms used in this report

The terms used in this report were sourced from legislation and information published by the Environment Protection Authority and Green Industries SA.

Abbreviation or term	Description
China’s National Sword Policy	<p>In 2018 China introduced its National Sword Policy. This policy included restrictions on imports of 24 categories of waste and requiring contamination to be 0.5% or lower. Prior to the policy, accepted contamination rates varied from 1.5% to 5%. Other countries such as Malaysia, Thailand and Vietnam also declared restrictions on importing waste following China’s policy implementation.</p> <p>It is estimated that China’s policy has predominantly impacted the price of mixed paper and cardboard as well as mixed plastics. Due to the high proportion of mixed paper and cardboard that materials recovery facilities receive, the estimated increase in cost is approximately \$8.8 million across the State based on a one-year period.⁶⁰</p> <p>A \$12.4 million support package for local government and the recycling industry was released by the SA Government in response to the National Sword Policy. The package included a range of measures to enable industry investment in remanufacturing and local re-use, as well as improved sorting and processing to enhance the quality of recovered materials.⁶¹</p>
Circular economy	<p>This refers to an economic model that contemplates the production of goods and services:</p> <ul style="list-style-type: none"> • by a reduced reliance on virgin materials • on the basis of continuously functioning utility and an extended lifecycle • in a manner that eliminates, as far as is reasonably practicable, waste or pollution, or harm to the environment. <p>At the broadest level, a circular economy aims to change the patterns of natural resource use in the economy to achieve sustainable growth by slowing, narrowing or closing material loops.</p>

⁶⁰ Rawtec Pty Ltd 2018, *Market Analysis of South Australian Kerbside Comingled Recyclables Report for the Local Government Association of SA*, May, Adelaide.

⁶¹ Green Industries SA, *China’s New Policy on Waste and Recycling*, Government of South Australia, Adelaide, <<https://www.greenindustries.sa.gov.au/chinas-new-policy-on-waste-and-recycling>>.

Abbreviation or term	Description
	
Commercial and industrial waste	Comprises solid waste generated by the business sector as well as solid waste created by state and federal government entities, schools, and tertiary institutions.
Construction and demolition waste	Includes waste from residential, civil and commercial construction and demolition activities, such as fill material (eg soil), asphalt, bricks and timber. This waste excludes construction waste from owner/ occupier renovations, which is included in the municipal waste stream.
Food caddy	A kitchen benchtop food container for the collection of household food waste, usually with a compostable bag, to be placed in the organic waste bin.
Food organics	Organic waste derived from food preparation and/or surplus food.
Food Organics Garden Organics (FOGO)	FOGO is a common name used for the green organics bin
Garden organics	Organics derived from garden sources such as grass clippings and tree prunings.
Hard waste	Large materials that are not suitable for collection in the kerbside three-bin system. Common items include furniture, appliances and mattresses.
Kerbside collection	Collection of household waste, recyclable materials (separated or co-mingled) and organic waste that are left at the kerbside for collection by a local council collection service.
Landfill	A waste disposal site used for the controlled deposit of solid waste onto or into land.
Materials recovery facility	A facility where mixed recyclable materials are received, stored and sorted to specification, then baled, shredded, crushed, compacted or otherwise prepared for shipment to market.
Metropolitan council	Comprises Adelaide, Adelaide Hills, Campbelltown, Burnside, Norwood Payneham and St Peters, Prospect, Unley, Walkerville, Gawler, Playford, Salisbury, Tea Tree Gully, Marion, Mitcham, Onkaparinga, West Torrens, Charles Sturt, Holdfast Bay and Port Adelaide Enfield councils

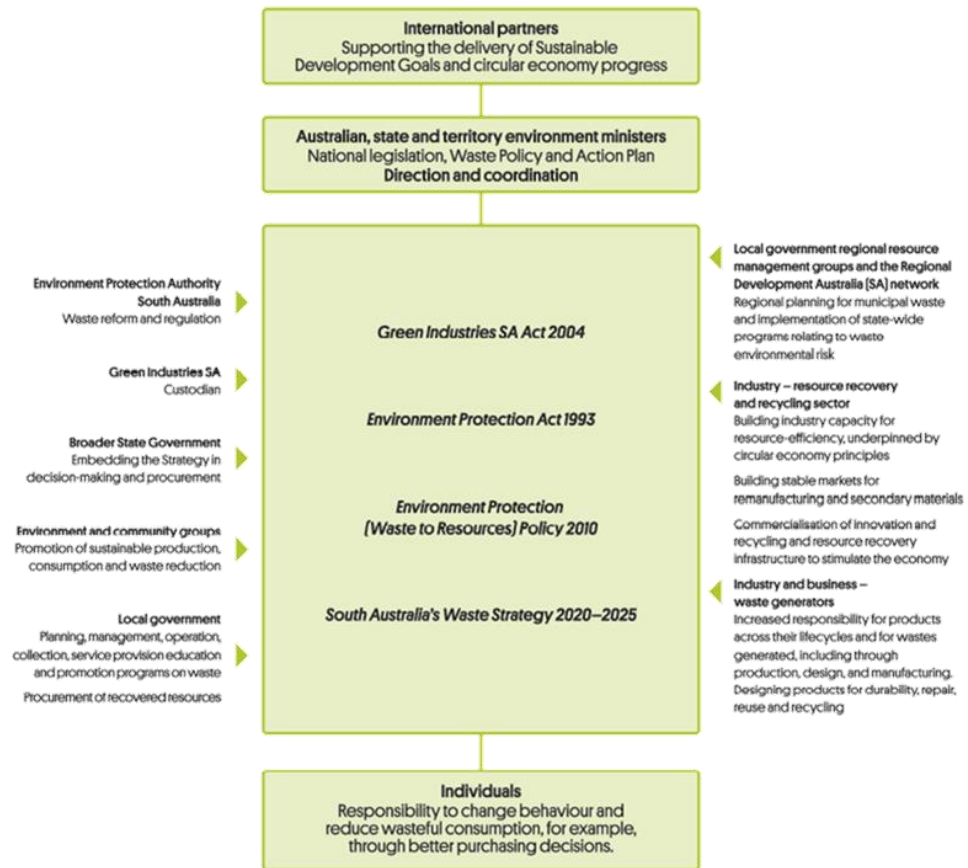
Abbreviation or term	Description
Multi-unit dwelling (MUD)	Medium and high density housing. Sometimes includes commercial tenancies such as cafés in addition to residential dwellings.
Municipal solid waste – kerbside bin collection	Solid waste generated from domestic (household) premises and council activities such as street sweeping, litter and street tree lopping. May also includes waste dropped off at recycling centres, transfer stations and construction waste from owner/occupier renovations.
Recovery	A process that extracts materials or energy from the waste stream.
Residual waste	Waste determined by its owner to be unsuitable for recovery.
Resource recovery	In relation to waste, means reusing or recycling or recovering energy or other resources from the waste.
Waste disposal	<p>3(3) Waste disposal <i>the conduct of—</i></p> <p>(a) a landfill depot, being a depot, facility or works for the disposal of waste to land; or</p> <p>(b) a liquid waste depot, being a depot, facility or works for the reception and disposal of liquid waste, or the reception, treatment and disposal of liquid waste; or</p> <p>(c) an incineration depot, being a depot, facility or works for the disposal, by incineration, pyrolysis or gasification by high temperature chemical decomposition, or thermal oxidation using fuel burning equipment, of solid waste, a listed waste or quarantine waste, but excluding a prescribed approved activity or an activity in respect of which the Authority is satisfied, having regard to the prescribed factors, that an environmental authorisation is not justified</p>
Waste reprocessing	<p>3(2) Waste reprocessing <i>the conduct of—</i></p> <p>(a) composting works, being a depot, facility or works with the capacity to treat, during a 12-month period—</p> <p>(i) in the case of works located wholly or partly within a water protection area—more than 200 tonnes of organic waste or matter; or</p> <p>(ii) in the case of works located wholly outside of a water protection area—more than 1 000 tonnes of organic waste or matter, for the production of compost; or</p> <p>(b) scrap metal treatment works, being a depot, facility or works for the treatment of scrap metal (by processes involving electrically heated furnaces or other fuel burning equipment or by mechanical processes); or</p> <p>(c) tyre waste treatment works, being a depot, facility or works with the capacity to treat more than 5 tonnes of tyre waste during a 12-month period; or</p>

Abbreviation or term	Description
	<p><i>(d) waste lead acid battery treatment works, being a depot, facility or works with the capacity to treat more than 500 waste lead acid batteries during a 12-month period;</i></p> <p><i>or</i></p> <p><i>(e) any other waste reprocessing facility, being a depot, works or facility other than a depot, facility or works specified in a preceding paragraph) that, during a 12-month period, receives or has the capacity to treat—</i></p> <p><i>(i) more than 100 tonnes of solid waste or matter; or</i></p> <p><i>(ii) more than 100 kilolitres of liquid waste or matter</i></p>
Waste treatment	The removal, reduction or immobilisation of hazardous characteristics to enable the waste to be sent to its final fate or further treatment.

Appendix 2 – Waste management frameworks

Figure A2.1 shows that the three levels of government, waste industry groups, businesses, community groups and Australian citizens all play a role in managing waste.

Figure A2.1 Roles and relationships in managing waste



Source: Green Industries SA 2020, *Supporting the Circular Economy: South Australia's Waste Strategy 2020–2025*, Government of South Australia, Adelaide.

Appendix 3 – Metropolitan councils’ organics food waste systems

This table shows the organics food waste system for each metropolitan council, which was provided to us by GISA.

Metropolitan council	Organics bin	Kitchen caddy
Adelaide City	Area-wide	Opt-in
Adelaide Hills		Limited
Burnside	Area-wide	Area-wide
Campbelltown	Area-wide	Opt-in
Charles Sturt	Area-wide	Opt-in
Holdfast Bay	Area-wide	Area-wide
Marion	Area-wide	Opt-in
Mitcham	Area-wide	Limited trial
Norwood, Payneham	Area-wide	Area-wide
Onkaparinga	Area-wide	Opt-in
Playford	Opt in	Opt-in
Port Adelaide Enfield	Area-wide	Area-wide
Prospect	Area-wide	Area-wide
Salisbury	Opt in	Opt-in
Tea Tree Gully	Area-wide	Opt-in
Town of Gawler	Opt in	Opt-in
Town of Walkerville	Area-wide	Opt-in
Unley	Area-wide	Opt-in
West Torrens	Area-wide	Opt-in

Appendix 4 – NPSP Council flyer



**Don't waste
your rates.**

*\$395,000 per year
in landfill fees
could be saved.*

Get a **FREE**
kitchen Caddy
from Council
today!




www.npsp.sa.gov.au


City of
Norwood
Payneham
& St Peters

A horizontal bar at the bottom of the flyer is divided into four colored segments: green, purple, orange, and teal.

Appendix 5 – Overview of roles, legislation and policy

Commonwealth Government	State Government	Local Government
<p>Role Responsible for a national framework for waste and resource recovery which recognises obligations under international agreements</p>	<p>Role Responsible for regulation and management of waste and resource recovery</p>	<p>Role Responsible for providing household waste and recycling collection and disposal services and deliver waste education and awareness programs</p>
<p>Act <i>Recycling and Waste Reduction Act 2020 (Cth)</i></p>	<p>Act <i>Environment Protection Act 1993</i> <i>Green Industries SA Act 2004</i></p>	<p>Act <i>Local Government Act 1999</i></p>
<p>Policy National Waste Policy 2018: Less Waste, More Resources</p>	<p>Policy Environment Protection (Waste to Resources) Policy 2010</p>	<p>Policy Waste management service policy</p>
<p>Plan/Strategies National Waste Action Plan 2019 National Food Waste Strategy</p>	<p>Plan/Strategies State Waste Strategy State Food Strategy</p>	<p>Plan/Strategies A council determines its strategies for waste management and the actions it will take. This information is commonly presented in a council's strategic management plan(s)</p>

Appendix 6 – Response from the Chief Executive Officer, The Corporation of the City of Norwood, Payneham and St Peters

File Number: qA74130
Enquiries To: Lisa Mara
Direct Telephone: 8366 4549

4 August 2022

Mr Andrew Richardson
Auditor-General
Level 9
State Administration Centre
200 Victoria Square
ADELAIDE SA 5000

Dear Andrew

Review of the Management of Kerbside Waste Services

Thank you for providing a copy of the final report, *Review of the Management of Kerbside Waste Services* (the Report), to the Council.

I would also like to take this opportunity to thank you for incorporating the Council's comments which were provided to you on 23 June 2022, in response to the draft Report.

The Report presents as well measured. It discusses what the Council does well, incorporates our responses to the findings and the challenges that the Council faces in respect to waste management. An audit of this type is valuable as it provides the Council with an opportunity to review how its operations associated with waste management could be improved.

Yours sincerely



Mario Barone PSM
CHIEF EXECUTIVE OFFICER



City of
Norwood
Payneham
& St Peters

CHIEF
EXECUTIVE'S
OFFICE

175 The Parade,
Norwood SA 5067

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Kent Town SA 5071

Telephone
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Facsimile
8332 6338

Email
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Website
www.npsp.sa.gov.au



100% Australian Made
Recycled Paper

Community
Well-being is...
Social Equity
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Economic Prosperity
Environmental
Sustainability

[http://online.npsp/sales/teams/gca/Executive Management/Management/Correspondence/2022/040822 Auditor General - Audit of Kerbside Waste Services.docx](http://online.npsp/sales/teams/gca/Executive%20Management/Management/Correspondence/2022/040822%20Auditor%20General%20-%20Audit%20of%20Kerbside%20Waste%20Services.docx)



Appendix 7– Response from the Mayor, City of West Torrens



27 July 2022

Andrew Richardson
Auditor-General
Level 9 State Administration Centre
200 Victoria Square
ADELAIDE SA 5000

Dear Mr Richardson,

Review of the management of kerbside waste services

The City of West Torrens ('Council') supports transparency and accountability in all levels of government thus the Auditor-General's review into the Council's kerbside waste management services ('Review') was welcomed as a continuous improvement and assurance measure. Further, Council recognises the importance of effective waste management for communities in a range of different contexts including public health, environment and climate change as well as amenity.

I am pleased to advise that there are no additional comments regarding the draft report to Parliament regarding the management of kerbside waste services received by Council on 20 July 2022. The report represents a fair and accurate assessment of the City of West Torrens' performance and capability. The recommendations will be considered and integrated where required into future programs.

I take this opportunity to thank the Local Government Audit team from the Auditor-General's Department for the collaborative approach to the audit process.

Yours sincerely,

Michael S Coxon
Mayor



5.2 DRAFT 2021/2022 FINANCIAL STATEMENTS – REPORT NO. AR22/60846

Committee:	Audit and Risk Committee
Meeting Date:	26 September 2022
Report No.:	AR22/60846
CM9 Reference:	AF11/863
Author:	Julie Scoggins, Manager Financial Services
Authoriser:	Darren Barber, General Manager Corporate and Regulatory Services
Summary:	This report presents the draft 2021/2022 Financial Statements for review by the Audit and Risk Committee.
Strategic Plan Reference:	Goal 1: Our People Goal 2: Our Location Goal 3: Our Diverse Economy Goal 4: Our Climate, Natural Resources, Arts, Culture and Heritage Goal 5: Our Commitment

REPORT RECOMMENDATION

1. That Audit and Risk Committee Report No. AR22/60846 titled 'Draft 2021/2022 Financial Statements' as presented on 26 September 2022 be noted.
2. That in accordance with Section 126 (4) (a) of the Local Government Act 1999, the draft annual financial statements of Council for the financial year 2021/2022 have been reviewed and 'they present fairly the state of affairs of the council'.
3. That having been reviewed by the Audit and Risk Committee on 19 September 2022, the Audit Completion Report and Management Representations Letter as attached to Report No. AR22/60846 be noted.



TYPE OF REPORT

Legislative

BACKGROUND

1. **Report Purpose** - The purpose of the annual financial statements is to provide Council, the community and other interested parties with a record of the financial activities and the financial position of the Council, comparative to the proceeding financial period.
2. **Section 125** - Pursuant to Section 125 of the Local Government Act 1999, a council must ensure that appropriate policies, practices and procedures of internal control are implemented and maintained in order to assist the council to carry out its activities in an efficient and orderly manner to achieve its objectives, to ensure adherence to management policies, to safeguard the council's assets and to secure (as far as possible) the accuracy and reliability of council records.
3. **Section 126** - Pursuant to Section 126 (4) of the Local Government Act 1999, the functions of an audit committee include – a) reviewing annual financial statements to ensure that they present fairly the state of the Council and c) reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the council on a regular basis.
4. **Section 129 (3)** - Pursuant to Section 129 (3) of the Local Government Act 1999, the auditor must provide to the council – a) an audit opinion with respect to the financial statements, and b) an audit opinion as to whether the controls audited under sub section 1) b) are sufficient to provide reasonable assurance that the financial transactions of the council have been conducted properly and in accordance with law.
5. **Section 16** - Pursuant to Section 16 of the Local Government (Financial Management) Regulations 2011, on or before November 30 a copy of the audited financial statements for the preceding year must be submitted to the presiding member of the South Australian Local Government Grants Commission.
6. **Audit and Risk Committee Terms of Reference** - The following section of the Audit and Risk Committee Terms of Reference is relevant to this report:

12.1 Financial Reporting:

The Committee shall:

12.1.1 **Financial Statements** - *Monitor the integrity of the financial statements of the Council, including in its annual report, reviewing significant financial reporting issues and judgements which they contain.*

12.5 External Audit:

The Committee shall:

12.5.4 **Meeting** - *Meet as needed with the external auditor. The Committee shall meet the external auditor at least once a year to discuss the external auditor's report and any issues arising from the audit.*

12.5.6 **Audit Findings** - *Review the findings of the audit with the auditor. This shall include, but not be limited to, the following:*

- *A discussion of any major issues which arose during the external audit;*
- *Any accounting and audit judgements; and*
- *Levels of errors identified during the external audit.*

12.5.7 **Effectiveness** - *The Committee shall also review the overall effectiveness of the external auditor.*



- 12.5.8 **Representation Letter(s)** - Review any representation letter(s) requested by the auditor before they are signed by management.
- 12.5.9 **Management Letter** - Review the management letter and management's response to the external auditor's findings and recommendations. Subsequent to the initial review the Committee will oversee action to follow up on matters raised by the external auditors.
7. **Appointment of External Auditors** - Samantha Creten, Dean Newbery and Partners were appointed as Council's Auditors for the period 2022 - 2026.
8. **Interim Audit** - Council's external auditors (Dean Newbery and Partners) undertook an interim site visit in relation to the external audit for the year ended 30 June 2022 in April 2022.
9. **First Audit** - The financial audit of the 2021/2022 financial statements is the first audit to be undertaken by Dean Newbery and Partners as part of their engagement to undertake five audits for Council.
10. **Financial Year Balance Date External Audit Attendance** - Dean Newbery and Partners attended Council's offices between 22-24 August 2022.

PROPOSAL

1. **Model Financial Statements** - The Model Financial Statements set out a recommended format (covering the four principal financial statements and notes to be read in conjunction with those statements) which complies with Australian accounting standards.
2. **Form and Contents** - The form and contents of the financial statements are prescribed by the Local Government Act 1999 and Financial Regulations 2011, in conjunction with associated Australian accounting standards.
3. **Section 13** - of the Local Government (Financial Management) Regulations 2011 requires that the financial statements of a council, council subsidiary or regional subsidiary (other than notes and other explanatory documentation) must be in accordance with the requirements set out in the Model Financial Statements.
4. **External Auditor Attendance** - Samantha Creten of Dean Newbery and Partners will attend the Audit and Risk Committee meeting.
5. **External Auditor Documentation** - Dean Newbery and Partners have provided their Audit Completion Report (**Attachment 2**) which acts as their audit clearance and includes their proposed audit opinions on the finance report and on the internal controls, as well as the Auditor's Independence Declaration. Council's Auditors have also provided a Draft Management Representations Letter (**Attachment 3**) that Council staff have completed to be reviewed by the Audit and Risk Committee prior to signing by the Chief Executive Officer.
6. Council's financial statements will be published in the Council's Annual Report for the 2021/2022 financial year and will be provided to the:
 - Minister for Local Government;
 - South Australian Local Government Grants Commission; and
 - Other key stakeholders.

LEGAL IMPLICATIONS

Financial Statements must be prepared in accordance with the Local Government Act 1999, the Local Government (Financial Management) Regulations 2011 and relevant Australian accounting standards.

STRATEGIC PLAN

The budget was developed in the context of the Strategic Plan.



COUNCIL POLICY

[Asset Accounting Policy](#)

[A900 Asset Management Policy](#)

[B300 Budget Framework](#)

[R105 Rating Policy](#)

[T150 Treasury Management Policy](#)

ECONOMIC IMPLICATIONS

N/A

ENVIRONMENTAL IMPLICATIONS

N/A

SOCIAL IMPLICATIONS

N/A

CULTURAL IMPLICATIONS

N/A

RESOURCE IMPLICATIONS

N/A

VALUE FOR MONEY

N/A

RISK IMPLICATIONS

Prudent management of Council's financial sustainability ensures that short and long term financial risk is minimised.

EQUALITIES AND DIVERSITY IMPLICATIONS

N/A

ENGAGEMENT AND COMMUNICATION STRATEGY

Once adopted, the audited financial statements will be available on Council's website and included in Council's annual report.

IMPLEMENTATION STRATEGY

N/A

CONCLUSION AND RECOMMENDATION

The financial statements are general purpose statements representing the financial performance of the Council for the 2021/2022 financial year and the financial position as at 30 June 2022. The financial statements have been prepared in accordance with the Australian Accounting Standards and Local Government (Financial Management) Regulations 2011.

That having reviewed the report and attachments, it is recommended that:

- for the financial year 2021/2022 in accordance with Section 126 (4) (a) of the Local Government Act 1999, the Audit and Risk Committee confirm the draft annual financial statements of Council 'present fairly the state of affairs of the council';
- the Presiding Member of the Audit and Risk Committee and the Chief Executive Officer of the City of Mount Gambier sign Council's Certification of Auditor Independence Statement that will accompany the financial statements for the financial year ended 30 June 2022;



- the Chief Executive Officer sign the Management Representations letter that will accompany the financial statements for the financial year ended 30 June 2022 (**Attachment 3**);
- the Audit and Risk Committee note the Certification of Financial Statements document is included as page 2 to the draft financial statements (**Attachment 1**). The Certification of Auditor Independence document is included as the page 48 to the draft financial statements;
- the Audit and Risk Committee note the Audit Completion Report (**Attachment 2**).

ATTACHMENTS

1. Draft 2021/2022 Financial Statements [↓](#)
2. Audit Completion Report - Financial Year Ended 30/06/2022 [↓](#)
3. Draft Management Representations Letter - 2021/2022 [↓](#)



City of Mount Gambier

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2022



City of Mount Gambier

Financial Statements 2022

General Purpose Financial Statements

for the year ended 30 June 2022

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City of Mount Gambier

Financial Statements 2022

General Purpose Financial Statements

for the year ended 30 June 2022

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 2022 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.

Sarah Philpott
CHIEF EXECUTIVE OFFICER

Date:

Lynette Martin
MAYOR

Date:



City of Mount Gambier

Financial Statements 2022

Statement of Comprehensive Income

for the year ended 30 June 2022

\$ '000	Notes	2022	2021
Income			
Rates	2a	23,822	22,769
Statutory Charges	2b	633	621
User Charges	2c	5,515	4,880
Grants, Subsidies and Contributions	2g	6,615	4,505
Investment Income	2d	14	25
Reimbursements	2e	65	60
Other income	2f	498	635
Total Income		37,162	33,495
Expenses			
Employee costs	3a	13,090	13,058
Materials, Contracts and Other Expenses	3b	13,234	14,018
Depreciation, Amortisation and Impairment	3c	8,479	7,940
Finance Costs	3d	358	226
Total Expenses		35,161	35,242
Operating Surplus / (Deficit)		2,001	(1,747)
Physical Resources Received Free of Charge	2i	1,760	1,230
Asset Disposal & Fair Value Adjustments	4	(787)	(730)
Amounts Received Specifically for New or Upgraded Assets	2g	17,940	2,677
Net Surplus / (Deficit)		20,914	1,430
Total Comprehensive Income		20,914	1,430

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



City of Mount Gambier

Financial Statements 2022

Statement of Financial Position

as at 30 June 2022

\$ '000	Notes	2022	2021
ASSETS			
Current assets			
Cash & Cash Equivalent Assets	5a	250	1,893
Trade & Other Receivables	5b	2,974	4,579
Inventories	5c	64	47
<u>Subtotal</u>		<u>3,288</u>	<u>6,519</u>
Total current assets		<u>3,288</u>	<u>6,519</u>
Non-current assets			
Infrastructure, Property, Plant & Equipment	6a(i)	301,171	263,422
Total non-current assets		<u>301,171</u>	<u>263,422</u>
TOTAL ASSETS		<u>304,459</u>	<u>269,941</u>
LIABILITIES			
Current Liabilities			
Trade & Other Payables	7a	9,331	6,274
Borrowings	7b	1,222	447
Provisions	7c	2,784	2,902
<u>Subtotal</u>		<u>13,337</u>	<u>9,623</u>
Total Current Liabilities		<u>13,337</u>	<u>9,623</u>
Non-Current Liabilities			
Borrowings	7b	22,311	13,502
Provisions	7c	3,507	4,064
Total Non-Current Liabilities		<u>25,818</u>	<u>17,566</u>
TOTAL LIABILITIES		<u>39,155</u>	<u>27,189</u>
<u>Net Assets</u>		<u>265,304</u>	<u>242,752</u>
EQUITY			
Accumulated surplus		83,080	66,406
Asset revaluation reserves	8a	180,852	175,462
Other reserves	8b	1,372	884
<u>Total Equity</u>		<u>265,304</u>	<u>242,752</u>

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



City of Mount Gambier

Financial Statements 2022

Statement of Changes in Equity

for the year ended 30 June 2022

\$ '000	Notes	Accumulated surplus	Asset revaluation reserve	Other reserves	Total equity
2022					
Balance as at 1 July		66,406	175,462	884	242,752
Adjustments (Correction of Prior Period Errors)		(3,752)	5,390	-	1,638
Net Surplus / (Deficit) for Year		20,914	-	-	20,914
Total comprehensive income		20,914	-	-	20,914
Transfers between Reserves	8b	(488)	-	488	-
Balance at the end of period		83,080	180,852	1,372	265,304
2021					
Balance as at 1 July		64,986	175,462	874	241,322
Net Surplus / (Deficit) for Year		1,430	-	-	1,430
Total comprehensive income		1,430	-	-	1,430
Transfers between Reserves	8b	(10)	-	10	-
Balance at the end of period		66,406	175,462	884	242,752

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



City of Mount Gambier

Financial Statements 2022

Statement of Cash Flows

for the year ended 30 June 2022

\$ '000	Notes	2022	2021
Cash flows from operating activities			
<u>Receipts</u>			
Rates Receipts		23,829	22,978
Statutory Charges		633	621
User Charges		4,335	5,214
Grants, Subsidies and Contributions		6,615	5,210
Investment Receipts		14	26
Reimbursements		65	66
Other Receipts		896	3,517
<u>Payments</u>			
Payments to Employees		(13,157)	(13,005)
Payments for Materials, Contracts & Other Expenses		(13,852)	(17,433)
Finance Payments		(136)	(212)
Net cash provided by (or used in) Operating Activities	9b	<u>9,242</u>	<u>6,982</u>
Cash flows from investing activities			
<u>Receipts</u>			
Amounts Received Specifically for New/Upgraded Assets		20,443	555
Sale of Replaced Assets		112	393
<u>Payments</u>			
Expenditure on Renewal/Replacement of Assets		(5,623)	(5,326)
Expenditure on New/Upgraded Assets		(35,134)	(16,298)
Net cash provided (or used in) investing activities		<u>(20,202)</u>	<u>(20,676)</u>
Cash flows from financing activities			
<u>Receipts</u>			
Proceeds from Loans		9,581	11,550
<u>Payments</u>			
Repayments of Loans		-	(206)
Repayment of Lease Liabilities		(202)	(163)
Repayment of Bonds & Deposits		(62)	-
Net Cash provided by (or used in) Financing Activities		<u>9,317</u>	<u>11,181</u>
Net Increase (Decrease) in Cash Held		<u>(1,643)</u>	<u>(2,513)</u>
plus: Cash & Cash Equivalents at beginning of period		1,893	4,406
Cash and cash equivalents held at end of period	9a	<u>250</u>	<u>1,893</u>

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



City of Mount Gambier

Financial Statements 2022

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

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City of Mount Gambier

Financial Statements 2022

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 1. Summary of Significant Accounting Policies

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

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

(1) Basis of Preparation

1.1 Compliance with Australian Accounting Standards

This general purpose financial report has been prepared 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.

1.2 Critical Accounting Estimates

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

1.3 Rounding

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

1.4 Estimates and assumptions

The COVID-19 pandemic has impacted the 2021/22 financial statements. The financial impacts are a direct result of either Council's response to the pandemic or due to mandatory shutdowns as directed by the Australian Government and the advice from the Australian Government Department of Health and SA Health.

With the aim of minimising any impact of Covid-19, Council worked to reduce discretionary expenditure in the short term to assist in mitigating decreased revenue and increased costs. It is expected further financial impacts will flow into the 2022/23 financial year but these have been largely taken into account during the development of the budget process for 2022/23. The budget assumptions for 2022/23 assume a continued easing of restrictions put in place by the government. Council has determined that there is no material uncertainty that casts doubt on Council's ability to continue as a going concern.

(2) The Local Government Reporting Entity

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 consolidated financial statements include the Council's direct operations and all entities through which Council controls resources to carry on its functions.

(3) Income Recognition

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

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

In other cases, AASB 1058 applies when a not-for-profit (NFP) entity enters into transactions where the consideration to acquire an asset is significantly less than the fair value of the asset principally to enable the entity to further its objectives. The excess

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City of Mount Gambier

Financial Statements 2022

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 1. Summary of Significant Accounting Policies (continued)

of the asset recognised (at fair value) over any 'related amounts' is recognised as income immediately, except in the case where a financial asset has been received to enable the council to acquire or construct a recognisable non-financial asset that is to be controlled by the council. In this case, the council recognises the excess as a liability that is recognised over time in profit and loss when (or as) the entity satisfies its obligations under the transfer.

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

	Cash Payment Received	Annual Allocation	Difference
2019/20	\$3,384,000	\$3,546,000	- \$162,000
2020/21	\$3,410,267	\$3,381,972	+ \$28,295
2021/22	\$5,134,125	\$3,891,585	+ \$1,242,540

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

The Operating Surplus Ratio disclosed in Note 13 has also been calculated after adjusting for the distortions resulting from the differences between the actual grants received and the grants entitlements allocated.

Construction Contracts

Construction works undertaken by Council for third parties are generally on an agency basis where the third party reimburses Council for actual costs incurred, and usually do not extend beyond the reporting period. Reimbursements not received are recognised as receivables and reimbursements received in advance are recognised as "payments received in advance".

(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 also form part of Note 11.

(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.

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City of Mount Gambier

Financial Statements 2022

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 1. Summary of Significant Accounting Policies (continued)

(6) Infrastructure, Property, Plant & Equipment

6.1 Initial Recognition

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

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

6.2 Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Council for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life. Examples of capitalisation thresholds applied during the year are given in Note 6. No capitalisation threshold is applied to the acquisition of land or interests in land or the Riddoch art Collection.

6.3 Subsequent Recognition

All material asset classes are revalued on a regular basis such that the carrying values are not materially different from fair value. Significant uncertainties exist in the estimation of fair value of a number of asset classes including land, buildings and associated structures and infrastructure. Further detail of these uncertainties, and of existing valuations, methods and values are provided at Note 6.

6.4 Depreciation of Non-Current Assets

Other than land, footpath nature strips, the Les Hill Collection and the Riddoch art Collection, 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. Waste management assets are depreciated on an asset capacity in use basis.

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

6.5 Impairment

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

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

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

6.6 Correction of errors relating to a previous reporting period

Two errors from prior years have been identified with corrections made as at 1 July 2021.

Caroline Landfill

Adjustment of \$1,675,800 to reflect the actual usage and remaining capacity of the 3C landfill cell.

Asset Disposal

Adjustment of \$5,390,079 to correct an asset disposal error.

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City of Mount Gambier

Financial Statements 2022

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 1. Summary of Significant Accounting Policies (continued)

(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.

7.2 Payments Received in Advance & Deposits

Amounts other than grants 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

Borrowings are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period to which it relates and is recorded as part of "Payables". 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 avg. discount rate 3.29% (2021, 0.36%)

Weighted avg. settlement period 1 year (2021, 1 year)

9.2 Superannuation

The Council makes employer superannuation contributions in respect of its employees to the Statewide Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently. Details of the accounting policies applied and Council's involvement with the schemes are reported in Note 16.

9.3 Capitalised and Distributed Costs

Historically, Capitalised and Distributed Costs have not been included in note 3.

This additional information is disclosed in Note 3 Employee costs (for 2021/2022 and restated for 2020/2021).

This change is a reallocation of capitalised and distributed costs and does not impact the overall employee costs.

(10) Provisions for Reinstatement, Restoration and Rehabilitation

Council operates the Caroline landfill site, incorporating cells which require capping upon complete fill. Capping and restoration costs can include the dismantling and demolition of infrastructure and the removal of residual materials and remediation and rehabilitation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs and are carried at the net present value of estimated future costs.

Although estimated future costs are based on a closure plan, such plans are based on current environmental requirements which may change. Council's policy to maximise recycling is extending the operational life of these facilities, and significant uncertainty exists in the estimation of the future closure date.

The Council recognises a liability (disclosed as a provision) on the Balance Sheet and in Note 7. of the financial statements to recognise the estimated future obligation of undertaking the required works per the conditions of the EPA licence held. A number of assumptions are factored into the calculation of the liability to the estimated cost, required activities to be undertaken

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City of Mount Gambier

Financial Statements 2022

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 1. Summary of Significant Accounting Policies (continued)

and the timing of when they will occur. Council is planning on undertaking an independent assessment and update of the key assumptions and for the liability to be updated in the 2022/23 financial year.

(11) Leases

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

Council as a lessee

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

i) Right-of-Use-Assets

The Council recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and the estimate of costs to be incurred to restore the leased asset.

Right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Office equipment	3 to 5 years
Land Improvements	4 years

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section 6.5 - Impairment of non-financial assets above.

ii) Lease Liabilities

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

(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) New accounting standards and UIG interpretations

The Council applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. New standards and amendments relevant to the Council are listed below. The Council has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to AASB 16 Covid-19 Related Rent Concessions

In 2020, the AASB issued AASB 2020-4, Amendments to AASBs - Covid-19-Related Rent Concessions. The amendments provide relief to lessees from applying AASB 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, in 2021 the AASB extended the period of application of the practical expedient to 30

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City of Mount Gambier

Financial Statements 2022

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 1. Summary of Significant Accounting Policies (continued)

June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. This amendment had no impact on the consolidated financial statements of the Group.

Standards issued by the AASB not yet effective

The AASB has issued Australian Accounting Standards and Interpretations which are not effective at 30 June 2022, these standards have not been adopted by Council and will be included in the financial statements on their effective date. Where the standard is expected to have a significant impact for Council then further information has been provided in this note.

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

Effective for NFP annual reporting periods beginning on or after 1 January 2022

- AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments

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

- AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current and associated standards (amended by AASB 2020-6)
- AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates (amended by AASB 2021-6)

Effective for NFP annual reporting periods beginning on or after 1 January 2025

- AASB 2014-10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amended by AASB 2015-10, AASB 2017-5 and AASB 2021-7)



City of Mount Gambier

Financial Statements 2022

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 2. Income

\$ '000	2022	2021
(a) Rates		
General Rates		
General Rates	19,944	21,773
Less: Mandatory Rebates	(236)	(236)
Less: Discretionary Rebates, Remissions & Write Offs	(17)	(27)
Total General Rates	19,691	21,510
Other Rates (Including Service Charges)		
Landscape Levy	1,213	1,179
Waste Collection	2,790	-
Total Other Rates (Including Service Charges)	4,003	1,179
Other Charges		
Penalties for Late Payment	81	57
Legal & Other Costs Recovered	47	23
Total Other Charges	128	80
Total Rates	23,822	22,769
(b) Statutory Charges		
Development Act Fees	189	219
Town Planning Fees	147	160
Animal Registration Fees & Fines	195	148
Parking Fines / Expiation Fees	20	13
Other Licences, Fees & Fines	82	81
Total Statutory Charges	633	621
(c) User Charges		
Cemetery/Crematoria Fees	869	771
Hall & Equipment Hire	8	11
Sales - General	98	64
Sundry	199	150
Green Waste Collection	38	63
Landfill Charges	4,012	3,537
Sales - Waste Transfer Station	291	284
Total User Charges	5,515	4,880
(d) Investment Income		
Local Government Finance Authority	13	25
- Banks & Other	1	-
Total Investment Income	14	25

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City of Mount Gambier

Financial Statements 2022

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 2. Income (continued)

\$ '000	2022	2021
(e) Reimbursements		
Private Works	16	16
Other	49	44
Total Reimbursements	65	60
(f) Other income		
Insurance & Other Recoupments - Infrastructure, IPP&E	155	158
Sundry	284	405
Donations	59	72
Total Other income	498	635
(g) Grants, Subsidies, Contributions		
Amounts Received Specifically for New or Upgraded Assets	17,940	2,677
Total Amounts Received Specifically for New or Upgraded Assets	17,940	2,677
Untied - Financial Assistance Grant	5,134	3,410
Roads to Recovery	409	404
Library and Communications	172	163
Sundry	184	285
Local Roads and Community Infrastructure	716	243
Total Other Grants, Subsidies and Contributions	6,615	4,505
Total Grants, Subsidies, Contributions	24,555	7,182
The functions to which these grants relate are shown in Note 12.		
(i) Sources of grants		
Commonwealth Government	10,162	2,155
State Government	13,877	4,770
Other	516	257
Total	24,555	7,182

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City of Mount Gambier

Financial Statements 2022

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 2. Income (continued)

\$ '000	2022	2021
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(h) Conditions over Grants & Contributions

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:

Unexpended at the close of the previous reporting period	427	–
Less:		
<i>Expended during the current period from revenues recognised in previous reporting periods</i>		
Pine Hall / O'Leary Road	(8)	–
Tertiary Education	(15)	–
State Bicycle	(19)	–
Subtotal	(42)	–
Plus:		
<i>Amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>		
Pine Hall / O'Leary Road	–	378
Tertiary Education	–	49
State Bicycle	31	–
Subtotal	31	427
Unexpended at the close of this reporting period	416	427
Net increase (decrease) in assets subject to conditions in the current reporting period	(11)	427

(i) Physical Resources Received Free of Charge

Land & Improvements	24	108
Roads	1,052	736
Other	10	–
Footpaths & Kerbing	674	386
Total Physical Resources Received Free of Charge	1,760	1,230



City of Mount Gambier

Financial Statements 2022

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 3. Expenses

\$ '000	Notes	2022	2021
(a) Employee costs			
Salaries and Wages		11,095	10,382
Employee Leave Expense		863	1,508
Superannuation	16	1,268	1,205
Workers' Compensation Insurance		305	282
Other Employee Related Costs		49	58
Less: Capitalised and Distributed Costs		(490)	(377)
Total Operating Employee Costs		13,090	13,058
Total Number of Employees (full time equivalent at end of reporting period)		135	129
(b) Materials, Contracts and Other Expenses			
(i) Prescribed Expenses			
Auditor's Remuneration			
- Auditing the Financial Reports		25	13
Bad and Doubtful Debts		(72)	73
Elected Members' Expenses		224	236
Election Expenses		9	10
Subtotal - Prescribed Expenses		186	332
(ii) Other Materials, Contracts and Expenses			
Contractors		3,445	3,516
Energy		916	864
Maintenance		708	980
Legal Expenses		201	199
Levies Paid to Government - Regional Landscape levy		1,209	1,173
Sundry		779	460
Contributions/Donations		464	508
Insurance		325	335
Levies Paid to Government - EPA, ESL & Dog Levies		2,065	2,040
Materials		1,035	1,116
Training		185	188
Water		121	149
Communication		263	289
Consultants		388	888
Licences and Subscriptions		944	981
Subtotal - Other Material, Contracts & Expenses		13,048	13,686
Total Materials, Contracts and Other Expenses		13,234	14,018

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City of Mount Gambier

Financial Statements 2022

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 3. Expenses (continued)

\$ '000	2022	2021
(c) Depreciation, Amortisation and Impairment		
(i) Depreciation and Amortisation		
Buildings & Other Structures	2,895	2,630
Infrastructure		
Stormwater Drainage	117	115
Kerbing and Footpaths	1,206	1,157
Roads	1,932	1,861
Carparks	257	257
Right-of-Use Assets	188	165
Plant & Equipment	788	724
Waste Management	842	795
Office Equipment	115	114
Other Assets	139	122
Subtotal	8,479	7,940
Total Depreciation, Amortisation and Impairment	8,479	7,940

(d) Finance Costs

Interest on Loans	126	135
Interest on Leases	10	18
Unwinding of Present Value Discounts	222	73
Total Finance Costs	358	226

Note 4. Asset Disposal & Fair Value Adjustments

\$ '000	2022	2021
Infrastructure, Property, Plant & Equipment		
(i) Assets Renewed or Directly Replaced		
Proceeds from Disposal	112	393
Less: Carrying Amount of Assets Sold	(899)	(1,123)
Gain (Loss) on Disposal	(787)	(730)
Net Gain (Loss) on Disposal or Revaluation of Assets	(787)	(730)



City of Mount Gambier

Financial Statements 2022

Notes to and forming part of the Financial Statements
 for the year ended 30 June 2022

Note 5. Current Assets

\$ '000	2022	2021
(a) Cash & Cash Equivalent Assets		
Cash on Hand at Bank	250	95
Deposits at Call	-	1,798
Total Cash & Cash Equivalent Assets	250	1,893
(b) Trade & Other Receivables		
Rates - General & Other	796	803
Accrued Revenues	-	2,500
Debtors - General	1,411	1,007
GST Recoupment	655	398
Prepayments	114	27
Subtotal	2,976	4,735
Less: Allowance for Doubtful Debts	(2)	(156)
Total Trade & Other Receivables	2,974	4,579
(c) Inventories		
Stores & Materials	41	35
Trading Stock	23	12
Total Inventories	64	47



City of Mount Gambier

Financial Statements 2022

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 6. Infrastructure, Property, Plant & Equipment & Investment Property

(a(i)) Infrastructure, Property, Plant & Equipment

	Fair Value Level	as at 30/06/21				Asset movements during the reporting period						as at 30/06/22			
		At Fair Value	At Cost	Accumulated Depreciation	Carrying amount	Asset Additions New / Upgrade	Asset Additions Renewals	WDV of Asset Disposals	Depreciation Expense (Note 3c)	WIP Transfers	Adjustments	At Fair Value	At Cost	Accumulated Depreciation	Carrying amount
Waste Management	3	1,533	8,548	(8,920)	1,161	-	150	-	(842)	-	1,678	1,683	8,548	(8,086)	2,145
Capital Work in Progress		-	19,458	-	19,458	37,195	1,515	(30)	-	(349)	-	-	57,789	-	57,789
Land	2	15,601	-	-	15,601	-	-	-	-	-	-	15,601	-	-	15,601
Land	3	37,683	108	-	37,791	25	-	-	-	-	-	37,683	133	-	37,816
Office Equipment		-	2,064	(1,499)	565	8	193	(12)	(115)	40	-	-	2,288	(1,609)	679
Ridloch Collection	3	3,515	-	-	3,515	10	-	-	-	-	-	3,515	10	-	3,525
Buildings & Other Structures	2	3,987	-	(2,018)	1,969	33	-	-	(113)	-	-	3,987	33	(2,131)	1,889
Buildings & Other Structures	3	104,343	1,061	(50,101)	55,303	102	133	(35)	(2,782)	47	-	102,030	1,343	(50,605)	52,768
Stormwater Drainage	3	8,022	88	(2,354)	5,756	23	-	-	(117)	16	-	8,022	127	(2,471)	5,678
Kerbing and Footpaths	3	74,206	1,096	(19,807)	56,096	1,163	705	(168)	(1,206)	1	-	74,038	3,533	(20,981)	56,590
Roads	3	67,385	3,073	(20,216)	50,242	850	2,093	(457)	(1,932)	202	-	66,929	6,099	(22,029)	50,999
Carparks	3	10,451	45	(2,895)	7,631	47	35	-	(257)	-	-	10,451	127	(3,122)	7,456
Right-of-Use Assets		-	568	(340)	228	-	204	-	(188)	-	-	-	593	(349)	244
Plant & Equipment		-	8,997	(2,707)	6,290	75	858	(197)	(788)	43	-	-	9,385	(3,304)	6,081
Other Assets		-	4,175	(2,358)	1,817	55	178	-	(139)	-	-	-	4,408	(2,497)	1,911
Total Infrastructure, Property, Plant & Equipment		326,726	49,881	(113,185)	263,422	39,586	5,864	(899)	(8,479)	-	1,676	323,939	94,416	(117,184)	301,171
Comparatives		335,143	17,670	(105,970)	246,843	20,295	5,347	(1,123)	(7,940)	-	-	326,726	49,881	(113,185)	263,422

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City of Mount Gambier

Financial Statements 2022

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 6. Infrastructure, Property, Plant & Equipment & Investment Property (continued)

(b) Valuation of Infrastructure, Property, Plant & Equipment & Investment Property

Valuation of Assets

The fair value of assets and liabilities must be estimated in accordance with various Accounting Standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a "level" in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Refer to Note 6a for the disclosure of the Fair Value Levels of Infrastructure, Property, Plant and Equipment Assets.

Information on Valuations

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 buildings, infrastructure and other assets. These assets 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. Accordingly, formal sensitivity analysis does not provide useful information.

Other Information

At 1 July 2004 upon the transition to AIFRS, Council elected pursuant to AASB 1.D5 to retain a previously established deemed cost under GAAP as its deemed cost. With subsequent addition at cost, this remains as the basis of recognition of non-material asset classes.

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, current replacement cost is taken to be the fair value.

Highest and best use

All of Council's non financial assets are considered as being utilised for their highest and best use.

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.

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City of Mount Gambier

Financial Statements 2022

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 6. Infrastructure, Property, Plant & Equipment & Investment Property (continued)

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 - Fair Value Measurement

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.

Capitalisation Thresholds

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	5,000
Buildings - new construction/extensions	5,000
Park & Playground Furniture & Equipment	1,000
Road construction & reconstruction	5,000
Paving & Footpaths, Kerb & Gutter	5,000
Stormwater Drainage	5,000
Waste Management	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:

<i>Plant, Furniture & Equipment</i>	
Office Equipment	3 to 10 years
Vehicles and Road-making Equipment	3 to 25 years
Other Plant & Equipment	4 to 20 years
<i>Building & Other Structures</i>	
Buildings	15 to 100 years
Park Structures	20 to 30 years
Playground Equipment	20 to 30 years
Benches, Seats, etc	10 to 30 years
<i>Waste Management</i>	
Landfill assets	capacity in use
<i>Infrastructure</i>	
Sealed Roads - Surface	12 to 40 years
Sealed Roads - Structure	30 to 150 years
Unsealed Roads	40 to 75 years
Paving & Footpaths, Kerb & Gutter	10 to 70 years
Stormwater Drainage	50 to 70 years
<i>Other Assets</i>	

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City of Mount Gambier

Financial Statements 2022

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 6. Infrastructure, Property, Plant & Equipment & Investment Property (continued)

Library Books	7 to 10 years
Artworks	indefinite
Right-of-Use Assets (refer to Note 15)	3 to 5 years

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 was last revalued in 2020 based on Valuer General's valuations provided to Council.

Buildings & Other Structures

Buildings and other structures were revalued as at 30 June 2020 by Mitch Ekonomopoulos of AssetVal Pty Ltd. Revaluations occur every four years. All additions are initially recorded at cost.

Infrastructure

Infrastructure assets include stormwater drainage, footpath and kerbing, roads and carpark assets. Infrastructure assets were valued by Council officers at depreciated current replacement cost during the reporting period ended 30 June 2018, based on actual costs incurred during the reporting period ended 30 June 2018. All acquisitions made after the respective dates of valuation are recorded at cost.

Waste Management - Landfill

Landfill remediation and cell development assets are amortised on a consumption basis over the individual landfill cell's capacity to receive waste. At the time of construction of a cell, Council includes the present value of estimated costs to cap and close the cell into the landfill cell. This estimate is offset by the recognition of a provision. This recognition of the capping costs is amortised in line with the consumption of the landfill cell's capacity used in any one year.

Plant, Furniture & Equipment

These assets are recognised on the cost basis.

Riddoch Art Collection

The Riddoch art collection was revalued as at 30 June 2018 by Simon Storey Art and Cultural Collection valuers. These assets are not depreciated.

All other Assets

These assets are recognised on the cost basis. Library books and other lending materials are capitalised in bulk, and written out when fully depreciated.



City of Mount Gambier

Financial Statements 2022

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 7. Liabilities

\$ '000	2022 Current	2022 Non Current	2021 Current	2021 Non Current
(a) Trade and Other Payables				
Goods & Services	7,645	-	2,348	-
Payments Received in Advance	396	-	371	-
- Grants & Contributions - Capital	401	-	378	-
- Other	37	-	49	-
Accrued Expenses - Employee Entitlements	331	-	291	-
Accrued Expenses - Other	398	-	2,646	-
Deposits, Retentions & Bonds	86	-	148	-
Other	37	-	43	-
Total Trade and Other Payables	9,331	-	6,274	-
(b) Borrowings				
Loans	1,100	22,202	219	13,502
Lease Liabilities 15b	122	109	228	-
Total Borrowings	1,222	22,311	447	13,502
All interest bearing liabilities are secured over the future revenues of the Council				
(c) Provisions				
Employee Entitlements (including oncosts)	2,784	179	2,902	168
Future Reinstatement / Restoration, etc	-	3,328	-	3,896
Total Provisions	2,784	3,507	2,902	4,064



City of Mount Gambier

Financial Statements 2022

Notes to and forming part of the Financial Statements
 for the year ended 30 June 2022

Note 8. Reserves

\$ '000	as at 30/06/21		Transfers	Impairments	as at 30/06/22	
	Opening Balance	Increments (Decrements)			Closing Balance	
(a) Asset Revaluation Reserve						
Land	42,801	-	-	-	-	42,801
Buildings & Other Structures	53,310	-	-	-	-	53,310
Infrastructure	70,636	-	5,390	-	-	76,026
Plant & Equipment	770	-	-	-	-	770
Minor Plant	34	-	-	-	-	34
Waste Management	2,926	-	-	-	-	2,926
Other Assets	4,985	-	-	-	-	4,985
Total Asset Revaluation Reserve	175,462	-	5,390	-	-	180,852
Comparatives	175,462	-	-	-	-	175,462

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City of Mount Gambier

Financial Statements 2022

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 8. Reserves (continued)

\$ '000	as at 30/06/21	Tfrs to Reserve	Tfrs from Reserve	Other Movements	as at 30/06/22
	Opening Balance				Closing Balance
(b) Other Reserves					
Mount Gambier Cemetery	711	-	-	-	711
Mayor Christmas Appeal	69	23	-	-	92
Christmas Parade	(3)	3	-	-	-
Junior Sports Assistance Fund	107	15	-	-	122
Waste Management	-	150	-	-	150
Open Space	-	297	-	-	297
Total Other Reserves	884	488	-	-	1,372
Comparatives	874	13	(3)	-	884

Purposes of Reserves

Asset Revaluation Reserves

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

Other Reserves

Other Reserves are used when reserves are maintained for the purpose of specific Council committees or for committed funds of Council.

Mount Gambier Cemetery

The Mount Gambier Cemetery reserve represents funds that have been separated for any development works or projects that may be required at the Carinya Gardens Cemetery and crematorium.

Mayor Christmas Appeal

The Mayor Christmas Appeal represents bank funds and payables of the City of Mount Gambier related to the Mayor Christmas Appeal and to be used for that purpose.

Christmas Parade

The Christmas Parade reserve represents bank funds and payables of the City of Mount Gambier related to the Christmas Parade to be used for that purpose.

Junior Sports Assistance Fund

The Junior Sports Assistance Fund reserve represents bank funds and payables of the City of Mount Gambier related to the Junior Sporting Assistance Fund and to be used for that purpose.

Waste Management

Residual monies (income less expenses) from activities relating to waste collection.

Open Space

Monies held from creation of sub-divisions to be used for future open space projects.



City of Mount Gambier

Financial Statements 2022

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 9. Reconciliation to Statement of Cash Flows

\$ '000	Notes	2022	2021
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(a) Reconciliation of Cash

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

Total Cash & Equivalent Assets	5	250	1,893
Balances per Statement of Cash Flows		<u>250</u>	<u>1,893</u>

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

Net Surplus/(Deficit)		20,914	1,430
Non-Cash Items in Income Statements			
Depreciation, Amortisation & Impairment		8,479	7,940
Premiums & Discounts Recognised & Unwound		-	73
Non-Cash Asset Acquisitions		(8,252)	(3,906)
Grants for capital acquisitions treated as Investing Activity		(20,443)	(555)
Net (Gain) Loss on Disposals		787	730
		<u>1,485</u>	<u>5,712</u>
Add (Less): Changes in Net Current Assets			
Net (Increase)/Decrease in Receivables		1,759	(2,208)
Change in Allowances for Under-Recovery of Receivables		154	61
Net (Increase)/Decrease in Inventories		(17)	8
Net Increase/(Decrease) in Trade & Other Payables		6,536	3,296
Net Increase/(Decrease) in Unpaid Employee Benefits		(107)	53
Net Increase/(Decrease) in Other Provisions		(568)	60
Net Cash provided by (or used in) operations		<u>9,242</u>	<u>6,982</u>

(c) Non-Cash Financing and Investing Activities

Acquisition of assets by means of:			
Physical Resources Received Free of Charge	2i	1,760	1,230
Amounts recognised in Income Statement		<u>1,760</u>	<u>1,230</u>
Leases		203	21
Estimated Future Reinstatement etc. Costs		264	210
Total Non-Cash Financing and Investing Activities		<u>2,227</u>	<u>1,461</u>

(d) Financing Arrangements

Unrestricted access was available at balance date to the following lines of credit (\$ '000):

Bank Overdrafts	250	250
Corporate Credit Cards	30	30
LGFA Cash Advance Debenture Facility	30,000	20,000

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City of Mount Gambier

Financial Statements 2022

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 9. Reconciliation to Statement of Cash Flows (continued)

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



City of Mount Gambier

Financial Statements 2022

Notes to and forming part of the Financial Statements
 for the year ended 30 June 2022

Note 10(a). Functions

Income, Expenses and Assets have been directly attributed to the following Functions / Activities.
 Details of these Functions/Activities are provided in Note 10(b).

\$ '000	INCOME		EXPENSES		OPERATING SURPLUS (DEFICIT)		GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Functions/Activities										
Other	-	-	-	-	-	-	-	-	1,364	398
Administration / Support Services	27,961	25,156	6,827	6,380	21,134	18,776	5,148	3,410	9,996	20,824
Community Support	898	808	1,829	1,918	(931)	(1,110)	-	1	13,362	20,534
Culture	368	298	3,771	4,086	(3,403)	(3,788)	203	185	32,772	26,034
Economic Development	162	188	2,060	1,871	(1,898)	(1,683)	34	-	3,840	3,890
Environment	4,621	4,355	8,982	8,470	(4,361)	(4,115)	50	201	8,980	11,075
Recreation	2,207	1,397	4,159	5,160	(1,952)	(3,763)	771	31	113,266	74,411
Regulatory Services	587	736	1,002	1,232	(415)	(496)	-	-	18	18
Transport	444	728	3,788	3,817	(3,344)	(3,089)	409	677	106,067	103,715
Engineering / Indirect	(86)	(171)	2,743	2,347	(2,829)	(2,518)	-	-	8,168	8,965
Unclassified Activities	-	-	-	(39)	-	39	-	-	6,626	77
Total Functions/Activities	37,162	33,495	35,161	35,242	2,001	(1,747)	6,615	4,505	304,459	269,941

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



City of Mount Gambier

Financial Statements 2022

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 10(b). 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, customer service, other support services, revenues, separate and special rates.

Community Support

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, senior citizens facilities, 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, visitor information and other economic development.

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, street-scaping, 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

Depot management, indirect and general plant cost not included in other functions.

Unclassified Activities

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



City of Mount Gambier

Financial Statements 2022

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 11. Financial Instruments

Recognised Financial Instruments

Bank, Deposits at Call, Short Term Deposits

Accounting Policy:

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

Terms & Conditions:

Deposits are returning fixed interest rates between 0.3% and 1.05% (2021: 0.3% and 1.95%).

Carrying Amount:

Approximates fair value due to the short term to maturity.

Receivables - Rates & Associated Charges

Accounting Policy:

Initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.

Terms & Conditions:

Secured over the subject land, arrears attract interest of 0.42% (2021: 0.43%). Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State.

Carrying Amount:

Approximates fair value (after deduction of any allowance).

Receivables - Fees & Other Charges

Accounting Policy:

Initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.

Terms & Conditions:

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

Carrying Amount:

Approximates fair value (after deduction of any allowance).

Receivables - Other Levels of Government

Accounting Policy:

Initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.

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.

Carrying Amount:

Approximates fair value.

Liabilities - Creditors and Accruals

Accounting Policy:

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

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City of Mount Gambier

Financial Statements 2022

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 11. Financial Instruments (continued)

Terms & Conditions:

Liabilities are normally settled on 30 day terms.

Carrying Amount:

Approximates fair value.

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City of Mount Gambier

Financial Statements 2022

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 11. Financial Instruments (continued)

Liabilities - Interest Bearing Borrowings

Accounting Policy:

Initially recognised at fair value and subsequently at amortised cost using the effective interest rate.

Terms & Conditions:

Secured over future revenues, borrowings are repayable (describe basis); interest is charged at fixed (or variable - describe) rates between 1.3% and 5.97% (2021: 1.3% and 5.97%).

Carrying Amount:

Approximates fair value.

Liabilities - Leases

Accounting Policy:

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

\$ '000	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
Financial Assets and Liabilities					
2022					
Financial Assets					
Cash & Cash Equivalents	250	-	-	250	250
Receivables	2,860	-	-	2,860	2,860
Total Financial Assets	3,110	-	-	3,110	3,110
Financial Liabilities					
Non-Current Borrowings	6,350	8,139	12,630	27,119	22,202
Payables	8,498	-	-	8,498	8,498
Current Borrowings	1,925	-	-	1,925	1,100
Leases	122	109	-	231	231
Total Financial Liabilities	16,895	8,248	12,630	37,773	32,031
2021					
Financial Assets					
Cash & Cash Equivalents	1,893	-	-	1,893	1,893
Receivables	4,552	-	-	4,552	4,552
Total Financial Assets	6,445	-	-	6,445	6,445
Financial Liabilities					
Non-Current Borrowings	11,676	2,164	-	13,840	13,502
Payables	5,476	-	-	5,476	5,476
Current Borrowings	219	-	-	219	219
Leases	228	-	-	228	228
Total Financial Liabilities	17,599	2,164	-	19,763	19,425

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City of Mount Gambier

Financial Statements 2022

Notes to and forming part of the Financial Statements
 for the year ended 30 June 2022

Note 11. Financial Instruments (continued)

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

\$ '000	2022		2021	
	Weighted Avg Interest Rate	Carrying Value	Weighted Avg Interest Rate	Carrying Value
Other Variable Rates	2.42%	6,350	1.79%	11,550
Fixed Interest Rates	5.19%	17,183	5.97%	2,399
		<u>23,533</u>		<u>13,949</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.

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 impairment. 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

Financial Statements 2022

Notes to and forming part of the Financial Statements
 for the year ended 30 June 2022

Note 12. Capital Expenditure and Investment Property Commitments

\$ '000	2022	2021
Capital Commitments		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Buildings & Other Structures	6,579	41,206
Plant & Equipment	542	369
Other	341	-
	<u>7,462</u>	<u>41,575</u>
These expenditures are payable:		
Not later than one year	<u>7,462</u>	<u>41,575</u>
	<u>7,462</u>	<u>41,575</u>



City of Mount Gambier

Financial Statements 2022

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 13. Financial Indicators

\$ '000	Amounts 2022	Indicator 2022	Indicators 2021 2020	
<p><i>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.</i></p>				
1. Operating Surplus Ratio				
Operating Surplus	2,001	5.4%	(5.2)%	(1.7)%
Total Operating Income	37,162			
<p><i>This ratio expresses the operating surplus as a percentage of total operating revenue.</i></p>				
2. Net Financial Liabilities Ratio				
Net Financial Liabilities	35,931	97%	62%	18%
Total Operating Income	37,162			
<p><i>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.</i></p>				
Adjusted Operating Surplus Ratio				
Operating Surplus	759	2.1%	(5.3)%	(1.2)%
Total Operating Income	35,920			
<p>Adjustments to Ratios <i>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. These Adjusted Ratios correct for the resulting distortion in key ratios for each year and provide a more accurate basis for comparison.</i></p>				
Adjusted Net Financial Liabilities Ratio				
Net Financial Liabilities	32,891	92%	67%	17%
Total Operating Income	35,920			
3. Asset Renewal Funding Ratio				
Asset Renewals	5,623	79%	84%	105%
Infrastructure & Asset Management Plan required expenditure	7,140			

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

continued on next page ...

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City of Mount Gambier

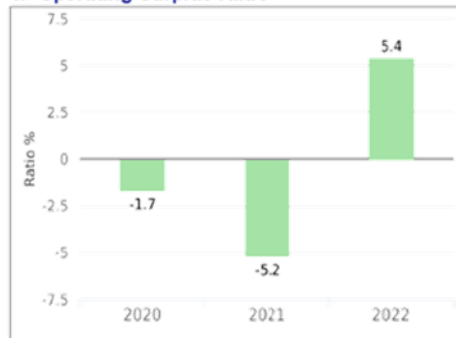
Financial Statements 2022

Notes to and forming part of the Financial Statements
 for the year ended 30 June 2022

Note 13. Financial Indicators (continued)

Financial Indicators - Graphs

1. Operating Surplus Ratio



Purpose of operating surplus ratio

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

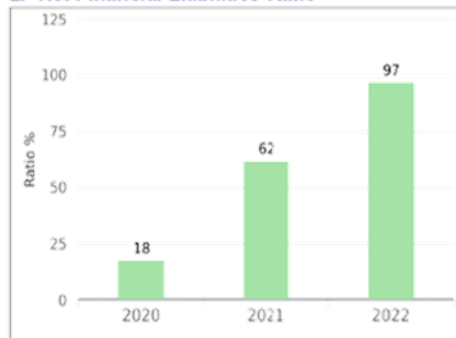
Commentary on 2021/22 result

2021/22 ratio	5.4%
---------------	------

The operating surplus ratio in 2022 is significantly higher than in previous years driven by the timing of Financial Assistance Grants and additional Local Roads and Community Infrastructure grant revenue, and increased user charges (including Caroline landfill facilities). Overall operating expenditure was broadly in line with the prior year.

The target as per Council's Treasury Management Policy is a ratio of greater or equal to 0.0% by 2026/27.

2. Net Financial Liabilities Ratio



Purpose of net financial liabilities ratio

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

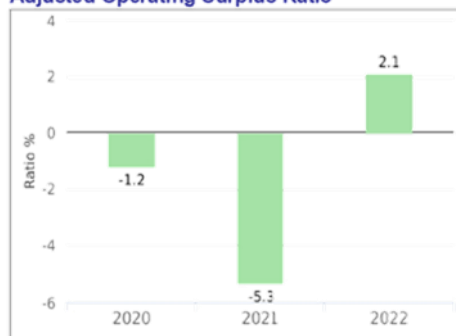
Commentary on 2021/22 result

2021/22 ratio	97%
---------------	-----

Council's Net Financial Liabilities Ratio is greater than previous years reflecting a higher level of borrowings.

Due to timing of the Wulanda project and associated borrowings the ratio is lower than the target of lower than 100% by 2026/27.

Adjusted Operating Surplus Ratio



Purpose of adjusted operating surplus ratio

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

Commentary on 2021/22 result

2021/22 ratio	2.1%
---------------	------

The operating surplus ratio in 2022 is significantly higher than in previous years driven by additional Local Roads and Community Infrastructure grant revenue, and increased user charges (including Caroline landfill facilities).

continued on next page ...

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City of Mount Gambier

Financial Statements 2022

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 13. Financial Indicators (continued)

Adjusted Net Financial Liabilities Ratio

<table border="1"> <caption>Adjusted Net Financial Liabilities Ratio Data</caption> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td>17</td> </tr> <tr> <td>2021</td> <td>67</td> </tr> <tr> <td>2022</td> <td>92</td> </tr> </tbody> </table>	Year	Ratio %	2020	17	2021	67	2022	92	<p>Purpose of adjusted net financial liabilities ratio</p> <p>This indicator is to determine the percentage the operating revenue (adjusted for timing differences in the Financial Assistance Grant) varies from operating expenditure</p>	<p>Commentary on 2021/22 result</p>
	Year	Ratio %								
2020	17									
2021	67									
2022	92									
<p>2021/22 ratio 92%</p> <p>Council's Net Financial Liabilities Ratio is greater than previous years reflecting a higher level of borrowings.</p>										

3. Asset Renewal Funding Ratio

<table border="1"> <caption>Asset Renewal Funding Ratio Data</caption> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td>105</td> </tr> <tr> <td>2021</td> <td>84</td> </tr> <tr> <td>2022</td> <td>79</td> </tr> </tbody> </table>	Year	Ratio %	2020	105	2021	84	2022	79	<p>Purpose of asset renewal funding ratio</p> <p>This indicator aims to determine if assets are being renewed and replaced in an optimal way</p>	<p>Commentary on 2021/22 result</p>
	Year	Ratio %								
2020	105									
2021	84									
2022	79									
<p>2021/22 ratio 79%</p> <p>Council developed and adopted revised Asset Management Plans at the end of 2022 which provide guidance of when and how much needs to be spent to maintain Council's infrastructure.</p> <p>Disruptions and supply shortages including equipment, materials and labour have impacted on the timing of the delivery of planned works. These projects are expected to be completed in the 2022/23 financial year.</p>										



City of Mount Gambier

Financial Statements 2022

Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 14. Uniform Presentation of Finances

\$ '000	2022	2021
<p>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.</p> <p>All Councils in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis.</p> <p>The arrangements ensure that all Councils provide a common 'core' of financial information, which enables meaningful comparisons of each Council's finances.</p>		
Income	37,162	33,495
less Expenses	(35,161)	(35,242)
Operating Surplus / (Deficit)	2,001	(1,747)
Net Outlays on Existing Assets		
Capital Expenditure on Renewal and Replacement of Existing Assets	(5,623)	(5,326)
add back Depreciation, Amortisation and Impairment	8,479	7,940
add back Proceeds from Sale of Replaced Assets	112	393
	2,968	3,007
Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets (including Investment Property & Real Estate Developments)	(35,134)	(16,298)
add back Amounts Received Specifically for New and Upgraded Assets	20,443	555
	(14,691)	(15,743)
Net Lending / (Borrowing) for Financial Year	(9,722)	(14,483)



City of Mount Gambier

Financial Statements 2022

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 15. Leases

(i) Council as a lessee

Terms and conditions of leases

Council entered contracts as a lessee for various IT equipment, the Dimjalla skate park and RFID.

Set out below are the carrying amounts (written down value) of right of use assets recognised within Infrastructure Property, Plant & Equipment.

(a) Right of use assets

\$ '000	Office	Other	Total
2022			
Opening balance	217	11	228
Additions to right-of-use assets	204	–	204
Depreciation charge	(177)	(11)	(188)
Balance at 30 June	244	–	244
2021			
Opening balance	350	21	371
Additions to right-of-use assets	22	–	22
Depreciation charge	(155)	(10)	(165)
Balance at 30 June	217	11	228

(b) Lease liabilities

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

\$ '000	2022	2021
Balance at 1 July	228	370
Additions	202	21
Accretion of interest	10	18
Payments	(209)	(181)
Balance at 30 June	231	228
Classified as:		
Current	122	228
Non Current	109	–

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

The Group had total cash outflows for leases of \$198,000.
The following are the amounts recognised in profit or loss:

Depreciation expense of Right-of-Use Assets	188	165
Interest expense on lease liabilities	10	18
Total amount recognised in profit or loss	198	183

continued on next page ...

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City of Mount Gambier

Financial Statements 2022

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 15. Leases (continued)

(ii) Council as a lessor

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



City of Mount Gambier

Financial Statements 2022

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

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 the Accumulation section and/or Salarylink. All other employees (including casuals) have all contributions allocated to the Accumulation section.

Accumulation only Members

Accumulation only members receive both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of ordinary time earnings in accordance with superannuation guarantee legislation (10.00% in 2021/22; 9.50% in 2020/21) and enterprise bargaining agreement (1% in 2022 and 2021). No further liability accrues to the Council as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Salarylink (Defined Benefit Fund) Members

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

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

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

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

Contributions to Other Superannuation Schemes

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



City of Mount Gambier

Financial Statements 2022

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 17. Contingencies & Assets/Liabilities Not Recognised in the Balance Sheet

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

1. Land under roads

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

At reporting date, Council controlled 230.9 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 deductible "insurance excesses", the amount of which varies according to the class of insurance.

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

3. Legal 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 has not received notice of any appeals against planning decisions made prior to reporting date. All known costs have been recognised, but the amount of further costs cannot be known until the appeals are determined.



City of Mount Gambier

Financial Statements 2022

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 18. Events after the Balance Sheet Date

Events that occur after the reporting date of 30 June 2022, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Council is aware of the following "non adjusting event" that merits disclosure;

- a deed of settlement and variation was signed with Badge Constructions (SA) Pty Ltd on 5 September 2022 which amended the timescales for delivery of the Wulanda project and the amount payable.



City of Mount Gambier

Financial Statements 2022

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 19. Related Party Transactions

Key Management Personnel

Transactions with Key Management Personnel

The Key Management Personnel of the Council include the Mayor, Councillors, CEO and certain prescribed officers under section 112 of the Local Government Act 1999. In all, 16 persons were paid the following total compensation:

\$ '000	2022	2021
The compensation paid to Key Management Personnel comprises:		
Salaries, allowances & other short term benefits	1,005	974
Post-Employment Benefits	82	72
Long-Term Benefits	-	41
Total	1,087	1,087

One key management personnel and/or relatives of key management personnel are members in organisations that received Council support in the year, e.g. through sponsorship of community and sporting.

Key management personnel and/or relatives of key management personnel own retail businesses from which various supplies were purchased as required either for cash or on 30 day account. These purchases were made on normal commercial terms on an arm's length basis. No individual purchases from these businesses exceeded \$188.30 with the total cumulative spend for 21/22 being \$1,845.21.



Independent Auditor's Report - Financial Statements

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Independent Auditor's Report - Internal Controls

Independent Auditor's Report - Internal Controls: ONLY PDF inserted here

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City of Mount Gambier

Financial Statements 2022

General Purpose Financial Statements

for the year ended 30 June 2022

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 Council for the year ended 30 June 2022 the Council's Auditor, Dean Newbery and Partners 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*.

Sarah Philpott
CHIEF EXECUTIVE OFFICER

Paul Duka
PRESIDING MEMBER, AUDIT AND RISK COMMITTEE

Date:



City of Mount Gambier

Financial Statements 2022

General Purpose Financial Statements

for the year ended 30 June 2022

Statement by Auditor

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

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

Samatha Creten

Dean Newbery

Date:





Audit Completion Report

City of Mount Gambier

Financial Year Ended 30 June 2022

DeanNewbery



Executive Summary

15 September 2022

Mr Paul Duka
Presiding Member – Audit and Risk Committee
City of Mount Gambier
PO Box 56
Mount Gambier SA 5290

Dear Mr Duka

This report has been prepared for the Audit and Risk Committee of the City of Mount Gambier (**Council**) in relation to the 30 June 2022 external audit.

The purpose of this report is to provide members of the Audit and Risk Committee and those charged with governance a summary of the significant matters that have arisen from our audit which we believe covers material matters dealt within our work completed.

We are pleased to advise that subject to finalisation of the outstanding matters outlined within this report, our audit opinions for financial year ended 30 June 2022 are expected to be issued as unmodified audit reports.

I would like to take this opportunity to thank the Administration for the assistance provided throughout the year.

Your sincerely
DEAN NEWBERY



Samantha Creten
Partner



Executive Summary

Scope

The audit procedures have been designed and carried out by the audit team in accordance with Australian Auditing Standards and per the audit scope prescribed under the *Local Government Act 1999* and applicable Regulations for the financial year ended 30 June 2022.

Independence

In accordance with our professional ethical requirements, we confirm that, for the financial year ended 30 June 2022, all members of our audit team have maintained their independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Part 4A, published by the Accounting Professional and Ethical Standards Board and in accordance with *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011*.

Audit Status

All requested audit adjustments have been processed and disclosures have been made within the financial report based on audit testing completed.

All requested information has been provided by the Administration during the course of the audit.

Subject to the finalisation of the matters outlined in this report, our audit opinion for the financial year ended 30 June 2022 will be signed without reference to any qualification.

Outstanding Matters

All requested audit adjustments have been processed and disclosures within the financial report appropriately modified based on audit testing completed.

Subject to the following work being satisfactorily completed, we expect unmodified audit opinions to be issued for the financial year:

- Undertake a review of subsequent events since 30 June 2022
- Complete a review of the draft Financial Statements and obtain certified financial statements as required
- Receipt of the signed Management Representation Letter

Fraud & Litigation

As part of our audit we have discussed with the Administration:

- The safeguards in place in relation to the prevention and detection of fraud
- The existence of any fraud
- The existence of any litigation and claims

We have not become aware of any matter which should be brought to the Council or Audit and Risk Committee's attention



Summary of Misstatements

Below is a summary of adjustments and the status of matters identified. Any misstatements, either individually or in aggregate, that are considered to be immaterial, have not been adjusted. The following misstatements have been identified:

Matter No.	Description	Operating Surplus / (Deficit)	Net Surplus/(Deficit)	Net Assets Dr/(Cr)	Equity Dr/(Cr)	Status of Matter
1.	Update to landfill amortisation methodology for FY22 to more accurately calculate landfill airspace consumption and correction to prior period asset balance to revise correct asset amortisation methodology.	(313,598.08)	(313,598.08)	1,675,799.57	(1,675,799.57)	Corrected
2.	Adjust to correctly apply employee provision on-costs to employee liability entitlements.	(74,562.76)	(74,562.76)	-	-	Uncorrected
3.	Adjust to correct error in non-application of depreciation to capitalised Footpath assets.	(6,603.33)	(6,603.33)	(19,809.99)	19,809.99	Uncorrected
4.	Adjust to correct incorrect capitalisation of Tree purchase costs as assets.	(55,509.70)	(55,509.70)	-	-	Uncorrected
5.	Incorrect capitalisation of software costs.	(44,701.50)	(44,701.50)	-	-	Uncorrected
6.	Correction to Asset Revaluation Reserve to correct prior period asset disposal to Accumulated Surplus account totalling \$5.39 million.	-	-	-	-	Corrected
Summary Corrected Misstatements		(313,598.08)	(313,598.08)	1,675,799.57	(1,675,799.57)	
Summary Uncorrected Misstatements		(181,377.29)	(181,377.29)	(19,809.99)	19,809.99	



Summary of Misstatements

Below is a description of the issues identified with misstatements reported on Page 4.

No.	Matter	Description
1.	Landfill Cell and Capping Asset Amortisation Methodology	A review of the Landfill Cell construction and Capping rehabilitation was completed. In prior years a straight-line depreciation method was applied (based on an estimated useful life of the cell airspace) rather than amortising the assets over the remaining available airspace of the landfill cell. Basing the amortisation on the consumption of airspace is considered to give a more accurate calculation of amortisation. A change to the methodology in FY22 resulted in an adjustment of the opening balances of the asset carrying value and Accumulated Surplus as at 1 July 2021 of \$1,675,799.57 and an increase in recognised FY22 amortisation of \$313,598.08. A disclosure has been included in Note 6 & 20 of the financial statements.
2.	Provision for Employee Entitlements – Annual Leave On-costs	A review of the Provision for Employee Entitlements identified that the formula used to calculate Council's obligations as at 30 June 2022 did not include on-costs relating to Workcover or Income Protection (for applicable employees per the Council's Enterprise Bargaining Agreement) for employees. This misstatement was considered immaterial and as a result, no adjustments were made to the General Ledger.
3.	Footpath Depreciation	Audit testing of depreciation identified prior year capitalised Footpath assets which had not been depreciated since FY18. Given these assets are long-life natured assets, the resulting adjustment to correct prior period accumulated depreciation and to account for current year depreciation was deemed immaterial and no adjustment was made. This matter has been identified as a matter to be adjusted in FY23.
4.	Capitalisation of Tree Purchases	A review of the Infrastructure, Property, Plant & Equipment 'Other Assets' identified that Council had capitalised 'Street Trees' during FY22. Generally, expenditure on vegetation is not considered to meet the definition of an asset under accounting standards and as a result, are treated as an Operating Expense. Given the immaterial nature of the matter, no adjustment has been recorded in FY22.
5.	Work-in-Progress (WIP) – Magiq Software	A review of the WIP General Ledger account identified that Council had capitalised the 'Magiq' software implemented during FY22. A review of the agreement between Magiq & Council identified that the arrangement was Software-as-a-Service (SaaS) and does not meet the definition of an asset. This misstatement was deemed immaterial and as a result, no adjustment was made.
6.	Asset Revaluation Reserve – Adjustment	A review of the Equity Reserves during the Interim Audit Attendance identified a prior period error in the accounting treatment related to the Asset Revaluation Reserve "Infrastructure Other". Discussions with the Administration identified that this error occurred through a prior period asset disposal accounted for incorrectly. An adjustment against the opening balance of the Asset Revaluation Reserve (Cr) and the Accumulated Surplus (Dr) of \$5.39M was made as at 1 July 2021 to correct the error.



Key Audit Matters Considered

As a result of the work we have recently completed, we have provided further detail below of the key audit matters and the outcomes from our testing completed.

Key Audit Matter Description	Audit Work Undertaken	Outcomes of Testing Completed
Infrastructure, Property, Plant & Equipment	<ul style="list-style-type: none"> Reviewed Note 6 Infrastructure, Property, Plant & Equipment movements recorded against the General Ledger and relevant asset registers. 	Identified two misstatements (further detail on page 4) which related to incorrect capitalisation and calculation of depreciation expense. Matter noted in Summary of Misstatements section of the Report.
Work in Progress (WIP)	<ul style="list-style-type: none"> Reviewed WIP register to identify any long-term projects recorded to ensure correct ongoing classification of costs as WIP. Tested transactions allocated to WIP to ensure appropriate allocation of expenses incurred in line with AASB 116. 	Identified one misstatement matter noted in the Summary of Misstatements section of this Report. No other exceptions were noted.
Accounting for Landfill Cell Construction, Cell Remediation and Post Closure Obligations	<ul style="list-style-type: none"> A review of the adopted methodology for accounting treatment of the Landfill Assets and Post-Closure Provision to ensure methodology applied for asset recognition and amortisation is consistent and appropriate. 	<p>Error identified in the calculation of landfill airspace consumption which resulted in an adjustment to prior period opening balances.</p> <p>A review into the methodology applied for landfill cell and cell remediation amortisation was undertaken which resulted in an adjustment to the FY22 amortisation expense.</p>
Asset Revaluation Reserve	<ul style="list-style-type: none"> Reviewed the General Ledger and Equity Accounts to ensure appropriate accounting treatment of the Asset Revaluation Reserves. 	<p>Identified a negative Asset Revaluation Reserve totaling \$5.39M relating to "Infrastructure Other" which the Administration advise was as a result of incorrect processing of disposals in prior periods (pre-FY21).</p> <p>An adjustment within Equity on the Balance Sheet between the Asset Revaluation Reserve and Accumulated Surplus was made as at 1 July 2021 to correct the prior period error. The adjustment had no impact on the financial performance and/or position.</p>



Key Audit Matters Considered (continued)

As a result of the work we have recently completed, we have provided further detail below of the key audit matters and the outcomes from our testing completed.

Key Audit Matter Description	Audit Work Undertaken	Outcomes of Testing Completed
AASB 16 – Application of Leases Standard	<ul style="list-style-type: none"> Reviewed the assumptions and estimates contained in the calculation and treatment of the Right-of-Use-Asset and the Lease Liability to test for compliance with AASB 16. 	No exceptions were noted.
Grants Revenue Received	<ul style="list-style-type: none"> Reviewed Grant Agreements and identified specific performance obligation to assess whether there were any unrecorded liabilities and the recognition of revenue was appropriate per accounting standards. Reviewed accounting treatment of funding received (e.g. Capital vs Operating) to ensure appropriate classification and disclosure per the Model Financial Statements. 	No exceptions were noted.



Matters to be Addressed in Future Financial Years

As a result of audit work completed, the following audit matters have been identified during the course of our audit which we have summarised below

Audit Matter	Audit Recommendation
<p>Caroline Landfill – Post-Closure Provision Review</p>	<p>Discussions held with the Administration identified that the current Post-Closure Provision (liability) recognised on the Balance Sheet as at 30 June 2022 requires to be reviewed and updated given that it has not been reviewed for a number of years. Key assumptions and estimates require to be reconsidered and reflected in the liability which is expected to be undertaken in FY23 with the assistance of independent external experts who are to be engaged by Council to perform the review.</p> <p>We recommend that the review of the Post-Closure Provision ensures that consideration of at least the following key estimates (not limited to) are factored within the review:</p> <ul style="list-style-type: none"> • Number of approved Cells for the site. • Review of the cell construction and airspace filling sequency for the expected life of the site. • EPA requirements for Post-Closure monitoring (e.g. number of years required to monitor after all Cells have been closed). • Future expenditure (OPEX & CAPEX) required to meet EPA requirements, taking into account appropriate variables such as the Inflation rate. • Net Present Value calculations applied to future expenditure and the Government Bond rates used.
<p>Infrastructure – Asset Revaluation</p>	<p>The last revaluation of Council’s Infrastructure asset network was undertaken as at 30 June 2018. Given that at the end of FY22 these valuations are now 4 years old, consideration and planning as to the next valuation and condition assessment of the asset network should now be considered and appropriately planned for budgeting purposes and resource allocation. We note that Council’s Administration are aware of the requirements to have this asset class revalued and conditions assessed.</p> <p>The timing of the valuation will need to be applied as at 30 June 2023 (or earlier) to remain within the generally accepted maximum timeframe of 3-5 years between valuation exercises.</p> <p>Council’s Infrastructure Asset Management Plans and Long Term Financial Plan should be updated to include the latest data received as a result of the valuation and condition assessment undertaken.</p>



Draft Audit Report

INDEPENDENT AUDITOR'S REPORT

To the members of City of Mount Gambier
Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report of the City of Mount Gambier (the Council), which comprises the statement of financial position as at 30 June 2022, statement of comprehensive income, statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the Certification of the Financial Statements.

In our opinion, the financial report presents fairly, in all material aspects, the financial position of the Council as at 30 June 2022, and its financial performance and its cash flows for the year then ended in accordance with the Local Government Act 1999 and the Local Government (Financial Management) Regulation 2011 and the Australian Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described as in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Council in accordance with the auditor independence requirements of the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: Code of Ethics for Professional Accountants (Including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Council's Responsibility for the Financial Report

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

In preparing the financial report, Council is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless Council either intends to liquidate the Council or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Council's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

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



Draft Audit Report

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DEAN NEWBERY

Samantha Creten
Partner

Signed on the day of 2022,
at 214 Melbourne Street, North Adelaide



Draft Assurance Report on Internal Controls

INDEPENDENT ASSURANCE REPORT ON THE INTERNAL CONTROLS OF THE CITY OF MOUNT GAMBIER

Opinion

In our opinion, the Council has complied, in all material respects, with *Section 125 of the Local Government Act 1999* in relation to the Internal Controls established by the Council relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities so as to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law for the period 1 July 2021 to 30 June 2022.

Basis for Opinion

We have audited the Internal Controls of the City of Mount Gambier (the Council) under the requirements of *Section 125 of the Local Government Act 1999* in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2021 to 30 June 2022 have been conducted properly and in accordance with law.

We conducted our engagement in accordance with Standard on Assurance Engagements *ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information and ASAE 3150 Assurance Engagements on Controls* issued by the Auditing and Assurance Standards Board.

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

The Council's Responsibility for the Internal Controls

The Council is responsible for implementing and maintaining an adequate system of internal controls, in accordance with *Section 125 of the Local Government Act 1999* to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and incurring of liabilities have been conducted properly and in accordance with law.

Our Independence and Quality Control

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

Assurance Practitioner's Responsibilities

Our responsibility is to express an opinion on the Council's compliance with *Section 125 of the Local Government Act 1999* in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, based on our procedures have been conducted properly and in accordance with law.

ASAE 3150 requires that we plan and performed our procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the control objectives and the controls operating effectively through the period. ASAE 3000 also requires us to comply with the relevant ethical requirements for the Australian professional accounting bodies.

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

Draft Assurance Report on Internal Controls

Limitation on Use

This report has been prepared for the members of the Council in accordance with *Section 129(1)(b) of the Local Government Act 1999* in relation to the Internal Controls specified above. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the members of the Council, or for any purpose other than that for which it was prepared.

Limitations of Controls

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

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

DEAN NEWBERY

Samantha Creten
Partner

Signed on the day of 2022,
at 214 Melbourne Street, North Adelaide



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Dean Newbery

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Reference: AF21/125
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20 September 2022

Samantha Creten
Partner
Dean Newbery
PO Box 755
NORTH ADELAIDE SA 5006

Dear Samantha,

RE: MANAGEMENT REPRESENTATIONS: EXTERNAL AUDIT, FINANCIAL YEAR ENDED 30 JUNE 2022

This Management Representation letter is provided in connection with your audit examination of the General Purpose Financial Report (**2022 Financial Report**) of City of Mount Gambier Council ('**the Council**') for the financial year ended 30 June 2022.

We hereby confirm, at your formal request, that to the best of our knowledge and belief, the following representations relating to the 2022 Financial Report are correct.

In making these representations, we understand that they are provided to you in connection with your external audit of the Council for the year ended 30 June 2022 as prescribed by the Local Government Act 1999, for the express purpose of your expressing an opinion as to whether the 2022 Financial Report is, in all material respects, presented fairly in accordance with all applicable standards and requirements, including statutory. In making these representations, we have read and understood the standard unqualified Audit Opinion that would be normally expressed to the Council by you as is required under Section 129(3) of the Local Government Act 1999 for the financial year ended 30 June 2022. We therefore understand, without exception, the potential ramifications of making any representations to you that are not correct, to the best of our knowledge and belief as of the date of this letter.

We understand and acknowledge that it is the Council management's responsibility for the fair presentation of the 2022 Financial Report and that management, as appropriate, have approved the Financial Report. Accordingly, management of the Council are of the opinion that the 2022 Financial Report is free of material misstatements, including omissions.

1. Compliance with all Applicable Standards, including Statutory

The Financial Report of the Council has been prepared so as to present a true and fair view of the state of affairs of the Council as at 30 June 2022 and of the results of operations of the Council for the financial year ended on that date, including for all post balance date matters, as applicable.

The accounting and financial management policies, practices and records of the Council were at all times maintained in accordance with the requirements of the Local Government Act 1999, Local Government (Financial Management) Regulations 2011 and that the Financial Report was prepared in accordance with the Local Government Act 1999, Local Government (Financial Management) Regulations 2011, Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board together with all other mandatory professional reporting requirements in Australia.



ASSETS

Cash and Cash Equivalents

- (1) Cash on hand at balance date was represented by cash floats reconciled and on hand as at 30 June 2022.
- (2) Cash at bank at balance date represented the reconciled operating account(s) of the Council.
- (3) Short term deposits represented amounts held with the LGFA by the Council.

Rates and Other Receivables

- (1) Current rate receivables at balance date represented all outstanding amounts owed by rate payers.
- (2) Current other receivables at balance date represented all outstanding amounts owed by debtors other than rate payers.
- (3) Debts due at balance date that are known to be uncollectible have since been written-off and adequate provision has been made for impairment to cover allowances, discounts and losses that may be sustained by Council in the collection of the debts.

Inventories

- (1) All inventories were the property of the Council and have either been paid for or the liability has been brought to account.
- (2) All inventories have been physically counted and valued in accordance with the applicable Australian Accounting Standard.

Other Current Assets

- (1) Prepayments at balance date represented payments for goods and services to be received in the 30 June 2022 financial year.
- (2) There are no non-current assets held for sale.

Financial Assets – Loans to Community Groups

- (1) There are no grounds to provide for any impairment loss for loans to community groups or other organisations, none are held.

Investments Accounted using the Equity Method

- (1) Council has complied with all applicable Australian Accounting Standards with regard to Council's equity in subsidiaries, regional subsidiaries and other interests, as applicable.

Infrastructure, Property, Plant & Equipment and Depreciation

- (1) Infrastructure, property, plant and equipment at the 2022 balance date was represented by the following fair values, cost, accumulated depreciation and carrying amounts for each class of asset, in accordance with all prescribed requirements and standards, as follows:



S'000	Fair Value Level	As at 30/6/22			
		At Fair Value	At Cost	Accumulated Depreciation	Carrying Amount
Waste Management	3	1,683	8,548	(8,086)	2,145
Capital Works in Progress		0	57,789	0	57,789
Land	2	15,601	0	0	15,601
Land	3	37,683	133	0	37,816
Office Equipment		0	2,288	(1,609)	679
Riddoch Collection	3	3,515	10	0	3,525
Buildings & Other Structures	2	3,987	33	(2,131)	1,889
Buildings & Other Structures	3	102,030	1,343	(50,605)	52,768
Stormwater Drainage	3	8,022	127	(2,471)	5,678
Kerbing and Footpaths	3	74,038	3,533	(20,981)	56,590
Roads	3	66,929	6,099	(22,029)	50,999
Carparks	3	10,451	127	(3,122)	7,456
Right-of-use Assets		0	593	(349)	244
Plant & Equipment		0	9,385	(3,304)	6,081
Other Assets		0	4,408	(2,497)	1,911
Total Infrastructure, Property, Plant & Equipment		323,939	94,416	(117,184)	301,171
Comparatives		326,725	49,881	(113,185)	263,422

- (2) The additions during the 2022 financial year to Infrastructure, property, plant and equipment general ledger control accounts and asset registers represents the cost of additions and or improvements to existing facilities or replacements thereof. All units of property which have been replaced, sold, dismantled or otherwise disposed of, or which are permanently unusable, have been removed from general ledger and applicable asset register. Adequate provision, determined in a manner consistent with that of the preceding financial year, has been made to write-off depreciable assets over their useful economic working lives.

No circumstances have arisen which render adherence to the existing basis of depreciation misleading or inappropriate and that depreciation expense for the financial year ended 30 June 2022 is reliable.

- (3) All additions to depreciable assets represent actual additions or improvements of a capital nature, based on capitalisation thresholds consistently applied for the 2022 financial year and unchanged from the 2021 financial year.
- (4) Where the recorded carrying amount of any depreciable assets exceeds its recoverable amount as at 30 June 2022, that asset's recorded carrying amount has been written down to its recoverable amount.
- (5) Contractual commitments for capital expenditure(s) included in the Financial Report payable not later than one year are as described in the notes accompanying the Financial Report. It should be noted that in Note 18 Events after the Balance Sheet date that a deed of settlement and variation was signed with Badge (SA) Pty Ltd on 5 September 2022 which amended the timescales for the delivery of the Wulanda project and the amount payable.
- (6) There are no deficiencies or encumbrances attaching to the title of the assets of the Council at 30 June 2022 other than those reflected in the financial report and those are not greater than the value of the asset.
- (7) No Operating or Finance Lease commitments exist that have not been disclosed in the Financial Report. All Operating Lease expenses have been fully disclosed in the notes to the 2022 Statement of Comprehensive Income. Finance Leasing commitments have been fully disclosed in the notes to the 2022 Balance Sheet.
- (8) No asset revaluations of infrastructure assets were undertaken during the 2022 financial year.



- (9) Depreciation expense reported in the 2022 Statement of Comprehensive Income is reliable, being based on reliable 'whole of life' asset management information for each class of depreciable non-current asset.

LIABILITIES – Current and Non-Current

- (1) All liabilities which have arisen or which will arise out of the activities of the Council to the end of the 2022 financial year have been included in the 2022 Financial Report.
- (2) All outstanding trade payables at balance date have been taken up as at the 2022 balance date.
- (3) All applicable accrued wages and salaries and accrued employee entitlements at the 2022 balance date have been taken up.
- (4) All accrued interest at the 2022 balance date have been taken up.
- (5) All revenue received in advance as at the 2022 balance date have been taken up.
- (6) Provisions for employee benefits, inclusive of on-costs, all discounted as at the 2022 balance date representing long service leave benefits calculated for all valid employees (as at balance date) have been taken up.
- (7) Accrued employee benefits represent annual leave accrued for all valid employees as at the 2022 balance date.
- (8) Borrowings as at the 2022 balance date represented amounts owed to the Local Government Finance Authority and have varying maturity dates and interest rates with details fully provided in the notes to the 2022 Financial Report.
- (9) There were no contingent liabilities including for:
 - a) guarantees;
 - b) bills and accounts receivable discounted, assigned or sold and which are subject to recourse;
 - c) endorsements; or
 - d) repurchase agreements.
- (10) We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial report; and accounted for and disclosed in accordance with the applicable financial reporting framework.

EQUITY

- (1) There have been no adjustments to the Accumulated Surplus other than those allowable under the Australian Accounting Standards.
- (2) There have been no adjustments to the Asset Revaluation Reserve other than those allowable under the Australian Accounting standards and the balance of the reserve has been reconciled to each class of asset.
- (3) All reserve funds required by legislation to be maintained have been at all times maintained in the accounting records of the Council, with the exception of the Open Space Reserve as detailed below.
- (4) All transfers to and from reserve funds (including the Accumulated Surplus) are aligned with previous years with the exception of the following:



- **Open Space Reserve** - This was reinstated for the FY 2022 year aligned with legislation;
 - **Waste Management Reserve** - Following the adoption of the 2021/2022 Annual Business Plan in June 2021 a reserve has been established (as foreshadowed in the adopted Annual Business Plan document that stated "*The WSC (Waste Service Charge) will be used to cover all waste associated costs. In any year that the total WSC results in a surplus, funds will be accounted for in a specific 'waste' reserve as per the Local Government Act 1999, to be used on waste related services*"); and
 - **Prior Year Correction** - FY 2022 has been restated as requested following the interim audit for 2021/2022 in April 2022 which has resulted in a transfer of \$5,390k between Accumulated Surplus and the Asset Revaluation Reserve (Other Infrastructure Assets).
 - **Prior Year Correction** – FY 2022 has been restated with entries requested following the balance date audit for 1 July and 30 July for the Caroline landfill construction and capping assets. This resulted in a \$1,676k adjustment to Accumulated Surplus as at 1 July 2022.
- (5) Other than for the Asset Revaluation Reserve, all other reserve accounts are those applied for 2022 Council budget purposes and have the same balances as at 30 June 2022, with the exception of those items noted in point 4 above.
- (6) Council does not maintain a "Contingency Reserve" (or equivalent).
- (7) No reserves are 'cash backed'.

2022 STATEMENT OF COMPREHENSIVE INCOME

- (1) Please find attached a summary of all variations greater than 10% for all income and expense amounts (variances less than \$5,000 have been deemed immaterial and not included) disclosed in the 2022 Statement of Comprehensive Income, compared to 2021.
- (2) Please find enclosed a summary of all 2022 amounts that have been re-classified in the 2022 Statement of Comprehensive Income, including the reasons for the reclassification.
- (3) All depreciable physical resources received free of charge have been included in the appropriate asset register and depreciated from the date when Council assumed control (of the asset).
- (4) Depreciation expense for 2022 is in accordance with Council's asset registers and has been determined on the same basis as for 2021 with the exception of Caroline Landfill where depreciation has been restated to amortise the assets over the available airspace of the landfill rather than on a straight- line depreciation basis.
- (5) Salaries and Wages expense disclosed in the 2022 Statement of Comprehensive Income reconciles to the last budgeted salaries and wage amount approved by Council for 2022 annual budget funding purposes.
- (6) Capital grants have been correctly separated from operating grants, in accordance with the requirements of the Model Financial Statements.

KEY FINANCIAL INDICATORS

Operating Surplus Ratio - The ratio in FY 2022 is significantly greater than the previous year and the anticipated target as per the adopted budget, driven by the rating increase of 4.5%, higher than expected untied grant revenue (Financial Assistance Grants and LRCI) and higher Landfill charges and cemetery fees. Operating expenditure is also lower than the previous year where employee costs are broadly in line with the prior year and depreciation is higher which is more than offset by lower materials contracts other driven by lower consultant expenditure and a more focused approach to financial controls in the year.



Net Financial Liabilities Ratio – The ratio is higher than the previous year driven by increased borrowings from the Wulanda project. It should be noted that the ratio is lower than the target set in the adopted budget where borrowings are lower than anticipated due to Wulanda and other capital projects timing.

Asset Renewal Funding Ratio – This is lower than the previous year, LTFP/adopted budget target and SA recommended target. Disruptions and supply shortages combined with the organisation's capacity to deliver have impacted upon the timing of the renewals program. A review of the organisation's capacity to deliver is expected to occur in the first half of FY 2023.

CHIEF EXECUTIVE OFFICER'S REPORT

Please summarise here any exceptions to the standard Chief Executive Officer's Report that may be or will be expressed in the 2022 report to be included in the 2022 Financial Report.

OTHER REQUIRED REPRESENTATIONS

- (1) No events have occurred (or are known to occur) subsequent to the 30 June 2022 that would require any consideration for adjustment to or additional disclosure in the 2022 Financial Report.
- (2) The Council does not have any plans or intentions that may materially affect the carrying value or classification of all assets and liabilities as at 30 June 2022.
- (3) The Council has complied with all aspects of contractual arrangements and agreements that would have a material effect on the 2022 Financial Report in the event of non-compliance.
- (4) There were no material commitments for construction or acquisition of property, plant and equipment or to acquire other non-current assets, other than those disclosed in the 2022 Financial Report.
- (5) There are no violations or possible violations of laws, compulsory standards or regulations whose effects should be considered for disclosure in the 2022 Financial Report or as a basis for recording as an expense or otherwise.
- (6) The methods, the data, and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.
- (7) The Council has full title to all assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- (8) All details concerning related party transactions and related amounts receivable or payable (including sales, purchases, loans and guarantees) have been correctly recorded in the accounting records. All related parties have been identified and disclosed to you during your audit.
- (9) The Council reviews, at least on a quarterly basis, the adequacy of insurance cover on all assets and insurable risks. This review has been consistently performed, and where it is considered appropriate, assets and insurable risks of the Council are at all times adequately covered by appropriate insurance.
- (10) The minutes of all meetings of Council and its Committees were made available to you and are complete and authentic records of all such meetings held during the 2022 financial year and to the date of this letter. All other statutory records were properly kept at all times during the year and have been made available to you for audit purposes.



- (11) All audit correspondence has been formally and promptly responded.
- (12) All audit correspondence has been referred to Council and Council's Audit and Risk Committee.
- (13) Salaries and wages records together with records for the Goods and Service Tax were at all times fully maintained in accordance with the requirements of the Australian Taxation Office, as applicable.
- (14) All documentation relating to the capture of Related Party Disclosures and Transactions (AASB 124 Related Party Disclosures) including all authorised forms provided by the deemed Key Management Personnel, evidence of review of total related party transactions processed during the financial year by the Council e.g. Transaction reports of payments made by Council to related parties and any working papers of calculation methodologies for the disclosures in the 30 June 2022 financial statements have been made available to the auditors.
- (15) All deemed material transactions relating to Related Party Disclosures and Transactions (AASB 124 Related Party Disclosures) have been included and adequately disclosed in the 30 June 2022 financial statements.
- (16) Council has formally in place and has at all times maintained an appropriate standard of accounting, internal control structure and framework, segregation of duties and risk management structure and framework across the entire organisation, including appropriate controls and mechanisms specifically designed to prevent and detect fraud and error. Further, we advise that there have not been any instances of fraud or error during the financial year ended 30 June 2022 or to the date of this letter. In addition, there are no matters that should be brought to your attention for the purposes of your making an assessment as to Sections 129(5) and 129(6) of the Local Government Act 1999.
- (17) The 2022 Financial Report has been adjusted for all agreed audit adjustments for the year ended 30 June 2022.
- (18) Council's Audit and Risk Committee has addressed all of its prescribed responsibilities and no member of the Committee has undertaken other professional services for the Council.
- (19) In our opinion, there are no grounds to believe that the Council will not be able to pay its debts as and when they fall due, that assets will be at all time maintained to the service standards currently determined by Council and accordingly, the Council is long term financially sustainable.

Yours sincerely

Chief Executive Officer

Enclosures (as applicable)



Enclosure 1 - Statement of Comprehensive Income Variance Analysis

2021 Actuals	\$'000s	Ref	2022 Draft Actuals	Variance to Prior Yr \$'k	Variance to Prior Yr %
Income					
22,769	Rates		23,822	1,053	4.6%
621	Statutory Charges		633	12	1.9%
4,880	User Charges	1	5,515	635	13.0%
4,505	Grants, Subsidies and Contributions	2	6,615	2,110	46.8%
25	Investment Income	3	14	(11)	-44.0%
60	Reimbursements		65	5	8.3%
635	Other Income	4	498	(137)	-21.6%
33,495	Total Income		37,162	3,667	10.9%
Expenses					
13,058	Employee Costs		13,090	(32)	-0.2%
14,018	Materials, Contracts & Other Expenses		13,234	784	5.6%
7,940	Depreciation, Amortisation & Impairment		8,479	(539)	-6.8%
226	Finance Costs	5	358	(132)	-58.4%
35,242	Total Expenses		35,161	81	0.2%
(1,747)	Operating Surplus / (Deficit)		2,001	3,748	215%
1,230	Physical Resources Received Free of Charge	6	1,760	530	43.1%
(730)	Asset Disposal & Fair Value Adjustments		(787)	(57)	-7.8%
2,677	Amounts Received Specifically for New or Upgraded Assets	7	17,940	15,263	570.2%
1,430	Net Surplus / (Deficit)		20,914	19,484	1363%
0	Total Other Comprehensive Income		0	0	0
1,430	Total Comprehensive Income		20,914	19,484	1363%

As per the reference numbers listed, please find explanations for material variances of greater than +/- 10% for 2022, compared to 2021:

- User Charges Increase \$635k** – Mainly due to increased landfill charges \$475k (partly offset by additional expenditure) and additional cemetery fees \$98k.
- Grants, Subsidies, Contributions Increase \$2,110k** – Including the following:
 - Additional Financial Assistance Grants Increase \$1,724k** - (including 75% additional payment of following year's grant compared to 50% in previous year and payment of Special Local Roads Fund (no payment was made in 2021 as the payment for that year had been received in 2019).
 - LRCI Grant Funding Increase \$473k** - Council received \$716k (50% of the Phase 2 grant of \$520k and 40% of the Phase 1 grant \$196k), compared to 50% of the Phase 1 grant received in 2021 of \$243k.
- Investment Income Decrease (\$11k)** - Lower investment income arising from higher borrowings.
- Other Income Decrease (\$137k)** - Main variances include trainee/training revenue \$152k, more than offset by lower open space revenue (\$174k) and fuel tax credits (\$62k).
- Finance Costs Increase (\$132k)** - Higher finance costs mainly due to increased Caroline unwinding of NPV costs (\$149k).
- Physical Resources Free Of Charge Increase \$530k** - Increased revenue from developments/land divisions including: Footpaths & Kerbing \$288k and Roads \$316k.
- Amounts Received for New/Upgraded Assets Increase \$15,263k** - Mainly grant revenue for Wulanda \$9,000k from State Government (\$7,500k higher than the previous year of \$1,500k) and \$8,500k from Federal Government (\$7,000k higher than the previous year).



**5.3 COMPARISON OF ACTUAL TO BUDGET FOR THE YEAR ENDING 30 JUNE 2022 –
REPORT NO. AR22/60848**

Committee:	Audit and Risk Committee
Meeting Date:	26 September 2022
Report No.:	AR22/60848
CM9 Reference:	AF11/863
Author:	Julie Scoggins, Manager Financial Services
Authoriser:	Darren Barber, General Manager Corporate and Regulatory Services
Summary:	Comparison to budget - the annual end of year financial audit includes a comparison of actual to budget for the previous financial year.
Strategic Plan Reference:	Goal 1: Our People
	Goal 2: Our Location
	Goal 3: Our Diverse Economy
	Goal 4: Our Climate, Natural Resources, Arts, Culture and Heritage
	Goal 5: Our Commitment

REPORT RECOMMENDATION

1. That Audit and Risk Committee Report No. AR22/60848 titled 'Comparison of Actual to Budget for the year ending 30 June 2022' as presented on 26 September 2022 be noted.
2. That the estimates comparison for the financial year ending 30 June 2022 as contained in Attachment 1 to Report No. AR22/60848 be adopted.



TYPE OF REPORT

Legislative

BACKGROUND

- 1. Legislation** - Pursuant to Section 10 of the Local Government (Financial Management) Regulations 2011:
 - (1) A council, council subsidiary or regional subsidiary must, by no later than 31 December in each year, prepare and consider a report showing the audited financial results of each item shown in the statement of comprehensive income and balance sheet of the budgeted financial statements of the council, council subsidiary or regional subsidiary (as the case may be) for the previous financial year compared with the estimated financial results set out in the budget presented in a manner consistent with the Model Financial Statements.
 - (2) A council must also include in a report under subregulation (1) audited financial results for the previous financial year of the council's operating surplus ratio, net financial liabilities ratio and asset sustainability ratio compared with estimates set out in the budget presented in a manner consistent with the note in the Model Financial Statements entitled Financial Indicators.
- 2. Comparison to Adopted Budget** - The Budgeted Financial Statements Comparison as at 30 June 2022 (Attachment 1) reports the actual results compared to the original budget adopted by Council in June 2022.
- 3. Council's Adopted Annual Business Plan** - The budget adopted by Council in June 2022 had an operating deficit of (\$571) thousand and total comprehensive income of \$17.671 million.

PROPOSAL

STATEMENT OF COMPREHENSIVE INCOME:

Overview - Council's actual operating surplus of \$2.0m is significantly higher than the adopted budget of an operating deficit of (\$0.6m) mainly driven by the key variances detailed below:

Operating Revenue - \$3.2m or 9.5% higher than the adopted budget (favourable variance), including the following significant variances:

- 1. User Charges \$0.5m Favourable Variance** - Mainly due to higher than budgeted landfill charges \$0.3m and higher than budgeted reservation and lease cemetery fees \$0.1m.
- 2. Grants \$2.5m Favourable Variance** - Higher than the adopted budget mainly due to timing of the Financial Assistance Grants \$1.4m and payment of Special Local Roads Fund \$0.2m. The budget also did not include Local Roads and Community Infrastructure (LRCI) 40% payment of the Phase 1 grant of \$0.2m and 50% of Phase 2 of \$0.5m. The budget assumed that Phase 1 had been delivered in full in 2020/21.
- 3. Other Income \$0.1m Favourable Variance** – Included \$0.2m training/apprentice subsidy, partly offset by lower open space contributions (\$0.1m).

Operating Expenditure - (\$0.6m) or (1.9%) higher than the adopted budget (unfavourable variance) including the following key variances:

- 1. Employee Costs \$0.8m Favourable Variance** – Driven by the change in the weighted average discount rate applied to the leave provision from 0.36% to 3.29% \$0.4m and net vacancy savings across the year of \$0.4m.
- 2. Materials, Contracts, Other (\$0.6m) Unfavourable Variance** - Driven by Contractor expenditure which was aligned with the previous year (\$1.1m) including Waste Management and



Parks and Gardens, partly offset by lower maintenance expenditure \$0.2m, and lower sundry expenditure \$0.3m (including PLEC project \$0.1m).

3. **Depreciation (\$0.6m) Unfavourable Variance** - Mainly due to the following variances including Caroline landfill adjusted to reflect actual cell capacity (\$0.2m) and Infrastructure assets reflecting depreciation of new and gifted assets (\$0.2m).
4. **Finance Costs (\$0.2m) Unfavourable Variance** - Mainly due to unwinding of NPV for Caroline Landfill.

Other:

1. **Asset Disposals & Fair Value Adjustments (\$0.7m) Unfavourable Variance** - Mainly due to adjustments as a result of road renewal works.
2. **Amounts Received For New/Upgraded Assets (\$0.4m) Unfavourable Variance** – Where timing of Wulanda grant funding \$0.5m and additional capital grants of \$0.3m, have been more than offset by the timing of other grants (\$1.2m).
3. **Gifted Assets \$1.8m Favourable Variance** - Not budgeted in 2021/2022, with revenue resulting from land divisions and development (roads \$1.1m and footpaths and kerbing \$0.7m).

STATEMENT OF FINANCIAL POSITION:

The key variances to the adopted budget are as follows:

1. **Cash & Cash Equivalents (\$2.2m) Unfavourable Variance** - Lower cash balance reflecting treasury management policy of minimising cash balances and borrowing levels.
2. **Trade & Other Receivables \$0.8m Favourable Variance** - The actual FY22 balance reflects the higher operating revenue compared to budget.
3. **Infrastructure Property, Plant & Equipment (\$17.4m) Unfavourable Variance** - Is lower than budget mainly as a result of Wulanda timing changes and other capital works deferral/partial deferrals.
4. **Trade & Other Payables (\$6.4m) Unfavourable Variance** - Actual FY22 balance is significantly higher than the adopted budget due to the timing of Wulanda invoices for activities undertaken in 2021/2022.
5. **Borrowings (Current & Non-Current) \$23.8m Favourable Variance** - Borrowings are lower than the adopted budget mainly due to timing of the Wulanda project.

KEY FINANCIAL INDICATORS:

2021 Actuals	\$'000s	2022 Draft Actuals	2022 Adopted Budget	2022 Restated Budget
-5.2%	Operating surplus ratio	5.4%	-1.7%	-1.7%
	<u>Operating surplus</u> Total operating revenue			
62%	Net financial liabilities ratio	97%	154%	154%
	<u>Net financial liabilities</u> Total operating revenue			
84%	Asset renewal funding ratio	79%	101%	106%
	<u>Expenditure on renewal/replacement of assets</u> Optimal level of such expenditure as per IAMP			



1. **Operating Surplus Ratio 7.1% Favourable Variance** - The operating surplus ratio of 5.4% is 7.1% favourable to budget driven by the variances detailed above.
2. **Net Financial Liabilities Ratio 57% Favourable Variance** - Mainly driven by the timing grant revenue and of the delivery of the Wulanda Recreation and Convention Centre project and other capital works projects and associated borrowings.
3. **Asset Renewal Funding Ratio (22%) Unfavourable Variance** - Mainly driven by the timing of the delivery of the renewals program with works brought forward from 2020/2021 more than offset by deferrals and partial deferrals to 2022/2023.

LEGAL IMPLICATIONS

AS DETAILED IN THE BACKGROUND.STRATEGIC PLAN

The budget was developed in the context of the Strategic Plan.

COUNCIL POLICY

[A900 Asset Management Policy](#)

[B300 Budget Framework](#)

[R105 Rating Policy](#)

[T150 Treasury Management Policy](#)

ECONOMIC IMPLICATIONS

N/A

ENVIRONMENTAL IMPLICATIONS

N/A

SOCIAL IMPLICATIONS

N/A

CULTURAL IMPLICATIONS

N/A

RESOURCE IMPLICATIONS

N/A

VALUE FOR MONEY

N/A

RISK IMPLICATIONS

Prudent management of Council's financial sustainability ensures that short and long term financial risk is minimised and ultimately mitigated.

EQUALITIES AND DIVERSITY IMPLICATIONS

N/A

ENGAGEMENT AND COMMUNICATION STRATEGY

N/A

IMPLEMENTATION STRATEGY

N/A



CONCLUSION AND RECOMMENDATION

Council's end of year results as shown in the audited financial statements indicate its ongoing financial position has been impacted by the timing of the Wulanda Recreation and Convention Centre project and grant revenue.

Maintaining Council's position by working within annual and long term financial targets is crucial in accommodating the long term financial plan of works and building capacity to achieve Council's long term strategic goals

ATTACHMENTS

1. Draft Financial Statements Actual vs Adopted Budget FY 2022 [↓](#)



City of Mount Gambier - Uniform Presentation of Finances Draft Year-End 2022				
2021 Actual	\$'000s	2022 Draft Actuals	2022 Adopted Budget	2022 Restated Budget
33,495	Income	37,162	33,945	33,945
35,242	Expenses	35,161	34,516	34,516
(1,747)	Operating surplus / (deficit)	2,001	(571)	(571)
Net outlays on existing assets				
5,326	Capital expenditure on renewal and replacement of existing assets	5,623	6,401	7,554
(7,940)	Depreciation, amortisation and impairment	(8,479)	(7,864)	(7,864)
(393)	Proceeds from sale of replaced assets	(112)		(273)
(3,007)	Net outlays on existing assets	(2,968)	(1,463)	(583)
Net outlays on new and upgraded assets				
16,298	Capital expenditure on new and upgraded assets <i>(including investments property & real estate developments)</i>	35,134	30,645	48,233
(555)	Amounts received specifically for new and upgraded assets Proceeds from sale of surplus assets	(20,443)	(18,355)	(18,355)
15,743	Net outlays on new and upgraded assets	14,691	12,290	29,878
(14,483)	Net Lending/(Borrowings) for financial year	(9,722)	(11,398)	(29,866)



City of Mount Gambier - Statement of Comprehensive Income Draft Year End 2022				
2021 Actuals	\$'000s	2022 Draft Actuals	2022 Adopted Budget	2022 Restated Budget
Income				
22,769	Rates	23,822	23,750	23,750
621	Statutory Charges	633	602	602
4,880	User Charges	5,515	5,058	5,058
4,505	Grants, Subsidies and Contributions	6,615	4,091	4,091
25	Investment Income	14	0	0
60	Reimbursements	65	79	79
635	Other Income	498	365	365
33,495	Total Income	37,162	33,945	33,945
Expenses				
13,058	Employee Costs	13,090	13,875	13,875
14,018	Materials, Contracts & Other Expenses	13,234	12,595	12,595
7,940	Depreciation, Amortisation & Impairment	8,479	7,864	7,864
226	Finance Costs	358	182	182
35,242	Total Expenses	35,161	34,516	34,516
(1,747)	Operating Surplus / (Deficit)	2,001	(571)	(571)
1,230	Physical Resources Received Free of Charge	1,760		
(730)	Asset Disposal & Fair Value Adjustments	(787)	(113)	(113)
2,677	Amounts Received Specifically for New or Upgraded Assets	17,940	18,355	18,355
1,430	Net Surplus / (Deficit)	20,914	17,671	17,671
Other Comprehensive Income				
Amounts which will not be reclassified subsequently to operating result				
Changes in Revaluation Surplus - I,PP&E				
0	Total Other Comprehensive Income	0	0	0
1,430	Total Comprehensive Income	20,914	17,671	17,671



City of Mount Gambier - Statement of Financial Position Draft Year End 2022				
2021 Actuals	\$'000s	2022 Draft Actuals	2022 Adopted Budget	2022 Restated Budget
ASSETS				
Current Assets				
1,893	Cash & Cash Equivalents	250	2,421	2,421
4,579	Trade & Other Receivables	2,974	2,125	2,125
47	Inventories	64	57	57
6,519	Total Current Assets	3,288	4,603	4,603
Non-Current Assets				
263,422	Infrastructure, Property, Plant & Equipment	301,171	318,597	318,597
263,422	Total Non-Current Assets	301,171	318,597	318,597
269,941	TOTAL ASSETS	304,459	323,200	323,200
LIABILITIES				
Current Liabilities				
6,274	Trade & Other Payables	9,331	2,977	2,977
447	Borrowings	1,222	2,311	2,311
2,902	Provisions	2,784	2,672	2,672
9,623	Total Current Liabilities	13,337	7,960	7,960
Non-Current Liabilities				
13,502	Borrowings	22,311	45,000	45,000
4,064	Provisions	3,507	3,863	3,863
17,566	Total Non-Current Liabilities	25,818	48,863	48,863
27,189	TOTAL LIABILITIES	39,155	56,823	56,823
242,752	Net Assets	265,304	266,377	266,377
EQUITY				
66,406	Accumulated Surplus	83,080	90,041	90,041
175,462	Asset Revaluation Reserves	180,852	175,462	175,462
884	Other Reserves	1,372	874	874
242,752	Total Equity	265,304	266,377	266,377



City of Mount Gambier - Statement of Cashflows Draft Year End 2022				
2021		2022	2022	2022
Actuals	\$'000s	Draft Actuals	Adopted Budget	Restated Budget
Cash Flows from Operating Activities				
Receipts:				
22,978	Rates Receipts	23,829	23,750	23,750
621	Statutory Charges	633	602	602
5,214	User Charges	4,335	5,058	5,058
5,210	Grants, Subsidies and Contributions (operating purpose)	6,615	0	0
26	Investment Receipts	14	4,091	4,091
66	Reimbursements	65	79	79
3,517	Other Revenue	896	365	365
Payments:				
(13,005)	Payments to Employees	(13,157)	(13,875)	(13,875)
(17,433)	Payments for Materials, Contracts & Other Expenses	(13,852)	(12,558)	(12,445)
(212)	Finance Payments	(136)	(182)	(182)
6,982	Net Cash provided (or used in) Operating Activities	9,242	7,330	7,443
Cash Flows from Investing Activities				
Receipts:				
555	Amounts Received Specifically for New/Upgraded Assets	20,443	18,355	18,355
393	Sale of Replaced Assets	112		273
Payments:				
(5,326)	Expenditure on Renewal/Replacement of Assets	(5,623)	(6,401)	(7,554)
(16,298)	Expenditure on New/Upgraded Assets	(35,134)	(30,645)	(48,233)
(20,676)	Net Cash provided (or used in) Investing Activities	(20,202)	(37,046)	(37,159)
Cash Flows from Financing Activities				
Receipts:				
11,550	Proceeds from Borrowings	9,581	28,759	28,759
Payments:				
(206)	Repayments of Borrowings	0	(195)	(195)
(163)	Repayment of Principal Portion of Lease Liabilities	(202)	0	0
	Repayment of Bonds & Deposits	(62)		
11,181	Net Cash Flow provided (used in) Financing Activities	9,317	28,564	28,564
(2,513)	Net Increase/(Decrease) in Cash & Cash Equivalents	(1,643)	(1,152)	(1,152)
4,406	plus: Cash & Cash Equivalents - beginning of year	1,893	3,573	3,573
1,893	Cash & Cash Equivalents - end of the year	250	2,421	2,421



City of Mount Gambier - Statement of Equity Draft Year-End 2022				
2021 Actuals	\$'000s	2022 Draft Actuals	2022 Adopted Budget	2022 Restated Budget
241,322	Opening Balance	242,752	248,706	248,706
	Adjustment for prior year correction	1,638		
1,430	Net Surplus / (Deficit) for Year	20,914	17,671	17,671
1,430	Total Comprehensive Income	20,914	17,671	17,671
	Transfers between equity			
242,752	Equity - Balance at end of the reporting period	265,304	266,377	266,377



City of Mount Gambier - Key Financial Ratios Draft Year-End 2022

2021 Actuals	\$'000s	2022 Draft Actuals	2022 Adopted Budget	2022 Restated Budget
-5.2%	Operating surplus ratio	5.4%	-1.7%	-1.7%
	<u>Operating surplus</u> Total operating revenue			
62%	Net financial liabilities ratio	97%	154%	154%
	<u>Net financial liabilities</u> Total operating revenue			
84%	Asset renewal funding ratio	79%	101%	106%
	<u>Expenditure on renewal/replacement of assets</u> Optimal level of such expenditure as per IAMP			



6 MEETING CLOSE



**MINUTES OF CITY OF MOUNT GAMBIER
AUDIT AND RISK COMMITTEE MEETING
HELD AT THE COUNCIL CHAMBER, CIVIC CENTRE, 10 WATSON TERRACE, MOUNT
GAMBIER
ON MONDAY, 25 JULY 2022 AT 5.30 P.M.**

PRESENT: Mayor Lynette Martin (OAM), Cr Sonya Meziniec, Mr Paul Duka, Mr Alexander Brown, Ms Belinda Johnson (*virtual*)

OFFICERS IN ATTENDANCE:	Chief Executive Officer	- Mrs S Philpott
	General Manager Corporate and Regulatory Services	- Mr D Barber
	General Manager City Infrastructure	- Ms B Cernovskis
	General Manager City and Community Growth	- Mr T Coote
	Manager Financial Services	- Mrs J Scoggins
	Organisational Development and Risk Coordinator	- Ms L Little (<i>virtual</i>)
	Executive Administrator	- Ms S Wilson

1 ACKNOWLEDGEMENT OF COUNTRY

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 FIRST NATIONS PEOPLES HAVE WITH THE LAND.

2 APOLOGY(IES)

Nil

3 CONFIRMATION OF MINUTES

COMMITTEE RESOLUTION

Moved: Alexander Brown
Seconded: Belinda Johnson

That the minutes of the Audit and Risk Committee meeting held on 9 May 2022 and the Special Audit and Risk Committee meeting held on 6 June 2022 be confirmed as an accurate record of the proceedings of the meeting, noting the following:

- The minutes incorrectly reference Paul Duka as Councillor (Cr) and will be amended.

CARRIED

4 QUESTIONS WITHOUT NOTICE

Nil



5 REPORTS

5.1 CORRESPONDENCE RECEIVED

COMMITTEE RESOLUTION

Moved: Cr Sonya Mezinec

Seconded: Belinda Johnson

1. That Audit and Risk Committee Report No. AR22/49236 titled 'Correspondence Received' as presented on 25 July 2022 be noted.

CARRIED

5.2 RISK REPORT - JULY 2022

COMMITTEE RESOLUTION

Moved: Mayor Lynette Martin

Seconded: Alexander Brown

1. That Audit and Risk Committee Report No. AR22/33762 titled 'Risk Report - July 2022' as presented on 25 July 2022 be noted.

CARRIED

5.3 WORK HEALTH, SAFETY AND WELLBEING - JULY 2022

COMMITTEE RESOLUTION

Moved: Cr Sonya Mezinec

Seconded: Belinda Johnson

1. That Audit and Risk Committee Report No. AR22/33764 titled 'Work Health, Safety and Wellbeing - July 2022' as presented on 25 July 2022 be noted.

CARRIED

5.4 INTERNAL CONTROLS POLICY

COMMITTEE RESOLUTION

Moved: Alexander Brown

Seconded: Cr Sonya Mezinec

1. That Audit and Risk Committee Report No. AR22/46763 titled 'Internal Controls Policy' as presented on 25 July 2022 be noted.
2. That the Internal Controls Policy as attached to Report No. AR22/46763 having been reviewed by the Audit and Risk Committee on 25 July 2022 be adopted with minor editorial changes.

CARRIED



5.5 ASSET ACCOUNTING POLICY REVIEW

COMMITTEE RESOLUTION

Moved: Mayor Lynette Martin
Seconded: Belinda Johnson

1. That Audit and Risk Committee Report No. AR22/49260 titled 'Asset Accounting Policy Review' as presented on 25 July 2022 be noted.
2. That the Asset Accounting Policy as attached to Report No. AR22/49260 having been reviewed by the Audit and Risk Committee on 25 July 2022 be adopted.

CARRIED

5.6 EXTERNAL AUDIT ATTENDANCE

COMMITTEE RESOLUTION

Moved: Paul Duka
Seconded: Alexander Brown

1. That Audit and Risk Committee Report No. AR22/46762 titled 'External Audit Attendance' as presented on 25 July 2022 be noted.

CARRIED

5.7 EXTERNAL AUDIT MANAGEMENT REPORT

COMMITTEE RESOLUTION

Moved: Alexander Brown
Seconded: Belinda Johnson

1. That Audit and Risk Committee Report No. AR22/46765 titled 'External Audit Management Report' as presented on 25 July 2022 be noted.

CARRIED

6 MOTIONS WITHOUT NOTICE

Nil

7 MEETING CLOSE

The Meeting closed at 6:13pm.

The minutes of this meeting were confirmed at the Audit and Risk Committee held on 19 September 2022.

.....
PRESIDING MEMBER



**MINUTES OF CITY OF MOUNT GAMBIER
SPECIAL AUDIT AND RISK COMMITTEE MEETING
HELD AT THE COUNCIL CHAMBER, CIVIC CENTRE, 10 WATSON TERRACE, MOUNT
GAMBIER
ON MONDAY, 22 AUGUST 2022 AT 12.00 P.M.**

PRESENT: Mr Paul Duka (Presiding Member), Mayor Lynette Martin (OAM), Cr Sonya Meziniec, Mr Alexander Brown (virtual), Ms Belinda Johnson (virtual)

IN ATTENDANCE: Cr Paul Jenner (virtual)

OFFICERS IN ATTENDANCE:	Chief Executive Officer	- Mrs S Philpott
	General Manager Corporate and Regulatory Services	- Mr D Barber
	Manager Financial Services	- Mrs J Scoggins
	Executive Administrator	- Mrs A Pasquazzi

1 ACKNOWLEDGEMENT OF COUNTRY

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 FIRST NATIONS PEOPLES HAVE WITH THE LAND.

2 APOLOGY(IES)

Nil

3 QUESTIONS WITHOUT NOTICE

Nil

4 MOTIONS WITHOUT NOTICE

Nil

5 CONFIDENTIAL ITEMS

4.1 WULANDA RECREATION AND CONVENTION CENTRE UPDATE – REPORT NO. AR22/56907

COMMITTEE RESOLUTION

Moved: Cr Sonya Meziniec
Seconded: Paul Duka

CONSIDERATION FOR EXCLUSION OF THE PUBLIC

Pursuant to section 90(2) of the *Local Government Act 1999* the Audit and Risk Committee orders that all members of the public, except the Mayor, Councillors and Council Officers S Philpott, D Barber, J Scoggins and A Pasquazzi be excluded from attendance at the meeting for the receipt,



discussion and consideration in confidence of Agenda Item 4.1 AR22/56907 Wulanda Recreation and Convention Centre Update.

The Audit and Risk Committee is satisfied that, pursuant to section 90(3) (b) and (d) of the Act, the information to be received, discussed or considered in relation to the Agenda Item is:

- information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the Council is
 - conducting business; or
 - proposing to conduct business; or
 - to prejudice the commercial position of the Council
- commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected:
 - to prejudice the commercial position of the person who supplied the information, or
 - to confer a commercial advantage on a third party

The Audit and Risk Committee is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the information to be received for consideration in this item relates to contracts between Council and contractors associated with the construction and operation of the Wulanda Recreation and Convention Centre. The disclosure of information in association with this item could reasonably be expected to prejudice the commercial position of Council or third parties and is considered on balance to be contrary to the public interest as it could prejudice the Council's position in obtaining best value project delivery on behalf of the community.

CARRIED

Cr Paul Jenner joined the meeting at 12:13 pm

COMMITTEE RESOLUTION

Moved: Belinda Johnson
Seconded: Alexander Brown

CONSIDERATION FOR KEEPING ITEMS CONFIDENTIAL

1. In accordance with Sections 91(7) and 91(9) of the *Local Government Act 1999* the Council orders that the report 4.1 AR22/56907 Wulanda Recreation and Convention Centre Update and its attachments, the resolution/s and minutes arising from the report, having been considered by the Council in confidence under Section 90(2) & (3) (b) and (d) be kept confidential and not available for public inspection until 12 months after completion of the project.
2. Further that Council delegates the power to review, revoke, but not extend the confidential order to the Chief Executive Officer in accordance with the provisions of Section 91(9)(c) of the *Local Government Act 1999*.

CARRIED



6 MEETING CLOSE

The Meeting closed at 1:25 pm.

The minutes of this meeting were confirmed at the Audit and Risk Committee held on 19 September 2022.

.....
PRESIDING MEMBER

