

# **Reports of the Corporate Governance Committee Meeting held at 5.30pm on Tuesday, 10 November 2015.**

---

## **APOLOGIES**

## **ACKNOWLEDGEMENT OF LAND**

## **DECLARATIONS OF INTEREST**

### **Pecuniary Interests**

### **Non Pecuniary – Significant Interests**

### **Non Pecuniary – Less than Significant Interests**

<b>ITEM</b>	<b>TITLE</b>	<b>PAGE</b>
<b>1.</b>	<b>GOVERNANCE AND RISK</b>	<b>3</b>
<b>1.1</b>	<b>Profile and Performance of the NSW Local Government Sector 2013-2014</b>	<b>3</b>
<b>1.2</b>	<b>2016 Sub Committee Meeting Dates</b>	<b>51</b>
<b>2.</b>	<b>PROPERTY SERVICES</b>	<b>53</b>
	<b>No reports this round</b>	<b>53</b>
<b>3.</b>	<b>FINANCIAL SERVICES</b>	<b>53</b>
<b>3.1</b>	<b>Investment report - September 2015</b>	<b>53</b>
<b>3.2</b>	<b>Sundry Debtors Report - September 2015</b>	<b>57</b>
<b>3.3</b>	<b>Quarterly Budget Review Statement as at 30 September 2015</b>	<b>63</b>
<b>4.</b>	<b>HUMAN RESOURCES</b>	<b>78</b>
	<b>No reports this round</b>	<b>78</b>
<b>5.</b>	<b>INFORMATION MANAGEMENT AND TECHNOLOGY</b>	<b>78</b>
	<b>No reports this round</b>	<b>78</b>
<b>6.</b>	<b>INTERNAL AUDIT</b>	<b>78</b>
<b>6.1</b>	<b>Audit Committee Update</b>	<b>78</b>
<b>6.2</b>	<b>Audit Committee and Internal Audit Annual Report for year ended 30 June 2015</b>	<b>91</b>
<b>7.</b>	<b>GENERAL BUSINESS</b>	<b>102</b>
<b>23.</b>	<b>CONFIDENTIAL ITEMS</b>	<b>102</b>
<b>23.1</b>	<b>Suite 5 Milgate Arcade, Queen Street, Campbelltown</b>	<b>102</b>
<b>23.2</b>	<b>EOI for Lease of Ingleburn Occasional Care Facility</b>	<b>102</b>
<b>23.3</b>	<b>Agistment Agreement for Lot 112 DP 632633, Knotwood Avenue, Macquarie Fields</b>	<b>103</b>

---

---

**Minutes of the Corporate Governance Committee held on 10 November 2015**

---

**Present**

His Worship the Mayor, Councillor P Hawker  
Councillor C Mead  
Councillor F Borg  
Councillor G Greiss  
Councillor R Kolkman  
Councillor P Lake  
Director Business Services - Mr M Sewell  
Director City Works - Mr W Rylands  
Acting Manager Assets and Supply Services - Mr W Miller  
Acting Manager Education and Care Services - Mrs G Vickers  
Manager Emergency Management and Facility Services - Mr R Blair  
Manager Financial Services - Mrs C Mears  
Manager Governance and Risk - Mrs M Dunlop  
Manager Human Resources - Mr B Clarence  
Manager Information Management and Technology - Mrs S Peroumal  
Manager Operational Services - Mr A Davies  
Manager Property Services - Mr J Milicic  
Executive Assistant - Mrs D Taylor

**Apologies (Greiss/Kolkman)**

That the apologies from Councillors Chanthivong and Dobson be received and accepted.

**CARRIED**

**Also in Attendance**

Mr Bruce Hanrahan - Audit Committee Chairperson

**Chairperson**

His Worship the Mayor, Councillor Hawker, chaired the meeting.

**Acknowledgement of Land**

An Acknowledgement of Land was presented by the Chairperson Councillor Hawker.

**DECLARATIONS OF INTEREST**

Declarations of Interest were made in respect of the following items:

**Pecuniary Interests - Nil**

**Non Pecuniary – Significant Interests - Nil**

**Non Pecuniary – Less than Significant Interests**

Councillor Borg - Item 23.2 - EOI for Lease of Ingleburn Occasional Care Facility - Councillor Borg advised that one of the parties is known to him.

**Other Disclosures - Nil**

---

## **1. GOVERNANCE AND RISK**

### **1.1 Profile and Performance of the NSW Local Government Sector 2013-2014**

#### **Reporting Officer**

Manager Governance and Risk

---

#### **Attachments**

Profile and Performance of the NSW Local Government Sector – Your Council Report (contained within this report)

#### **Purpose**

To provide an overview of the Office of Local Government Profile and Performance of the NSW Local Government Sector – Your Council Report.

#### **History**

Councils have been reporting on financial and other performance data for many years with the NSW Government collating the information provided into a comparative data publication. As part of the local government reforms currently taking place across the sector, the government has revised the format of the Comparative data publication and presented the first 'Your Council' report, as a new tool to build a picture of local government in NSW and assist councils to better serve their local communities in a more effective and sustainable way.

#### **Report**

The 'Your Council' publication provides information about local councils across NSW to assist local communities, the local government sector and government regulators understand how local government in NSW is performing as a whole, and how individual councils are performing over time and in comparison to similar councils.

A number of significant reforms have recently been undertaken in relation to local government in NSW. These include:

- the Independent Local Government Review Panel Final Report - Revitalising Local Government (October 2013)
  - Fit for the Future - A Road Map for Stronger, Smarter Councils - the Government's response to the Independent Local Government Review Panel Final Report
  - ongoing development of industry wide performance indicators via the Local Government Performance Measurement Framework.
-

In response to the Independent Local Government Review Panel recommendations, the Office of Local Government (OLG) developed criteria and certain benchmarks for a Fit for the Future council based on the work of Treasury Corporation (TCorp) and the Independent Panel and reviewed by the Independent Pricing and Regulatory Tribunal (IPART). As part of the reform program the OLG has also aligned the indicators presented in the 'Your Council' report with the Fit for the Future criteria and benchmarks.

The 'Your Council' publication presents the current set of indicators in two parts. The first part of the report presents an overview of the current status of the NSW local government sector. The second part presents each council's results against the indicators as time series data over the period 2012-2014.

The key performance measures in this report, when used on their own, do not give a full picture of a council's performance. Although they show differences between councils across the selected activity areas, they do not explain why these differences have arisen. Conclusions should not be drawn without further qualitative assessment.

The Australian Classification of Local Governments (ACLG) groups councils into 22 categories based on socioeconomic traits and their ability to deliver a range of services to the community. The OLG's publication allocates councils into 11 groups, as some of the ACLG groups contain either no NSW councils or only one or two, making NSW performance comparisons difficult.

Campbelltown is grouped with seven other large metropolitan fringe councils with populations in excess of 70,000 people – Blue Mountains, Gosford, The Hills, Hornsby, Liverpool, Penrith and Wyong.

This publication summarises the demographic and socio-economic information about each local government area and draws out key data on council demographics, financial sustainability, infrastructure, expenditure, rating, community leadership and core council services.

In comparing the data, it is important to note that the measures in the report do not give a full picture of a council's performance when used on their own. There may also be local circumstances or factors which can affect the results such as the demographic and socio-economic makeup of an area and the range of functions and services undertaken by each council.

### **Overview of NSW local government**

The 'Your Council' publication highlights some points of interest and change in the NSW local government sector over the past 10 years:

- as an industry, local government is custodian of over \$139b worth of assets, it contributed more than \$7.5b to the economy during 2013-2014 and directly employs more than 45,000 people
  - employment in the sector (as measured by full time equivalents) has increased by 6% over past 10 year period
  - the number of people receiving the pensioner rate rebate increased over the past 10 years. This reflects the overall increase in the proportion of the NSW population aged over 65, which increased from 962,800 (13.8%) to 1,123,967 (15%) over the same period
-

- the total number of development applications determined was 42% lower in 2013-2014 than in 2005-2006 (when data was first collected). This is partially due to the use of council planning instruments being replaced with the Codes SEPP (State Environmental Planning Policy) for exempt and complying developments
- there has also been an increase in the number of private certifier determinations. Private Certifiers determined 24% of development in 2013-2014
- while the number of development applications determined has fallen since the collection of data in 2005-2006, the total value of approved developments has increased by 28.4% to \$25.689b
- the amount and scope of infrastructure provided by councils has also grown in the past 10 years, with councils adding over 1,854km of roads to their networks, and providing an additional 289 community centres and halls
- the number of public swimming pools under council ownership has fallen marginally, this may reflect a 'consolidation' toward larger centralised aquatic centres
- the number of councils recording an operating deficit before capital increased to 111 councils in 2013-2014, compared with 98 councils (64%) for 2012-2013, largely due to the decision of the Federal Government to roll back the advanced payments of the Financial Assistance Grants
- the total infrastructure backlog has fallen from approximately \$7.4b as at 30 June 2012 to \$5.5b as at 30 June 2014
- between 2009-2010 to 2013-2014, the total ordinary rates income from residential ratepayers increased an average of 3.7% per year, 4.1% from business, 3.1% from farmland and 10.3% from the mining category
- in 2013-2014, 23 councils were given approval to increase their rates by more than the rate peg limit.

### **Metropolitan fringe council comparison**

As mentioned previously, Campbelltown is grouped with seven other large metropolitan fringe councils with populations in excess of 70,000 people – Blue Mountains, Gosford, The Hills, Hornsby, Liverpool, Penrith and Wyong.

The data publication highlights some points of interest for Campbelltown City Council compared to the other metropolitan fringe councils:

- Campbelltown's average residential rate is the second lowest of the metropolitan fringe group
- Campbelltown has the lowest domestic waste charge of the metropolitan fringe group
- the mean gross days taken to determine a Development Application has decreased from 100 days in 2012-2013 to 89 days in 2013-2014.

The following provides a snapshot of Campbelltown based on a set of performance indicators, in comparison with the metropolitan fringe group. The full publication can be accessed by copying and pasting the below link in to your web browser:

<https://www.olg.nsw.gov.au/public/my-local-council/yourcouncil-website>

---

## 1.1 Profile And Performance Of The NSW Local Government Sector 2013-2014

<b>Council</b>	<b>Blue Mountains</b>	<b>Campbelltown</b>	<b>Gosford</b>	<b>The Hills</b>	<b>Hornsby</b>	<b>Liverpool</b>	<b>Penrith</b>	<b>Wyong</b>
<b>Population</b>	79,225	154,538	170,752	180,214	166,855	195,355	190,428	157,358
<b>Number of Councillors</b>	12	15	10	12	10	11	15	10
<b>Number of Councillors /Population</b>	6,602	10,303	17,075	15,297	16,686	17,760	12,695	15,736
<b>Full Time Equivalent Staff</b>	498	619	1,012	577	550	697	1,061	927
<b>2013/14 Total Revenue from Continuing Operations (\$'000)</b>	100,977	139,264	279,222	257,531	142,714	185,884	214,801	243,215
<b>2013/14 Total Expenses from Continuing Operations (\$'000)</b>	102,737	128,698	266,403	130,106	122,544	151,429	192,573	221,977
<b>% Pensioner Residential rate</b>	19	15	21	14	14	15	15	23
<b>Population Density per capita/km2</b>	55	495	181	458	361	640	471	213

	<b>Blue Mountains</b>	<b>Campbelltown</b>	<b>Gosford</b>	<b>The Hills</b>	<b>Hornsby</b>	<b>Liverpool</b>	<b>Penrith</b>	<b>Wyong</b>
<b>Local population</b>								
<b>Population aged 19 and less (%)</b>	25	29	25	28	26	30	28	27
<b>Population aged between 20 &amp; 60 (%)</b>	51	55	49	53	54	56	56	48
<b>Population aged over 60 (%)</b>	24	16	26	19	20	14	16	25
<b>Aboriginal &amp; Torres Strait Islanders Pop'n %</b>	1.7	3.2	2.2	0.4	0.4	1.5	3.0	3.7
<b>Language other than English Pop'n %</b>	5.1	25.2	5.3	28.5	28.4	49.8	14.6	4.0
<b>Socio-Economic Index Rating</b>	125	58	115	149	143	88	109	56

## 1.1 Profile And Performance Of The NSW Local Government Sector 2013-2014

<b>Local economy</b>	<b>Blue Mountains</b>	<b>Campbelltown</b>	<b>Gosford</b>	<b>The Hills</b>	<b>Hornsby</b>	<b>Liverpool</b>	<b>Penrith</b>	<b>Wyong</b>
<b>% Rate Unemployment</b>	5.8	6.5	5.1	4.5	5.0	7.5	6.6	7.9
<b>Average taxable income (\$)</b>	49,902	46,163	47,580	60,635	61,702	46,948	49,046	43,047
<b>Average Household Size (Number)</b>	2.5	2.9	2.5	3.1	2.9	3.2	2.9	2.5
<b>Value of DAs Determined (\$'000)</b>	111,011	310,277	314,799	797,553	565,892	620,587	519,669	419,497
<b>Active Businesses in LGA</b>	5,552	8,514	13,239	20,162	15,485	13,669	12,807	8,538
<b>Largest Industry Employer</b>	Education and training	Manufacturing	Health care/social assistance	Retail Trade	Health care/social assistance	Manufacturing	Manufacturing	Retail Trade

<b>Public Facilities</b>	<b>Blue Mountains</b>	<b>Campbelltown</b>	<b>Gosford</b>	<b>The Hills</b>	<b>Hornsby</b>	<b>Liverpool</b>	<b>Penrith</b>	<b>Wyong</b>
<b>Number of Public Swimming Pools</b>	5	3	10	1	3	3	2	4
<b>Number of Public Halls</b>	18	19	36	27	32	26	51	43
<b>Number of Public Libraries</b>	6	4	8	5	5	5	4	5
<b>Open Public Space (ha)</b>	6,556	1,100	30,768	1,240	860	1,599	880	28,285
<b>Total Road Length (km)</b>	741	705	1,142	982	669	853	1,069	1,037
<b>Dwellings internet connected (%)</b>	78	74	73	87	85	73	76	69

	Blue Mountains	Campbelltown	Gosford	The Hills	Hornsby	Liverpool	Penrith	Wyong
<b>Rating</b>								
<b>No of Residential Rating Assessment</b>	34,283	51,920	67,441	54,188	54,464	58,756	64,800	61,846
<b>Average Residential Rate (\$)</b>	1,249	935	919	1,081	1,132	1,044	1,028	913
<b>No. Farmland Assessment</b>	138	66	329	404	308	153	387	130
<b>Average Ordinary Farmland Rate (\$)</b>	2,007	6,667	991	1,584	1,877	3,007	3,129	2,446
<b>No. Business Assessments</b>	1,317	2,805	3,224	3,782	2,573	3,179	3,236	2,613
<b>Average Ordinary Business Assessment (\$)</b>	2,866	5,993	2,618	1,827	3,255	5,804	6,257	3,662
<b>No. Mining Assessments</b>	0	3	0	0	0	0	0	5
<b>Avg Ordinary Mining Rates (\$)</b>	n/a	5,000	n/a	n/a	n/a	n/a	n/a	175,600
<b>Avg domestic waste charge</b>	337	283	389	418	381	339	342	462

	Blue Mountains	Campbelltown	Gosford	The Hills	Hornsby	Liverpool	Penrith	Wyong
<b>Financial benchmarks</b>								
<b>% Own Source Revenue</b>	83	73	83	63	84	71	73	87
<b>% Grants Revenue</b>	16	26	17	32	16	29	27	13
<b>Operating Performance Ratio</b>	-10.72	-2.92	-4.44	14.66	5.15	-6.79	-8.03	2.92
<b>Unrestricted Current Ratio</b>	1.91	3.44	2.15	12.56	1.79	2.32	1.10	1.56
<b>Outstanding Rates and Annual Charges (%)</b>	3.87	4.29	5.86	2.95	2.79	5.41	3.87	5.22
<b>Debt Service Cover ratio</b>	1.3	3.8	3.1	0.0	5.6	3.1	0.7	3.0
<b>Debt Service Ratio</b>	8.5	4.1	7.8	0.0	4.2	5.9	7.3	10.6
<b>Cash Expense Cover Ratio</b>	4.4	8.2	6.0	21.2	5.0	12.4	2.9	8.7



## 1.1 Profile And Performance Of The NSW Local Government Sector 2013-2014

	<b>Blue Mountains</b>	<b>Campbelltown</b>	<b>Gosford</b>	<b>The Hills</b>	<b>Hornsby</b>	<b>Liverpool</b>	<b>Penrith</b>	<b>Wyong</b>
<b>Council services</b>								
<b>Governance &amp; Admin Expenditure per capita (\$)</b>	302	145	79	39	126	175	166	24
<b>Environmental Expenditure per capita (\$)</b>	369	151	314	167	202	155	158	230
<b>Community Services &amp; Education, Housing Expenditure per capita (\$)</b>	83	150	111	187	122	112	159	125
<b>Recreational &amp; Cultural Expenditure per capita (\$)</b>	181	170	162	106	108	88	140	134
<b>Public Order, Safety &amp; Health Expenditure per capita (\$)</b>	119	40	47	27	24	22	55	55
<b>Other Services Expenditure per capita (\$)</b>	112	44	157	20	43	40	66	137
<b>Library Services Expenditure per Capita (\$)</b>	34	36	32	36	44	41	40	31
<b>Library Circular per capita</b>	7	4	5	8	8	4	4	5
<b>% Recycling Rate</b>	44	68	46	46	49	69	62	49
<b>Mean gross days for DAs</b>	81	89	64	82	89	104	71	41
<b>No. of DAs determined</b>	707	663	1,216	1,317	797	1,173	1,414	1,561
<b>Companion Animals micro chipped and registered (%)</b>	57	63	66	55	70	49	48	62
<b>Companion Animals micro chipped (No.)</b>	34,018	53,373	64,229	52,856	44,062	46,480	76,325	66,246

	Blue Mountains	Campbelltown	Gosford	The Hills	Hornsby	Liverpool	Penrith	Wyong
<b>Community leadership</b>								
<b>Number of DAs Determined by Councillors</b>	30	24	27	18	45	37	15	9
<b>Audited Financial Statements Submitted on Time</b>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<b>Number of Code of Conduct Complaints</b>	1	1	1	2	0	0	1	6
<b>Cost of dealing with Code of Conduct Complaints (\$)</b>	5,605	41,952	1,200	5,786	0	0	5,023	2,000
<b>Complaints Investigated for Breach (No.)</b>	0	0	0	0	0	0	0	2
<b>Equivalent Full Time Staff / Population</b>	159	250	169	318	303	280	179	170

	Blue Mountains	Campbelltown	Gosford	The Hills	Hornsby	Liverpool	Penrith	Wyong
<b>Council assets</b>								
<b>Roads, Bridges &amp; Footpaths Expenditure per capita (\$)</b>	98	96	147	140	65	143	227	165
<b>Building &amp; Infrastructure Renewal Ratio</b>	34	60	82	237	76	84	61	102
<b>Infrastructure Backlog Ratio</b>	2	4	5	3	1	4	4	3
<b>Asset Maintenance Ratio</b>	103	86	71	194	79	85	119	100

Work is continuing by the government to further develop the indicators of council performance across key areas, as a result, the data reported will continue to evolve in future editions.

### Officer's Recommendation

That the information be noted.

### Committee's Recommendation: (Greiss/Kolkman)

That the Officer's Recommendation be adopted.

**CARRIED**

**Council Meeting 17 November 2015 (Hawker/Borg)**

That the Officer's Recommendation be adopted.

**Council Resolution Minute Number 214**

That the Officer's Recommendation be adopted.

---

## ATTACHMENT 1



**PROFILE & PERFORMANCE OF THE  
NSW LOCAL GOVERNMENT SECTOR**

# CONTENTS

<b>Measuring Council Performance</b>			
Minister's Foreword	1	Cash Expense Ratio	15
Chief Executive's Message	1	Revenue and Expenditure	16
	2	Rating Revenue	18
<b>Introduction</b>	3	Financial Performance	19
Why measure and report on local council performance?	3	<b>Services Provided by Your Council</b>	20
A report in transition	3	Key Service Types	20
What is driving changes to this publication?	4	Expenditure on Services	21
What progress has been made to develop new performance measurement indicators?	4	<b>Managing Community Assets</b>	23
How have councils been classified and grouped for comparative purposes?	5	Estimated Cost to Bring Assets to a Satisfactory Standard (BTS)	24
Data Sources	6	Asset Maintenance Expenditure	25
Important Note	6	Building and Infrastructure Renewal Ratio	26
	7	Infrastructure Backlog Ratio	27
<b>The State of Local Government in NSW</b>	8	Local Infrastructure Renewal Scheme (LIRS)	29
NSW Local Government at a glance	9	<b>Achieving Community Outcomes</b>	31
<b>How is the NSW Local Government Sector Performing Financially?</b>	11	Planning & Development	31
Overall Operating Result	11	<b>Stronger Community Leadership</b>	33
Operating Performance Ratio	12	Financial Reporting	33
Unrestricted Current Ratio (UCR)	13	Audit Opinion	34
Own Source Revenue Ratio	13	Code of Conduct Complaints	35
Rates & Annual Charges Outstanding Ratio	14	<b>Access to Services</b>	37
Debt Service Cover Ratio	15		
Debt Service Ratio	15		



# Measuring Council Performance

## MINISTER'S FOREWORD

The NSW Government and the local government sector are working together to strengthen local government in NSW. To have a strong future, we need strong councils providing the services and infrastructure communities need.

This work includes building a stronger set of local government performance indicators to provide NSW communities with a clear and balanced picture of how effectively and efficiently councils meet local needs.

Building a robust performance measurement framework for the local government sector is a large and important task that is being undertaken in stages.

To date, councils have told us that they support this work and that there is real value in using a consistent set of meaningful performance indicators to promote good practice and drive improvement in key areas.

The NSW Government is pleased to make the information about performance of councils available to their local community.

Ultimately this will empower communities and councils to work together to make the best possible decisions for their future in providing services and infrastructure.



THE HON  
**PAUL TOOLE MP**  
MINISTER FOR LOCAL GOVERNMENT

## CHIEF EXECUTIVE'S MESSAGE

The Office of Local Government is pleased to present the Your Council performance report, as part of our continuing commitment to improve the quality and presentation of annual data collected from councils in NSW.

This Report provides community members with important information about how local government in NSW is currently performing and explains some of the drivers behind this performance.

The Office of Local Government has been working with the sector over the past year to help develop key performance indicators for local government, and this work will continue in 2015. These new performance measures will help councils across NSW to actively manage and improve their organisation's performance and be more accountable to their communities. I would like to thank those councils who have contributed their time and expertise to help to develop the new framework.

I would also like to thank those councils who have contributed to this publication. We will be making further improvements in the coming years and would welcome feedback from the community and councils on the usefulness of the performance measures and any improvements that could be made.



**MARCIA DOHENY**  
CHIEF EXECUTIVE  
OFFICE OF LOCAL GOVERNMENT



# Introduction

## WHY MEASURE AND REPORT ON LOCAL COUNCIL PERFORMANCE?

Councils provide a wide range of services and manage many assets that people in local communities rely upon.

Communities need to have a clear, concise and meaningful picture of their council's performance across key areas to understand how effectively their council is working to look after public assets and deliver local services.

This report provides information in one place about local councils across NSW to help local communities, the local government sector and government regulators understand how well local government in NSW is performing as a whole, and how well individual councils are performing over time and in comparison to similar councils.

In particular, it provides the basis for communities to ask their councils questions about important performance areas such as community leadership, financial sustainability, asset maintenance and service delivery.

## A REPORT IN TRANSITION

This first 'Your Council' Report, (formally The Comparatives Publication on NSW Local Government) is an important tool as we start to build a picture of local government in NSW. This is the 24th year of collecting performance data from councils.

Work is continuing to develop the best possible indicators of council performance across key areas. The data reported will continue to evolve in future editions.



## WHAT IS DRIVING CHANGES TO THIS PUBLICATION?

Changes are being driven by local government reform currently occurring to help make local councils more effective and sustainable in the long term.

This work was triggered through a collaborative NSW Local Government project, Destination 2036, through which councils and the NSW Government agreed on a number of key actions, including the development of a new Local Government Performance Measurement Framework.

Since that time, the Independent Local Government Review Panel and Local Government Acts Taskforce have consulted widely with councils and the community and have provided reports with recommendations for reform to the NSW Government. These reports are publicly available on the Office of Local Government (the Office) website at [www.olg.nsw.gov.au](http://www.olg.nsw.gov.au).

These reports, as well as an earlier NSW Auditor General's report of 2012, have highlighted the need for a core set of financial and non-financial indicators to provide a better picture of councils' overall performance to improve public accountability.

## WHAT PROGRESS HAS BEEN MADE TO DEVELOP NEW PERFORMANCE MEASUREMENT INDICATORS?

The Office is continuing to work with local government to develop key performance indicators under a new Local Government Performance Measurement Framework.

The indicators will help communities to measure important aspects of a council's performance in the four key areas of:



Consultation feedback on a discussion paper, Strengthening Councils and Communities: Building a New Framework for Measuring Performance in Local Government, released between November 2013 and January 2014, has indicated strong support from the sector to develop a performance measurement system around these four key areas.

In particular, councils indicated support for a system that aligns with Integrated Planning and Reporting, provides trend data and meaningful comparison with like councils to help drive improvement, is flexible enough to take local differences and needs into account, and that minimises the overall reporting burden.

Four working groups of council and other experts have developed measures under the key areas of the framework. A fifth working group examined whether and how the NSW Government could coordinate a State-wide community satisfaction survey to feed into the Framework. A working paper will be released for feedback in relation to the performance management framework and indicators.

Consultation feedback is continuing to inform this work. A Strategic Steering Group, made up of senior local government and other representatives, is also providing input on the measures, including whether they provide a balanced picture of council performance that is meaningful and useful to local communities.

The end result will be a core, consistent set of key performance indicators to show a balanced picture of the financial and governance health of councils, how well they deliver functions and services and the management of assets across NSW.

The focus of this work is on using readily obtainable data. Future phases of work may need to occur to refine the Framework, fill data gaps and consider issues such as comparison groupings and benchmarking.

## HOW HAVE COUNCILS BEEN CLASSIFIED AND GROUPED FOR COMPARATIVE PURPOSES?

Councils have been compared, where relevant, with the 'group average'. Council groups (referred to as OLG Groups) are based on the Australian Classification of Local Governments (ACLG) and are determined according to their socio-economic characteristics and their capacity to deliver a range of services to the community.<sup>a</sup>

It should be noted that the groupings are based on broad demographic variables. There are often large differences between councils in the same group, as a result this information should not be used as a basis for individual council policy changes.

The Office and the local government sector recognise that the current OLG groupings of councils may need to be revised as part of the performance measurement work being undertaken and the outcomes of the current local government reform process.

## DATA SOURCES

Data for this publication has been sourced from councils' financial statements and grants returns as well as a number of agencies including the Australian Bureau of Statistics (ABS), Department of Planning and Environment, State Libraries and NSW Office of Water.

From time to time, this data may be amended and updated, eg ABS population projections. These population projections are used in calculating the population change and the per capita results in a range of indicators. These figures may be subsequently amended by the ABS in future years. Where possible, the population results in our publications are amended.

The accuracy of this publication is largely dependent upon the accuracy and completeness of data returns lodged by councils. The Office does not separately audit the data but we do conduct extensive testing for validity and reasonableness and some data is from councils' audited financial statements.

<sup>a</sup> NSW councils have been compiled into 11 groups instead of 22 categories because several of the ACLG categories contain either none or only one or two NSW councils.



## IMPORTANT NOTE

The key performance measures in this report, when used on their own, do not give a full picture of a council's performance. Although they show differences between councils across the selected activity areas, they do not explain why these differences have arisen. Conclusions should not be drawn without further qualitative assessment.

When assessing or comparing the performance of councils, it is important to remember that local circumstances can influence how well a council provides its services. There are often good reasons why it is harder or more costly to provide certain services in some local government areas than in others, or why a different mix of services may be delivered. Each council makes its own decision about whether to provide a lower or higher level of services depending on local needs and priorities.

The figures are indicators only and conclusions should not be drawn without qualitative assessments being made. Members of the community are encouraged to contact their council if they would like any further details or explanations regarding individual results.

## DO YOU HAVE ANY FEEDBACK?

If you have any feedback on this report, the framework or suggestions for suitable key performance indicators for future inclusion, please email the Office at [yourcouncil@olg.nsw.gov.au](mailto:yourcouncil@olg.nsw.gov.au).

# The State of Local Government in NSW

A number of significant initiatives have recently been undertaken in relation to local government in NSW. These include:

The Independent Local Government Review Panel Final Report – Revitalising Local Government (October 2013)

Fit for the Future—A Road Map for Stronger, Smarter Councils—the Government's response to the Independent Local Government Review Panel Final Report

Ongoing development of industry-wide performance indicators via the Local Government Performance Measurement Framework



Each of these initiatives has given the Office and the State Government a direction for the way forward and to assist councils to become financially sustainable and deliver efficient services to their communities.

The NSW Government has a vision to rebuild our State and deliver a strong future for the people of NSW by having strong councils providing the services and infrastructure that communities need.

This part of the report presents an overview of the current status of the NSW local government sector.



## NSW LOCAL GOVERNMENT AT A GLANCE

The local government sector comprises 152 general purpose councils and their physical size and population density characteristics vary, ranging from densely populated urban councils to remote, rural councils.

The largest council in area is Central Darling which covers **53,534km<sup>2</sup>**, with the smallest being Hunters Hill at **5.7km<sup>2</sup>**. Similarly, population size varies enormously with Urana Shire Council having **1,157 residents**, while Blacktown City Council has **325,185 residents**.

Local councils make a significant contribution to the NSW economy. As an industry, local government is custodian of over \$139 billion worth of assets, it contributed more than \$7.5 billion to the economy during 2013/14 and directly employs more than 45,000 people.

Table 1 outlines some of the changes that have occurred within the local government sector over the past 10 years, including changes in activities undertaken and services provided by councils.

There have been no amalgamations in the past 10 years, with the number of general purpose councils remaining at 152. The reduction in the total number of councillors during this time was due to some councils holding a referendum to reduce councillor numbers. Also in 2006 and 2011, legislation allowed councils to reduce councillor numbers without a referendum. Despite this, employment in the sector (as measured by full time equivalents) has increased by 6% over the same 10 year period.

The number of people receiving the pensioner rate rebate increased over the past 10 years. This reflects the overall increase in the proportion of the NSW population aged over 65, which increased from 962,800 (13.8%) to 1,123,967 (15%) over the same period.

The amount and scope of infrastructure provided by councils has also grown in the past ten years, with councils adding over 1,854km of roads to their networks, and providing an additional 289 community centres and halls. While the number of public swimming pools under council ownership has fallen marginally, this may reflect a 'consolidation' toward larger centralised aquatic centres.

Councils also undertake a large range of regulatory functions, including inspections of food and other premises, such as hairdressers and tattooists. These activities have grown significantly over the last 10 years, as reflected by the growth in the number of regulated establishments.

Another important role of councils relates to planning and development. In 2013/14, the total number of development applications determined was 42% lower than in 2005/06 (when data was first collected). This is partially due to the use of council Planning Instruments being replaced with the Codes SEPP (State Environmental Planning Policy) for exempt and complying developments. There has also been an increase in the number of private certifier determinations. Private Certifiers determined 24% of development in 2013/14.

It should be noted, however, that while the number of development applications determined has fallen since the collection of data in 2005/06, the total value of approved developments has increased by 28.4% to \$25,689 billion.

## 1.1 Profile And Performance Of The NSW Local Government Sector 2013-2014

<b>TABLE 1</b> <b>NSW LOCAL GOVERNMENT</b> <b>INDICATORS OF CHANGE</b>					<b>% of Change 2004/05 to 2013/14</b>	
	<b>2004/05</b>	<b>2009/10</b>	<b>2013/14</b>			
<b>NSW Population</b>	6,650,735	7,053,753	7,410,399			11.42%
<b>Number of Councils</b>	152	152	152			0.00%
<b>Number of Councillors</b>	1,567*	1,525 <sup>#</sup>	1,480**			-5.55%
<b>Equivalent Full Time Staff</b>	42,219	44,588	44,846			6.22%
<b>Number of Pensioner Rebates</b>	451,454	457,412	475,431			5.31%
<b>Open Space (ha)</b>	154,663	129,047	150,696			-2.57%
<b>Public Pools</b>	485	468	464			-4.33%
<b>Community Centres &amp; Public Halls</b>	1,498	1,606	1,787			19.29%
<b>Length of Roads (km)</b>	163,782	165,052	165,636			1.13%
<b>Number of DAs determined</b>	105,225 <sup>##</sup>	71,550	60,791			-42.23%
<b>Value of DAs determined</b>	\$20 B <sup>##</sup>	\$17.03 B	\$25.69 B			28.44%
<b>Number of Food Premises requiring inspection</b>	39,503	42,566	45,103			14.18%
<b>Levee Banks Maintained (km)</b>	582	597	586			0.78%
<b>Average Council Revenue Per Capita (\$)</b>	951.61	1,338.72	1,518.18			59.54%
<b>Average Council Expenses Per Capita (\$)</b>	921.57	1,187.67	1,359.57			47.53%

\* Following 2004 election  
<sup>#</sup> Following 2008 election  
<sup>##</sup> Following 2012 election  
 \*\* 2005/06





## How is the NSW Local Government Sector Performing Financially?

### OVERALL OPERATING RESULT

The Office monitors councils' financial performance against a range of indicators each year. These results had formed a large component of previous Comparative Information reports prepared by the Office.

Local Government entities are required by legislation to prepare annual audited financial statements. The financial statements must be independently audited and an audit opinion expressed on each report.

In 2012, the Office engaged NSW Treasury Corporation (TCorp) to undertake a financial sustainability review of all general purpose councils in NSW.

TCorp noted that, to address the expected continued deterioration in their financial position, councils will require extensive consultation processes with the community to consider a combination of revenue increases, expenditure reductions and service level reviews. Most councils have, during 2013/14, continued to actively address these issues by focusing on financial sustainability and improving their results.

The benchmarks adopted do not necessarily represent a pass or fail in respect of any particular area, and it is acknowledged that councils have significant differences in their size and population density.

Trends in results against the benchmarks are important, as well as the overall performance against all the benchmarks. It is also important to note that not one benchmark fits all. Detailed information regarding the benchmarks, quantitative measurement and definitions can be found on the Data Page of the website.

In response to the Independent Local Government Review Panel recommendations, the Office has developed criteria and certain benchmarks for a Fit for the Future council. These have been based on the work of TCorp and the Independent Panel and have been reviewed by the Independent Pricing and Regulatory Tribunal (IPART).

The Fit for the Future criteria and benchmarks align, in most instances, with the indicators presented in this report.



## OPERATING PERFORMANCE RATIO

The operating performance ratio measures a council's achievement in containing operating expenditure within operating income. Figure 1 shows the operating results for the 152 general purpose councils for the past 5 years.

An operating deficit before capital occurs when total expenses are greater than total revenue (excluding all capital amounts). This includes a council's day to day income and expenses. Total expenses include depreciation, amortisation and impairment. The ratio is calculated by the total continuing operating revenue (excluding capital grants and contributions) less operating expenses, divided by total continuing operating revenue (excluding capital grants and contributions).

The number of councils recording an operating deficit before capital increased in 2013/14. This is largely due to the decision of the Federal Government to roll back the advanced payments of the Financial Assistance Grants (FAGs). As indicated in Figure 1, 111 councils (73%) reported deficits for 2013/14 compared with 98 councils (64%) for 2012/13.

Table 2 shows that the operating performance ratio state average has deteriorated from -5.0% in 2012/13 to -8.76% in 2013/14. All regions reported a deterioration in this ratio, which may indicate the significance that FAGs contribute to local government.

Deficit amounts for individual councils ranged from \$328,000 to \$26 million and the total amount of deficits totalled \$535.4 million. 60% of those councils reporting a deficit reported amounts of greater than \$2.5 million. The gap between operating revenue and expenditure translated into a net operating deficit of \$359.4 million for the sector. This is a decline of \$106.3 million from the previous year's net operating deficit of \$253.1 million.

Councils are encouraged to budget for surplus results and to take into account the condition and maintenance requirements of assets in this process.



**FIGURE 1**  
NUMBER OF COUNCILS WITH OPERATING SURPLUS/DEFICIT RESULTS

**TABLE 2**  
 AVERAGE FINANCIAL RESULTS 2013/14

	State Average	Metropolitan*	Metropolitan Fringe*	Regional Town/City*	Large Rural*	Rural*	Benchmark
Operating Performance (%)	-8.76	-0.88	-5.31	-7.85	-12.92	-15.19	>0%
Cash Expenditure (months)	9.79	8.24	9.30	10.10	10.91	10.63	>3.0
Own Source Revenue (%)	70	83	74	74	65	55	>60%
Unrestricted Current Ratio	3.61	3.35	3.53	2.75	4.16	4.47	>1.5:1
Debt Service Ratio (%)	4.29	2.04	5.37	8.46	3.69	1.96	>0 - <20%
Debt Service Cover Ratio	82.69	272.13	2.70	3.58	13.79	111.87	>2.0
Rates & Annual Charges Outstanding (%)	6.25	3.40	4.67	5.49	7.27	10.28	<5% Metro <10% Rural

## UNRESTRICTED CURRENT RATIO (UCR)

The unrestricted current ratio measures the adequacy of working capital and the ability of a council to satisfy its obligations in the short term. It does not include externally restricted activities such as water, sewer or specific grants and contributions. UCR is calculated by current assets less all external restrictions divided by current liabilities less specific purpose liabilities.

An UCR of 4.45 means that council has \$4.45 in unrestricted current assets to meet each \$1.00 of unrestricted current liabilities. A ratio of less than 1.5 is considered unsatisfactory and could indicate, along with other financial indicators, that the council may face some financial risk.

The State average has decreased from 4.0 in 2012/13 to 3.6 in 2013/14, with only the metropolitan councils improving slightly in 2013/14. UCRs ranged from 0.05 to 15.79.

## OWN SOURCE REVENUE RATIO

Own source revenue ratio measures financial flexibility. It indicates the degree of reliance on external funding sources such as operating and capital grants and contributions received by councils. A council has improved financial flexibility with a higher level of own source revenue.

This ratio has seen an increase from 2013/14, with all regions improving. Own source revenue ranged from 29.8% to 92.9%, with 84% of councils reporting greater than 60% of own source revenue. This significant change can largely be attributed to the reduction in amount of FAGs received by councils in 2013/14, rather than an increase in own source revenue.

Own source revenue is calculated by total continuing operating revenue less all grants and contributions divided by total operating revenue including all grants and contributions.



## RATES & ANNUAL CHARGES OUTSTANDING RATIO

This ratio assesses the impact of uncollected rates and annual charges on liquidity and the efficiency of councils' debt recovery. Some councils may have agreements in place to assist ratepayers in an attempt to reduce the debt owed to council. The ratio measures rates and annual charges outstanding against the total amount of rates and charges levied by council.

Councils' outstanding rates and annual charges ratio ranged from 0.63% to 19.2%. The average for all outstanding rates and annual charges was 6.5%. The benchmark for outstanding rates is <5% for city and coastal councils and <10% for rural areas.

The actual amount of rates and charges outstanding in the state has increased by 15% since 2009/10, although the total amount outstanding in 2013/14 reduced to \$285 million compared \$296 million in 2012/13.

Possible reasons for the increase in rates outstanding in recent years could be due to the prevailing economic climate, as well as the effectiveness of councils' debt recovery procedures and policies. Severe drought conditions within NSW over the past 10 years may have influenced the results. Councils should have a debt recovery policy and a hardship policy in place and should ensure that any outstanding amounts are actively pursued, in the context of the policies.



## 1.1 Profile And Performance Of The NSW Local Government Sector 2013-2014

## DEBT SERVICE COVER RATIO

The ratio measures the availability of operating cash to service debt including interest, principal and lease payments. Research commissioned by the Independent Local Government Review Panel found that generally NSW councils have comparatively low levels of debt. Councils have approximately twice as many financial assets as they do outstanding borrowings.

It appears that some councils may have a debt free policy, as well as significant capacity to repay additional debt, yet continue to report infrastructure backlogs. Nineteen councils reported they have no debt.

The ratio is calculated by operating results before capital, excluding interest, depreciation, impairment and amortisation divided by the principal repayments and interest costs.

The benchmark for this ratio is greater than 2.0. The higher the ratio, the greater the capacity for a council to take on and service additional debt. Metropolitan and Rural councils have the greatest capacity to repay additional debt, with the results for these councils well above the benchmark and the State average of 82.69.

## DEBT SERVICE RATIO

Debt service ratio indicates the amount of general income that is used to repay debt and interest charges. This ratio forms part of councils' Fit for the Future assessment. Prudent and active debt management is a key part of a council's approach to both funding and managing infrastructure and services over the long term. Debt usage can also assist in smoothing funding costs and promoting intergenerational equity.

The repayment of debt costs ranged from 0% to 25% of councils' income. The benchmark is greater than 0% and less than 20%. All groups of councils reported results at the lower end of the benchmark, which indicates that most councils may be using debt to address infrastructure backlog. Metropolitan, Large Rural and Rural councils are below the state average result of 4.29%.

The debt service ratio is calculated by cost of debt service (interest and principal repayment) divided by total continuing operating revenue (excluding capital grants and contributions).

## CASH EXPENSE RATIO

This ratio indicates the number of months a council can continue paying for immediate expenses without additional cash inflow.

The State average has improved in 2013/14 from 5.4 to 9.8 months. Metropolitan Fringe councils reported the greatest improvement from 3.1 in 2012/13 to 9.3 in 2013/14. The calculation of this ratio in 2013/14 included term deposits, which had been excluded previously and may be a contributing factor in the improvement.

The ratio is calculated by current year's cash and cash equivalent (including term deposits) divided by the cash flow payments of operating and financing activities.

## 1.1 Profile And Performance Of The NSW Local Government Sector 2013-2014

## REVENUE AND EXPENDITURE

Councils' total revenue including capital grants and contributions for 2013/14 was \$11.250 billion (operating revenue was \$9.715 billion) and total expenditure was \$10.075 billion.

The major source of revenue for councils is rates and annual charges. This includes residential, business, farming and mining rates, along with any special rates charged by councils. Annual charges include domestic waste, other waste charges, water, sewer and stormwater management. User charges and fees include activities such as water usage, drainage, parking fees, caravan parks, leisure centres, child and aged care services, building and regulatory services and private works.

Employee costs are the greatest expense to councils and include wages, salaries, leave entitlements, superannuation, workers compensation, fringe benefits and payroll tax. Materials and contracts is also a large expense item for councils. Materials and contracts consist of raw materials, contractor and consultancy costs, audit services and legal fees. Depreciation is a non cash expense that converts the capital cost of an asset

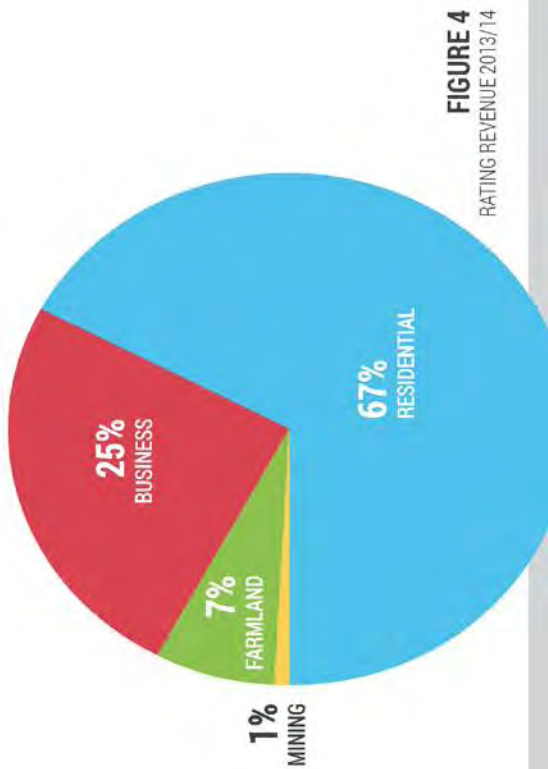
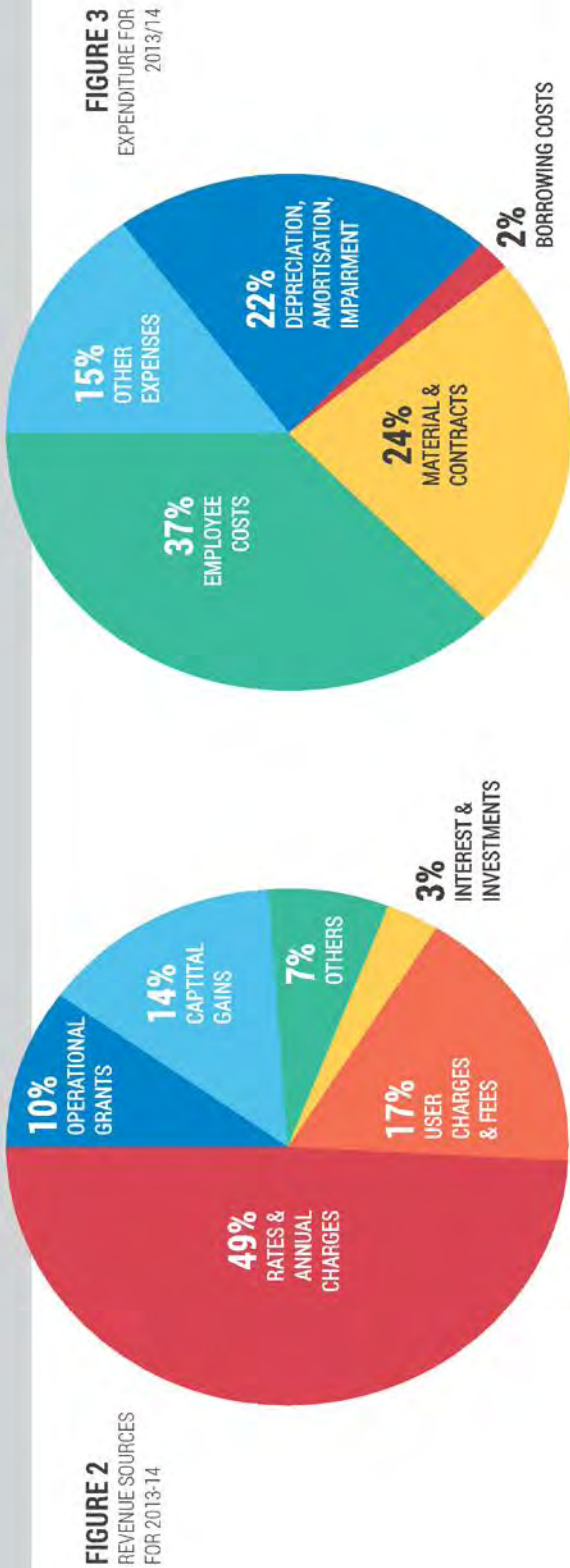
into an operational expense. It reduces the value of assets as a result of wear and tear, age or obsolescence. Assets must be replaced or renewed at the end of their useful life.

The 22% of expenditure on depreciation indicates the assumed amount of asset usage that has occurred during the year in the process of providing services.

(\$M)	2010/11	2011/12	2012/13	2013/14
<b>Total Assets</b>	126,433	129,789	134,272	139,636
<b>Total Liabilities</b>	5,526	5,732	6,037	6,293
<b>Total Net Infrastructure Assets</b>	117,634	120,392	124,065	128,790
<b>Borrowings</b>	2,896	2,967	3,218	3,342
<b>Cash &amp; Investments</b>	6,270	6,777	7,425	7,726
<b>Total Revenue (excl capital grants and contributions)</b>	8,811	9,340	9,653	9,715
<b>Total Expenditure</b>	9,343	9,607	9,905	10,075
<b>Operating Results (before capital grants and contributions)</b>	-532	-267	-252	-359

**TABLE 3**  
NSW LOCAL GOVERNMENT,  
KEY AGGREGATE FINANCIAL  
RESULTS 2010/11 – 2013/14





## 1.1 Profile And Performance Of The NSW Local Government Sector 2013-2014

## RATING REVENUE

All rateable land within a council area is to be categorised into one of four categories - residential, farmland, business or mining. The Local Government Act 1993 sets out the criteria councils are to apply when determining the appropriate category for land. Councils may also subcategorise parcels of land.

Rates may be calculated in one of three ways:

- entirely on the land value of the property
- on a combination of the land value of the property and a fixed amount per property
- entirely on the land value, but subject to a minimum amount.

Figure 4 illustrates the proportion of rating income councils received from each rating category in 2013/14. Residential properties contributed the largest share (67%), followed by business (25%). This distribution has been constant for a number of years.

The relative contribution by rating category varies significantly between councils, and is influenced by factors such as location, economic activity, council policies and land valuation.

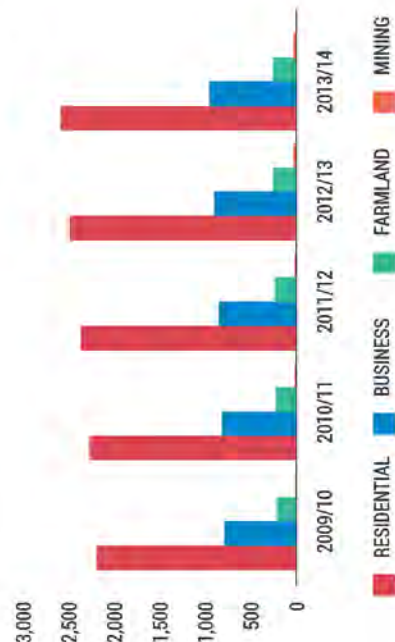
Councils may increase their general rates income each year by the rate-pegging limit, which is determined by the Independent Pricing and Regulatory Tribunal (IPART). For 2013/14, the limit was set at 3.4%. The rate peg applies to a council's total rating income, not to individual parcels of land. Rates for individual parcels will change depending on changes in the relative land value and the rating structure of a council. Councils may apply to IPART for a rate increase above the rate-pegging limit. In 2013/14, 23 councils were given approval to increase their rates by more than the rate peg limit. (See IPART's website for further details [www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au))

Figure 5 shows the change in total income from residential, farmland, business and mining rates categories over the five years 2009/10 to 2013/14.

Over this period:

- total rates income from residential ratepayers increased by 18.5% (an average of 3.7% per year)
- income from farmland properties increased by 15.3% (an average of 3.1% per year)
- income from the mining category increased by 51.6% (an average of 10.3% per year)
- total business income from rates increased by 21% (an average of 4.1% per year)

**FIGURE 5**  
RATING REVENUE SOURCES  
2009/10 – 2013/14



## FINANCIAL PERFORMANCE

Table 4 shows an aggregate financial performance result for the NSW local government sector for 2013/14.

The table shows a reduction of \$375M from 2012/13 in the amount of operating grants and contributions paid, as well as a reduction of \$42M in interest revenue. These results have been influenced by the interest rates in the current economic climate, as well as the winding back of the FAGs payments.

Impairment expenses were also reduced by \$11M, possibly due to the reduction in the number of natural disasters occurring in 2013/14.

Income from continuing operations	(\$M)	Diff from 2013/14 - 2012/13 (\$M)
<b>REVENUE</b>		
Rates and annual charges	5,466	284
User charges and fees	1,965	120
Interest and investment revenue	356	-42
Other revenues	648	46
Grants & contributions provided for operating purposes	1,183	-375
Grants & contributions provided for capital purposes	1,535	149
<b>OTHER INCOME</b>		
Net gain from the disposal of assets	91	30
Net share of interests in joint ventures & associates using the equity method	6	-1
Total income from continuing operations	11,250	211
<b>EXPENSES FROM CONTINUING OPERATIONS</b>		
Employee benefits and on-costs	3,724	129
Borrowing costs	225	9
Materials and contracts	2,473	6
Depreciation and amortisation	2,183	21
Impairment	2	-11
Interest and investment losses	0	0
Net loss from the disposal of assets	71	-30
Net share of interests in joint ventures & associates using the equity method	1	0
Other expenses	1,396	46
<b>TOTAL EXPENSES FROM CONTINUING OPERATIONS</b>	<b>10,075</b>	<b>170</b>
<b>OPERATING RESULTS FROM CONTINUING OPERATIONS</b>	<b>1,175</b>	<b>41</b>
<b>NET OPERATING RESULT FOR THE YEAR BEFORE CAPITAL GRANTS AND CONTRIBUTIONS</b>	<b>-359</b>	<b>-107</b>

**TABLE 4**  
WHOLE OF SECTOR FINANCIAL  
PERFORMANCE 2013/14



## Services Provided by Your Council

Councils provide a variety of services to residents, ratepayers and visitors to their area. Some of these services are provided on a user pays basis, while others are funded through a council's rating income and grants. Ultimately, the decision to provide a particular service and the level of this service is at the discretion of each council in consultation with the community.

## KEY SERVICE TYPES

Table 5 describes the key service types provided by councils. A number of factors affect the delivery and efficiency of each service, while local policies also determine the level of services provided. Some of the factors determining the cost and range of these services include:

- the population mix
- the availability of funding
- socio-economic factors
- the number and range of services provided
- council's cost allocation practices
- council policies
- short term programs

**TABLE 5**  
KEY SERVICES

SERVICE TYPE	DESCRIPTION OF SERVICE
<b>Governance &amp; Administration</b>	Council's role as a democratic government, including elections, members' fees and expenses, meetings of councils and policy making committees, area representation and public disclosure and compliance, corporate support and other support services, engineering works and any council policy compliance.
<b>Public Order, Safety &amp; Health</b>	Fire services, fire protection, emergency services, beach control, enforcement of local government regulations and animal control.
<b>Environment</b>	Noxious plants and insect/vermin control, environmental protection, solid waste management, street cleaning, drainage and stormwater management.
<b>Community Services, Education &amp; Housing</b>	Administration and education, social protection (welfare), aged, disabled and children's services, public cemeteries and conveniences, street lighting, town planning and other community amenities.
<b>Water &amp; Sewer</b>	The provision of water and sewer services.
<b>Recreation &amp; Culture</b>	Libraries, museums, art galleries, community centres, halls and performing arts, sporting grounds and venues, swimming pools, parks and gardens and other sporting and recreation facilities.
<b>Roads, Bridges &amp; Footpaths</b>	The provision of roads, bridges and footpaths.
<b>Other Services</b>	Services such as caravan parks, economic activities, agriculture, building control, aerodromes and communication.

## EXPENDITURE ON SERVICES

Figure 6 provides an indication of the average relative breakdown of expenditure for NSW councils by service type.

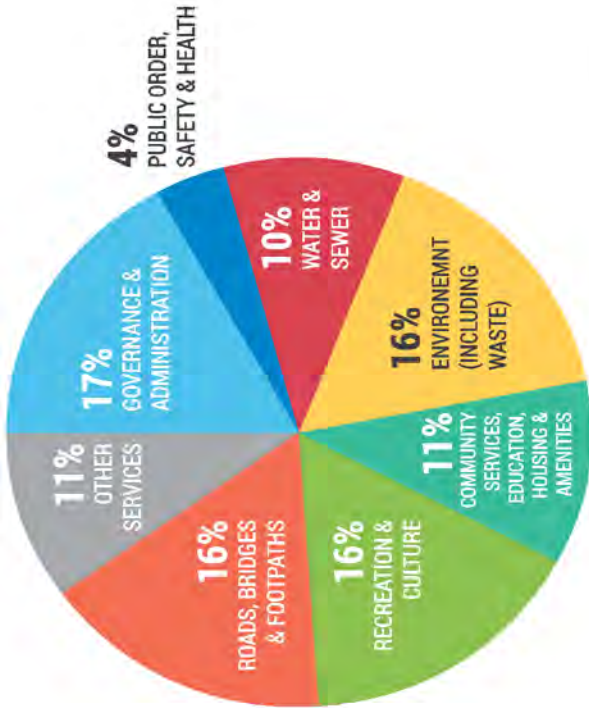
On average, governance and administration represent the largest component at 17%, followed by roads, bridges and footpaths 16%, the environment 16% and recreation and culture 16%.

Some care needs to be exercised when drawing conclusions about these results. While water and sewer represents 10% of average expenditure, only 65% of councils provide these services. No metropolitan councils provide water and sewer and in some regional and rural areas, the services are provided by county councils. In addition, depending on councils' costing methods, the governance and administration category includes a range of indirect costs, such as payroll associated with providing other services.

In some cases, councils have made deliberate decisions to provide lower or higher levels of services, according to local needs.

These limitations do not, however, invalidate comparisons. Communities have the right to see how their councils compare with others and how efficiency, economy and resource allocation varies from council to council. Such comparisons provide communities and councils with the opportunity to question why such differences exist.

Ultimately, councils should know, and should be able to demonstrate to their community, that they are providing services effectively, efficiently and that such services meet their community's needs.



**FIGURE 6**  
EXPENDITURE BY SERVICES 2013/14

Table 6 provides an overview of the average cost per capita of delivering core services, by the different council types:

Key observations are:

- Rural councils generally have far greater costs per capita due to their relatively smaller population.
- Road related expenditure is far greater in rural areas due to the significant larger road networks.

- Metropolitan and Metropolitan Fringe councils have lower per capita expenditure primarily due to economies of scale.
- Expenditure per capita can vary due to councils' decisions in relation to number and size of services provided.
- Metropolitan councils do not provide water and sewer services.
- Many rural councils provide 'Other Services' such as landing strips, aerodromes and agriculture services that are not provided by most other councils.

	Governance & Administration \$ per capita	Public Order, Safety, Health \$ per capita	Water & Sewer \$ per capita	Environment (including waste) \$ per capita	Community Services, Education, Housing & Amenities \$ per capita	Recreation & Cultural \$ per capita	Roads, Bridges & Footpaths \$ per capita	Other Services \$ per capita
<b>State Average</b>	227.24	61.49	140.42	218.71	145.87	216.14	219.16	131.65
<b>Metropolitan</b>	243.71	59.50	n/a	200.84	135.08	206.12	106.09	71.67
<b>Metropolitan Fringe</b>	129.30	45.34	120.34	194.32	140.06	172.72	154.02	74.63
<b>Regional Town/City</b>	223.24	60.75	299.41	260.87	139.88	248.21	293.72	182.96
<b>Rural</b>	714.91	184.80	454.25	231.84	384.32	340.26	1,336.61	742.27
<b>Large Rural</b>	362.14	110.93	424.95	227.78	230.68	258.62	711.76	407.77

**TABLE 6**  
 PER CAPITA EXPENDITURE BY SERVICE TYPE 2013/14





## ESTIMATED COST TO BRING ASSETS TO A SATISFACTORY STANDARD (BTS)

The improved information and greater focus on asset management has been reflected in a reduction in the estimated cost to bring assets to a satisfactory standard (referred to as the 'infrastructure backlog').

The total infrastructure backlog has fallen from approximately \$7.4 billion as at 30 June 2012 to \$5.5 billion as at 30 June 2014.

85 councils reduced their backlog amounts from the level reported in 2012/13. Backlog amounts ranged from \$45,000 to \$319 million.

Two councils did not report any backlog, with both reporting they have reduced their backlog to zero and one council's backlog remained the same. Conversely, 66 councils reported an increase in their backlog.

Each year the Office reviews significant changes in councils backlog estimates.

Councils are encouraged to continue to undertake community consultation in setting the level of service required for each class of asset when determining their budget.





# ASSET MAINTENANCE EXPENDITURE

Asset maintenance is essential to ensure assets continue to meet their service delivery requirements. Councils are required to have asset management plans that set out annual maintenance requirements to keep assets at their existing condition. If actual maintenance expenditure is less than the estimated required annual maintenance a council may not be investing enough funds within the year to stop its infrastructure backlog from growing.

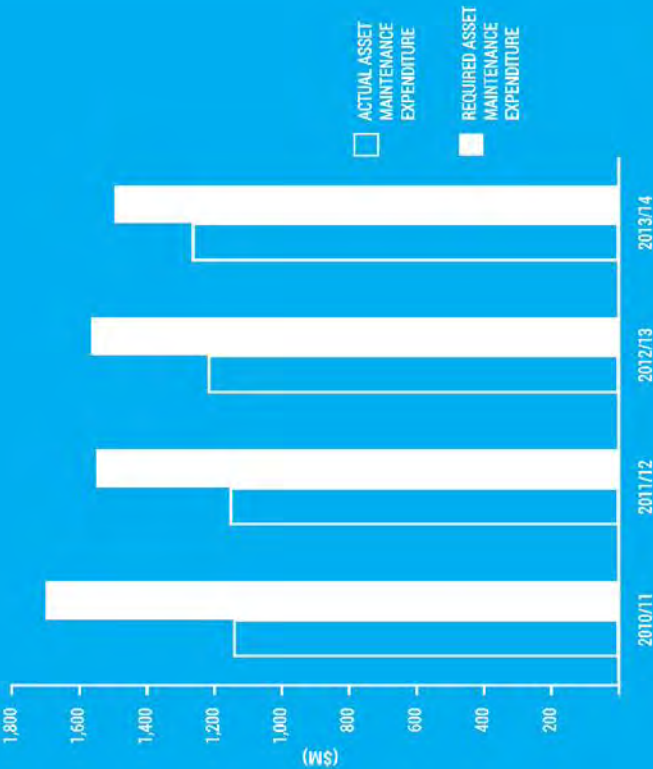
The average asset maintenance ratio has improved marginally from 91.1% in 2012/13 to 91.2% in 2013/14. A measure of 100% indicates council is investing sufficient funds to ensure the backlog does not increase.

The gap between actual maintenance and required maintenance indicates the difference between what individual councils' asset management plans project should be spent on infrastructure to keep it in its existing condition and what they actually spend. This data comes from Special Schedule 7 of the Annual Financial Statements. The Schedule is not required to be audited and some

councils do not include this data in their statements. In future years this information will be audited.

Shortfalls in maintenance expenditure for individual councils ranged from \$3,570 to \$24 million. 67% of councils reported a shortfall in asset maintenance expenditure with 10% of councils reporting an underspend of greater than \$5 million. The total net amount of this shortfall for all councils was \$234.2 million in 2013/14, compared to \$345.8 million in 2012/13. This reduction reflects both an increase in actual maintenance expenditure by councils (\$8.3 million) and a reduction in councils' estimated required annual maintenance (\$9.8 million).

Had the estimated required maintenance been fully implemented by all councils during the year, this would have had the effect of maintaining the infrastructure in the current condition. The cost of bringing councils' infrastructure to a satisfactory standard may increase as a result of any shortfall of actual maintenance to estimated maintenance. Figure 8 shows the difference between actual and required asset maintenance expenditure.



**FIGURE 8**  
ACTUAL ASSET MAINTENANCE EXPENDITURE COMPARED TO REQUIRED ASSET MAINTENANCE EXPENDITURE

## BUILDING AND INFRASTRUCTURE RENEWAL RATIO

The building and infrastructure renewal ratio assesses the rate at which assets are being renewed against the rate at which they are depreciating. Renewal is defined as the replacement of existing assets to equivalent capacity or performance capability, as opposed to the acquisition of new assets. A result of greater than 100 is considered satisfactory. It is calculated by the amount of asset renewal divided by the amount of depreciation.

The State average improved to 87% in 2013/14, with 47 (31%) councils reporting a result of 100% or greater.

While results below the benchmark generally indicate that councils need to increase funding on infrastructure renewal to maintain assets, renewal of assets depends on the types of services and level of services to be provided in the future, as well as the age and condition of the asset. Consequently the renewal expenditure may vary from year to year. This ratio needs to be considered in conjunction with other financial indicators in determining a council's financial position and sustainability.





## INFRASTRUCTURE BACKLOG RATIO

The infrastructure backlog ratio shows the infrastructure backlog as a total written down value of a council's infrastructure. The ratio is calculated by the estimated cost to bring assets to a satisfactory standard divided by the written down value of the assets.

116 councils reported a backlog ratio of greater than 2%, where less than 2% is considered the benchmark. The infrastructure backlog ratios ranged from 0% to 84%, with the State average being 8.7%. This is a reduction from 10% in 2012/13. All regions except Rural councils reported an improvement in 2013/14.

- Table 7 provides a snapshot of the infrastructure results for 2013/14.
- Regional Town/City councils have the largest infrastructure backlogs in total dollar terms, with an average backlog of \$63.5 million, with Metropolitan Fringe councils having an average backlog of \$48.7 million
  - While Rural councils have the lowest backlog in total dollar terms, on a per capita basis their average backlog of \$3,616 per capita is above the State average
  - Large Rural councils have an average backlog per capita of \$2,675
  - Metropolitan councils have considerably lower infrastructure backlogs (\$314 per capita), primarily due to their larger populations and small road networks
  - In terms of annual maintenance, Regional Town/City councils are spending 83.6% of what they believe is required, compared with the State average of 91%
  - Metropolitan Fringe councils are spending 101.6% of the required maintenance expenditure.

**TABLE 7**  
INFRASTRUCTURE RESULTS 2013/14

	NSW Average	Metropolitan	Metropolitan Fringe	Regional Town/City	Rural	Large Rural
<b>Total Cost to bring to satisfactory condition (backlog)</b>	\$36.04m	\$32.420m	\$48.676m	\$63.455m	\$10.886m	\$26.547m
<b>Backlog per capita</b>	\$739.61	\$314.24	\$357.60	\$1,137.13	\$3,616.08	\$2,675.28
<b>Total Required Annual Maintenance</b>	\$9,848m	\$11,894m	\$20,053m	\$15,489m	\$2,729m	\$5,193m
<b>Total Actual Annual Maintenance</b>	\$8,316m	\$10,325m	\$18,955m	\$12,001m	\$2,952m	\$4,441m
<b>Difference between required and actual maintenance</b>	\$1,532m	\$1,57m	\$1,098m	\$3,488m	\$136,917	\$751,942
<b>Infrastructure Backlog (%)</b>	8.7	6.5	5.4	7.6	7.8	12.4
<b>Asset Maintenance (%)</b>	91.2	91.8	101.5	83.6	97.2	91.4
<b>Building &amp; Infrastructure Renewal (%)</b>	87.0	93.9	83.7	69.9	113.4	82.8



## 1.1 Profile And Performance Of The NSW Local Government Sector 2013-2014

Table 8 shows the aggregate financial position result for the NSW local government sector for 2013/14. There has been an increase in net assets of \$5M from 2012/13.

Current Assets	(\$M)	Diff from 2013/14 - 2012/13 (\$M)
Cash and cash equivalents	1,796	-632
Investments	4,136	641
Receivables	1,037	104
Inventories	192	-11
Other	38	-25
Non-current assets classified as held for sale	408	244
Total Current Assets	7,607	321
NON-CURRENT ASSETS		
Investments	1,853	297
Receivables	98	-75
Inventories	70	-3
Infrastructure, property, plant and equipment	128,790	4,724
Investment property	1,109	95
Intangible assets	105	7
Other	4	-1
Total Non-current Assets	131,970	4,985
Total Assets	139,576	5,305
CURRENT LIABILITIES		
Payables	1,209	91
Borrowings	299	10
Provisions	1,248	3
Total Current Liabilities	2,756	104
NON-CURRENT LIABILITIES		
Payables	20	-9
Borrowings	3,044	115
Provisions	473	46
Total Non-current Liabilities	3,537	152
Total Liabilities	6,293	256
Net Assets	133,283	5,049

**TABLE 8**  
WHOLE OF SECTOR FINANCIAL  
POSITION 2013/14

## LOCAL INFRASTRUCTURE RENEWAL SCHEME (LIRS)

**Investment in infrastructure has the capacity to stimulate and enhance the productivity of the economy in both the short and long term. It is an investment that has a multiplier effect throughout the economy, generating lasting economic, social and environmental benefits.**

Traditionally, the focus on infrastructure asset management was the provision of new assets such as roads, water and sewerage networks, airports, entertainment centres and the like. However, it is becoming more and more apparent that it is no longer sustainable to

focus on meeting infrastructure needs through investment in the creation of new assets alone, without recognising the long-term lifecycle costs associated with the ongoing operation, maintenance and renewal of existing assets. As indicated, councils are struggling to keep up with maintenance and renewal of their assets to a level that is satisfactory to their community.

The Local Infrastructure Renewal Scheme (LIRS) provides councils with a subsidy in interest costs to make it affordable to take out major bank loans to assist councils with legitimate infrastructure backlogs to help meet the cost of financing renewals. LIRS is an important program for encouraging councils to manage and maintain local infrastructure.

This investment in debt funding has been proven to be far less expensive than paying for the long-term recurring maintenance requirements of deteriorating assets. Borrowings under LIRS can be for a maximum term of ten years.

LIRS is a key part of the Government's commitment to address the infrastructure backlog faced by local governments, with the NSW Government committing \$120 million to the scheme. Local infrastructure is an important component of ensuring that NSW has strong and sustainable local communities.

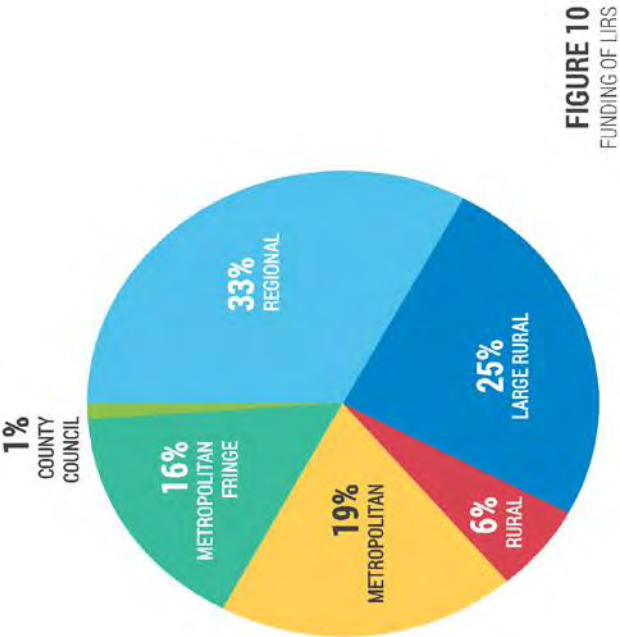
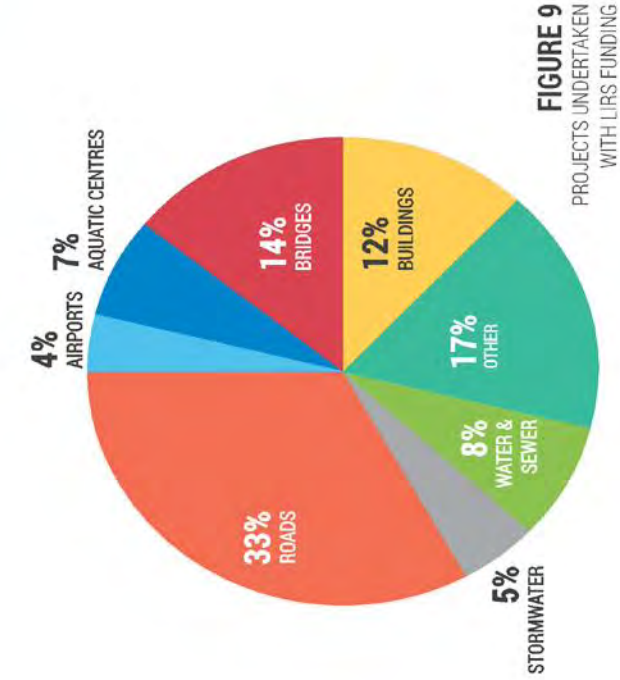
The funding for the 166 successful applications in Rounds 1, 2 and 3 will provide local communities with safer roads, bridges and footpaths, better

community halls and libraries, parks, sports fields and water and sewer facilities. This has unlocked more than \$800 million worth of investment.

The program has had a significant positive impact on regional and rural communities as it allows councils across the State to address their infrastructure backlog projects and provide much needed facilities to their communities.

Figure 10 shows the distribution of the 166 projects funded to date in terms of the percentage of projects in the different regions. 65% of the projects are within regional and rural council areas.





# Achieving Community Outcomes

Each year this report focuses on trends and developments in key areas of local service delivery. Previously we have focused on waste and library services. This year's report focusses on planning and development activities.

## PLANNING & DEVELOPMENT

The NSW Department of Planning & Environment compiled the 2013/14 Local Development Performance Monitoring Report (<http://www.datareporting.planning.nsw.gov.au>) providing comprehensive statistics about development in NSW, including annual information on the volume, value and type of development and council processing times. It is compiled using data supplied by local councils.

According to the report, in 2013/14, both the total number of development activity including Development Applications (DAs)\* and complying development certificates (CDCs)\* increased by 12% compared with 2012/13 and the total value of approved developments increased by 17% to \$28.69 billion worth of development.

The number of CDCs were the highest on record. CDCs now account for 29% of all development approvals (24,770 approvals).

The majority of developments approved were valued under \$1 million, 96% of DAs and 99% of CDCs. 56% of all approved development in NSW was in the Sydney region, with a total value of \$22 billion.

### Development Activity




Overall residential development increased. Under the State Environmental Planning Policy (Affordable Rental Housing) 2009, approximately 2,000 new secondary dwellings (granny flats) DAs and CDCs were approved. Single new dwelling value increased by 18% to \$6.054, billion however new multi-unit development value decreased by 11% to \$3.804 billion. Infrastructure development value decreased significantly by 40% to \$194m, as did tourism development.

\* Complying development is a form of planning approval that can be issued by an accredited certifier or a council in the form of a complying development certificate (CDC). This certificate combines approval for use of the land and building construction.

# Development Application is an application for consent from a consent authority, eg council, to undertake works /development as is required by the Environmental Planning and Assessment Act 1979.





	<h3>Determination Times</h3> <p><b>The average gross times for determining DAs was 70 days. More than half of all NSW councils (59%) had a median gross processing time for DAs of 40 days or less and 78% of councils achieved median net determination times of 40 days or less. Average gross time taken by councils to process CDCs (based on 142 councils) was 18 days.</b></p> <p>Based on the type of development in NSW, the average gross determining days for DAs are as follows:</p> <ul style="list-style-type: none"> <li>• Residential - 65 days</li> <li>• Commercial / retail / office - 74 days</li> <li>• Infrastructure - 94 days</li> <li>• Community facility - 96 days</li> <li>• Industrial - 105 days</li> <li>• Subdivisions - 121 days</li> <li>• Tourist development - 157 days</li> <li>• Mixed use development - 159 days</li> </ul>	<p>The average gross time for all determinations varied as follows:</p> <ul style="list-style-type: none"> <li>• Council staff - 62 days</li> <li>• Councillors - 170 days</li> <li>• Regional panels - 33 days</li> <li>• Independent panels - 164 days</li> </ul> <p>Council staff made 73% of all DA and CDC determinations. Private certifiers determined 24% of development and Councillors determined 2% of development. Joint regional planning panels and independent panels determined just 1% of developments.</p> <p>Councils determined 18.5% of CDCs and private certifiers determined 81.5%. Private certifiers now issue the majority of construction certificates, CDCs and occupation certificates.</p> <p>The number of council staff involved in DA processing across NSW was 1,021 in 2013-14. On average 60 DAs were determined by each full time council staff, however 12 councils recorded an average number of development determinations per full time staff of more than 100.</p>
	<h3>ePlanning</h3> <p>In 2013, the NSW Government allocated \$30 million to the ePlanning program which involves the digitisation of planning services - transforming paper-based and face-to-face transactions to an online environment. In July 2014, a new ePlanning tool was launched to improve service delivery and transparency in the NSW planning system.</p> <p>The new tools and services have been designed to make it easier for property owners, industry professionals and the community to interact with the planning system. The ePlanning program aims to make planning available online anywhere, at any time, helping industry, councils and the community to save time and money.</p> <p>The ePlanning program is available at <a href="http://www.planning.nsw.gov.au/eplanning">www.planning.nsw.gov.au/eplanning</a> and is part of the NSW Government's strategy to make data openly available.</p>	

# Stronger Community Leadership

This section of the report considers some key indicators in terms of how effectively councils' community leadership role is being performed.

## FINANCIAL REPORTING

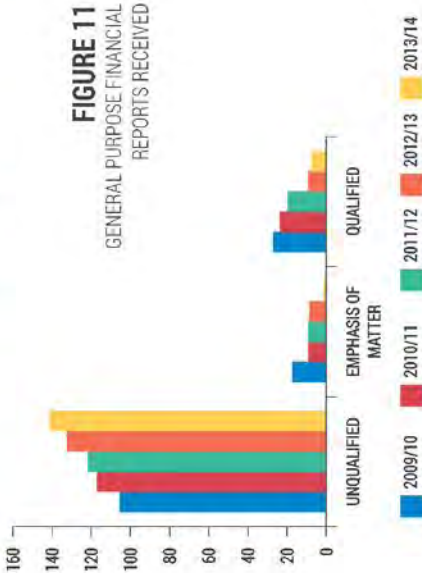
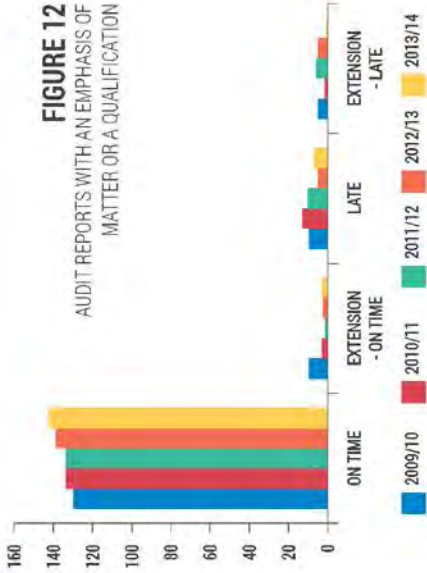
All councils and county councils must prepare financial reports each year. Councils must have these reports audited and submit them to the Office within 4 months of the end of the financial year. The preparation and submission of statements within the required timeframe is an important indication of good council governance.

Of the 152 general purpose councils, the 142 councils sent their reports on time for 2013/14.

Figure 11 shows the number of reports received on time and late from 2009/10 to 2013/14. The number of councils that submitted their reports on time is higher this year than the previous three years. Councils may apply for an extension to submit their financial statements (in extenuating circumstances).

In the NSW Auditor-General's Report—Financial Audit 2014, the Auditor General noted for 2013/14: *The timeliness of financial reporting improved across local councils, but further improvement is needed.\**

\*[https://www.audit.nsw.gov.au/ArticleDocuments/346/01\\_Volume\\_Eleven\\_2014\\_Full\\_Report.pdf.aspx?Embed=Y](https://www.audit.nsw.gov.au/ArticleDocuments/346/01_Volume_Eleven_2014_Full_Report.pdf.aspx?Embed=Y)





**TABLE 9**  
REASONS FOR QUALIFICATIONS FOR 2013/14

REASON	DETAILS	NUMBER OF COUNCILS
<b>Investments</b>	Inability to obtain sufficient audit evidence as to value and recoverability of a portion of the investment portfolio	2
<b>Assets</b>	Recording of assets in the asset register system in the prior year resulted in numerous errors in infrastructure, property, plant and equipment, so the net value of assets was unable to be verified	1
	Inability to obtain sufficient audit evidence over the comparative figures presented	1
<b>Timing</b>	Financial statements submitted outside of the timeframe provided for in section 416 of the LGA	3
<b>Going Concern</b>	Deficit was reported, as well as current liabilities exceeding current assets. Also a breach of section 409(3) of the Act and cash shortages	1

**TABLE 10**  
EMPHASIS OF MATTER REASONS FOR 2013/14

REASON	DETAILS	NUMBER OF COUNCILS
<b>Infrastructure</b>	Opening balance of infrastructure had not been determined in accordance with Local Government Code of Accounting Practice as a complete and comprehensive physical inspection of the infrastructure assets had not been conducted	1
<b>Timing</b>	Financial statements submitted outside of the timeframe provided for in section 416 of the LGA	1

## AUDIT OPINION

A financial report audit provides reasonable assurance that in all material respect, the financial report has been prepared in accordance with the financial reporting framework. Following the audit, the Auditor provides an opinion on the audit.

This opinion can be unmodified, that is an unqualified report, which is also known as a clean opinion. The Auditor may however, provide a modified opinion. The modified opinion may be an emphasis of matter where a significant issue has been disclosed and needs to be drawn to the attention of the report user. A qualified opinion is when the auditor concludes that the financial report contains a material misstatement or the Auditor had been unable to obtain sufficient audit evidence.

The number of qualified audit reports has been reducing steadily since 2008/09. In 2013/14 there were 142

unqualified audit reports, 2 reports with an emphasis of matter and 8 that have been qualified. One of the qualified reports was recorded with a disclaimer of opinion. This was due to the auditor being unable to obtain sufficient appropriate audit evidence to base the opinion, and the possible effects on the financial report could be so material, misleading or incomplete. Table 9 lists the reasons that reports were qualified.

Table 10 lists the reasons that reports included an emphasis of matter. An emphasis of matter does not affect the auditor's opinion. It applies where future actions may resolve the matter or the matter is not under the direct control of the entity but may still affect the financial report.

Again, the Auditor General noted that the quality of reporting has improved over time, but further improvement is needed\*.

\*[https://www.audit.nsw.gov.au/ArticleDocuments/316/01\\_Volume\\_Eleven\\_2014\\_Full\\_Report.pdf.aspx?Embed=Y](https://www.audit.nsw.gov.au/ArticleDocuments/316/01_Volume_Eleven_2014_Full_Report.pdf.aspx?Embed=Y)



### What is the code of conduct?

The Model Code of Conduct sets the minimum requirements of conduct for council officials in carrying out their functions and assists them to:

- understand the standards of conduct that are expected of them
- enable them to fulfill their statutory duty to act honestly and exercise a reasonable degree of care and diligence
- act in a way that enhances public confidence in the integrity of local government
- provide local communities with a valuable insight into the performance of the governing bodies of their councils
- drive organisational and individual improvement through community awareness and media reports

### What can code of conduct complaints tell us?

The numbers of code of conduct complaints received by a council about its councillors or the General Manager is often an indicator of the internal health of the organisation. Code of conduct complaints are often symptomatic of political infighting or interpersonal conflict.

The reporting of complaints statistics is an important accountability mechanism that provides local communities with a valuable insight into the performance of their councils. The reports also assists the Office to evaluate councils' implementation of the new Model Code framework and whether the framework has achieved its policy objectives.

### Key Points

- Over 50% of councils received at least one code of conduct complaint
- 66% of all complaints were made to 24 councils
- The 20 councils with the greatest costs contribute to 69% of the costs incurred by all councils
- Where an investigation identified a breach, most were found to be a breach of the general conduct provisions
- Most recommendations made by a conduct reviewer or conduct review committee required the subject person to apologise to any person or organisation affected by the breach or be counselled for their conduct
- The Code of Conduct reporting period was 1 September 2013 to 31 August 2014 and includes County Councils.

	2014	2013	Difference
Total number of complaints	322	296	9%
Number of councils that received a complaint	88	76	16%
Number of complaints finalised in reporting period	291	311	-6%
Total cost of dealing with complaints	\$1,177,702	\$745,988	58%

**TABLE 11**  
 CODE OF CONDUCT STATISTICS 2012/13–2013/14



## Trends

There has been a 58% increase in costs attributed to dealing with code of conduct complaints from 2013. Possible contributing factors include:

- 9% more complaints were received although 6% less were finalised
- more complaints were referred to a conduct reviewer
- being the second year of reporting, councils may now have a more reliable accounting system
- 15% of the total cost across the sector was incurred by one council
- The number of councils that have received complaints has increased

The General Manager and Mayor have resolved fewer complaints at the outset which may be due to:

- time constraints
- the complexity of the complaints
- efforts to maintain a good working relationship between councillors and the General Manager
- reluctance by Mayors and General Managers to directly involve themselves in the management of code of conduct complaints
- There is no significant change to the percentage of the number of complaints dealt with at the preliminary or investigation stages.

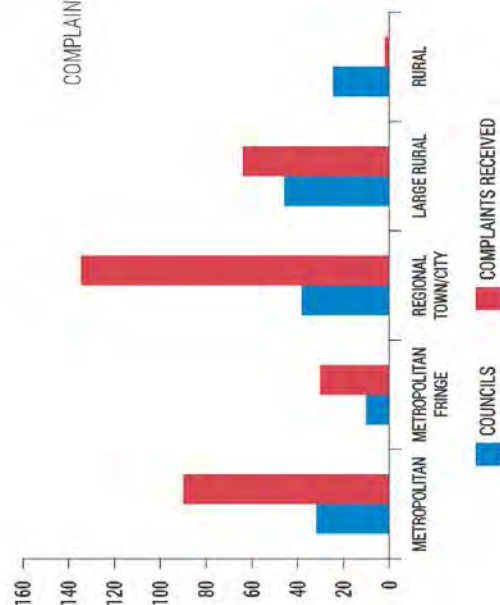
## Complaints by Locality

Figure 13 shows that while councils within the Regional Town/City classification accounted for approximately 25% of councils, they received approximately 41% of complaints. Metropolitan councils also recorded a disproportionately high number of complaints. 2 county councils, which received complaints are not included in the chart below.

## Cost

The total estimated cost attributed to dealing with code of conduct complaints by all councils increased to \$1,177,702 in 2013/14.

**FIGURE 13**  
COMPLAINTS RECEIVED IN EACH CLASSIFICATION







# ACCESS TO SERVICES

The Office of Local Government Locations		Office Hours	Alternate Media Publications
<b>Nowra Office</b> Levels 1 & 2 5 O'Keefe Avenue NOWRA NSW 2541  Locked Bag 3015 NOWRA NSW 2541  Phone 02 4428 4100 Fax 02 4428 4199	<b>Sydney Office</b> Level 9, 6 - 10 O'Connell Street SYDNEY NSW 2000  PO Box R1772 ROYAL EXCHANGE NSW 1225  Phone 02 9289 4000 Fax 02 9289 4099	<b>Monday to Friday 8.30am to 5.00pm</b>  (Special arrangements may be made if these hours are unsuitable)  All offices are wheelchair accessible.	Special arrangements can be made for our publications to be provided in large print or an alternative media format. If you need this service, please contact our Operations Group on <b>02 9289 4000</b> .



## DISCLAIMER

While every effort has been made to ensure the accuracy of the information in this publication, the Office of Local Government expressly disclaims any liability to any person in respect of anything done or not done as a result of the contents of the publication or the data provided.

© NSW Office of Local Government 2015  
ISSN 1038-9504  
Produced by the Office of Local Government

## 1.2 2016 Sub Committee Meeting Dates

### Reporting Officer

Manager Governance and Risk

---

### Attachments

Nil

### Purpose

To advise Council of the proposed 2016 meeting dates for Council sub committees and audit committee.

### Report

Council is represented on seven internal sub committees and the audit committee.

Sub committees generally meet on a bi-monthly or quarterly basis on a designated evening or afternoon. In preparing the meeting schedule detailed below, every effort has been made to eliminate clashes between sub committee meetings and audit committee.

The sub committee meeting calendar has been prepared for the period up until September 2016. A new calendar will be prepared following the Local Government Election scheduled to be held 10 September 2016.

The following meeting calendar has been prepared for 2016 and is presented to Council for consideration.

<b>Community Safety Sub Committee</b>  <b>Thursday at 12.30pm</b> 18 February 5 May 28 July	<b>Campbelltown Arts Centre Sub Committee</b>  <b>Wednesday at 6.00pm</b> 2 March 8 June 31 August
<b>Audit Committee</b>  <b>Tuesday at 4.30pm</b> 8 March 14 June	<b>Heritage Protection Sub Committee</b>  <b>Thursday at 6.00pm</b> 25 February 26 May 18 August

---

---

<b>Innovation and Performance Sub Committee</b>  <b>Monday at 6.00pm</b> 2 May	<b>Sports Liaison Sub Committee</b>  <b>Wednesday at 6.00pm</b> 9 March
<b>The following Sub Committee's meet as required:</b>  - Australia Day Awards - Glenalvon	

To assist with security measures all evening sub committee meetings held at the Civic Centre will commence at 6.00pm and conclude by 7.30pm.

Council is also represented on various statutory authorities and other organisations. When advice is received regarding the meeting dates, notification will be forwarded to all Councillors.

### **Officer's Recommendation**

That the sub committee meeting calendar for 2016 be adopted.

### **Committee's Recommendation: (Borg/Lake)**

That the Officer's Recommendation be adopted.

### **CARRIED**

### **Council Meeting 17 November 2015 (Hawker/Borg)**

That the Officer's Recommendation be adopted.

### **Amendment (Kolkman/Lound)**

That the sub committee meeting calendar for 2016 be adopted with the following amendments:

- Audit Committee be held on 15 March 2016 instead of the 8 March 2016
- Sports Liaison Sub Committee be held on 16 March 2016 instead of the 9 March 2016.

### **Council Resolution Minute Number 214**

That the above amendment be adopted.

---



## **2. PROPERTY SERVICES**

**No reports this round**

## **3. FINANCIAL SERVICES**

### **3.1 Investment report - September 2015**

#### **Reporting Officer**

Manager Financial Services

---

#### **Attachments**

Investment portfolio performance for the month of September 2015 (contained within this report)

#### **Purpose**

To provide a report outlining Council's investment portfolio performance for September 2015.

#### **Report**

Council holds a number of reserves in order to fund significant future liabilities or future objectives. These liabilities include insurance claims, employee leave entitlements and asset replacement. In addition, Council is also required to hold funds that under the *Local Government Act 1993*, are not permitted to be used for any other purposes than those originally collected for. These include developer contributions, specific purpose grants, domestic waste management, contributions and stormwater management funds.

Council invests funds through the financial instrument designated by the Ministerial Order from the Office of Local Government. The *Local Government Act 1993* and the *Local Government (General) Regulation 2005* require a monthly investment report be presented to Council.

Council's Investment Portfolio as at 30 September 2015 stood at approximately \$121m. Funds are currently being managed both by Council staff and Fund Managers and are in accordance with the *Local Government Act 1993*, *Local Government (General) Regulation 2005* and Council's Investment Policy.

---

## Portfolio Performance

Directly managed investments have consistently outperformed the AusBond bank bill index benchmark.

Monthly annualised return	September
Council Managed Funds	3.08%
Benchmark: AusBond Bank Bill Index	2.11%

Investment returns can fluctuate during any one reporting period based on market perceptions, or as in the case of funds under management, changes in asset classes. As such, any measurement of performance is better reflected over a rolling 12 month period to average out any fluctuations in monthly performance. Council's total investment portfolio has outperformed the benchmark on average over the last 12 months.

Rolling year to date return	September
Council Managed Funds	3.49%
Benchmark: AusBond Bank Bill Index	2.45%

Council's portfolio as at 30 September 2015 is diversified with 74% in term deposits of varying lengths of maturity which are managed in accordance with market expectations and Council's investment strategy, 21% in floating rate deposits which gives Council a set margin above either 30 or 90 day bank bills, 4% in fixed rate bonds, 1% in funds in a short term at call account.

Maturity profile	30 September
Short term at call	\$1,013,327
0 – 3 months	\$21,768,490
3 – 6 months	\$57,268,948
6 – 12 months	\$35,655,148
12 months +	\$6,000,000

All investments are placed with approved deposit taking institutions. No funds are placed with any unrated institutions.

Credit exposure	30 September
AAA to AA-	60%
A+ to A-	33%
BBB+ to BBB-	7%
Other approved deposit taking institutions	0%

---

### **Economic outlook**

The Board of the Reserve Bank of Australia left the cash rate unchanged, for the fifth consecutive month, at the present level of 2% at its 6 October 2015 meeting which was as the market expected.

The statement of monetary policy was relatively unchanged from previous months with the suggestion that the economy would be operating with a degree of spare capacity for some time and that domestic inflationary pressure is contained. Whilst some economists predict a further easing of monetary policy in coming months and a continued period of stability, mainly due to increasing unemployment rates and a further reduction in economic growth, most believe rates could begin to increase in the latter half of 2016, however this will be largely dependent on conditions in China and what affect that has domestically.

### **Summary**

Council's investment portfolio continues to outperform the benchmark of the AusBond bank bill index. The Local Government Investment Guideline leaves little scope for the enhancement of Council's investment portfolio with the various investment products being offered. However, to enhance the portfolio, advantage is taken on the length of maturity of the investment given the rating of the institution, as well as reviewing any new investment products offered in consultation with Council's financial advisor, Spectra Financial Services.

Regular liaison with Council's external financial advisor assists in monitoring all of the risk factors to maximise Council's return on the investment portfolio, while minimising the risk associated with this strategy.

### **Officer's Recommendation**

That the information be noted.

### **Committee's Recommendation: (Greiss/Kolkman)**

That the Officer's Recommendation be adopted.

### **CARRIED**

### **Council Meeting 17 November 2015 (Hawker/Borg)**

That the Officer's Recommendation be adopted.

### **Council Resolution Minute Number 214**

That the Officer's Recommendation be adopted.

---

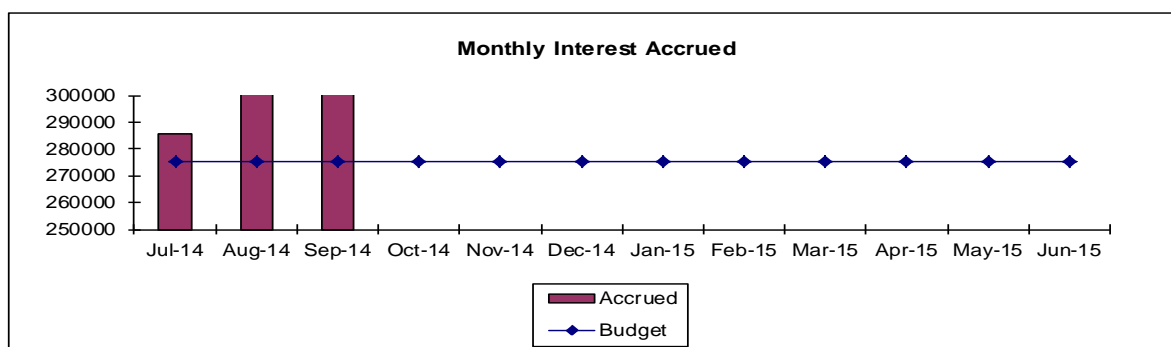


## ATTACHMENT 1

### CAMPBELLTOWN CITY COUNCIL INVESTMENT PORTFOLIO Summary September 2015

Benchmark AusBond Bank Bill Index  
Portfolio Balance \$121,705,913.10

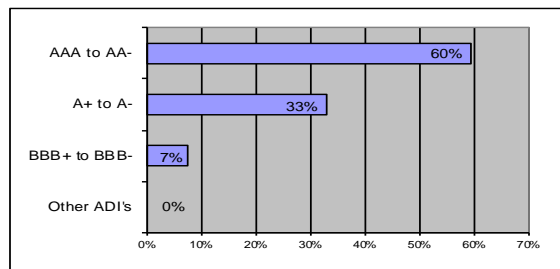
Monthly Performance	Return (mth)	Return (pa)
AusBond Bank Bill Index	0.17%	2.11%
Total Portfolio	0.25%	3.08%
<i>Performance to Benchmark</i>	+ 0.08%	+ 0.96%
Portfolio - Direct Investments	0.25%	3.08%
<i>Performance to Benchmark</i>	+ 0.08%	+ 0.97%
Short Term Call Account	0.20%	2.40%



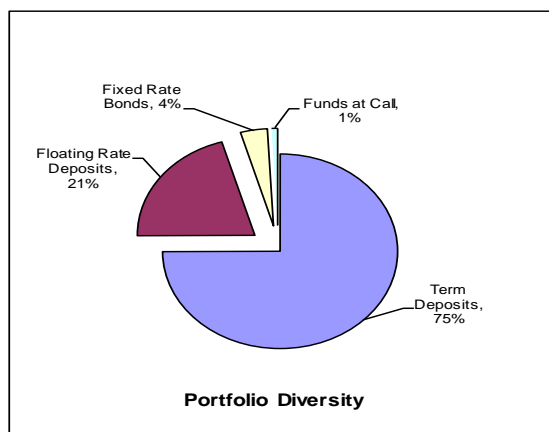
### Year to Date Performance Credit Exposure (S&P Long Term Rating)

Rolling 12 Month Period  
3.49% Council Managed Funds  
2.45% Benchmark

Interest Budget to Actual  
Average Budget to Period \$825,925  
Actual Accrued to Period \$902,215



### Securities Institutions



	Amount Invested	% Portfolio
NAB Funds at Call	\$ 1,013,327.35	1%
NSW Treasury	\$ 2,225,000.00	2%
National Australia Bank	\$ 38,940,527.84	32%
ANZ Bank	\$ 3,500,000.00	3%
Westpac Bank	\$ 5,328,451.17	4%
Commonwealth Bank	\$ 5,000,000.00	4%
Bank Western Australia	\$ 16,458,321.73	14%
AMP Bank	\$ 5,077,863.01	4%
Suncorp Metway	\$ 17,116,411.04	14%
Macquarie Bank	\$ 3,000,000.00	2%
Rural Bank	\$ 6,000,000.00	5%
Bank of Queensland	\$ 9,046,010.96	7%
Peoples Choice CU	\$ 2,000,000.00	2%
Credit Union Aust	\$ 3,000,000.00	2%
ME Bank	\$ 4,000,000.00	3%
<b>Total</b>	<b>\$ 121,705,913.10</b>	<b>100%</b>

## 3.2 Sundry Debtors Report - September 2015

### Reporting Officer

Manager Financial Services

---

### Attachments

1. Debtors summary to 30 September 2015 (contained within this report)
2. Ageing of sundry debts to 30 September 2015 (contained within this report)

### Purpose

To provide a report detailing the amount outstanding by type and age for sundry and miscellaneous debts for the period ending 30 September 2015.

### Report

Debts outstanding to Council as at 30 September 2015 are \$1,904,719 reflecting a decrease of \$206,808 since August 2015. The ratio of outstanding debts to current invoices has decreased from 48% in August to the current level of 29.5%. This debtor management ratio is a measure of the effectiveness of recovery efforts, however is impacted by Council policies as well as economic and social conditions.

### Invoices raised – September 2015

During the month, 1296 invoices were raised totalling \$1,631,465. The majority of these are paid within a 30 day period. The most significant invoices raised during the month have been in the following areas:

Footpath and Road Restoration – \$538,379 – the main invoices relate to:

Silcar Pty Ltd & Thiess Services Pty Ltd – NBN various restorations within Campbelltown Local Government Area	\$392,174
Datateks – footpath restorations, Lindesay Street, Dan Street and Macquarie Street Campbelltown	\$13,547
Wavelength Pty Ltd - restoration - Moore Street and Allman Street, Campbelltown - Footpath Concrete	\$13,600
Lend Lease - road restoration - various locations - Queen Street, Campbelltown and Minto	\$59,642

---

Land and Building Rentals – \$131,225 – the main invoices relate to:

Aldi Foods Pty Ltd - monthly rental at Macquarie Fields	\$24,750
Nuvezo Pty Ltd - monthly rental Dumaresq Street Cinema	\$23,797
Glenquarie Hotel Pty Ltd - monthly rental Macquarie Fields	\$20,438
Caltex Oil Australia Pty Ltd - monthly rental Macquarie Fields	\$15,695
Mycorp Group Pty Ltd - monthly rental Macquarie Fields	\$13,878

Corporate Administration – \$405,280 – the main invoices relate to:

Roads and Maritime Services - purchase of Gross Pollutant Trap associated with temporary detention basin Glenfield Road, Glenfield associated with RMS road widening works	\$51,839
Western Sydney University - Contribution - Tutoring Agreement for Tutoring Programme 2015-2016	\$31,350
Commonwealth Bank of Australia - PC Equipment Finance - Tranche 3 of 2014-2015	\$236,150
Nine Network Australia - Community Event Sponsorship Agreement - 2015-2016	\$22,000
Refundable Bonds – Standing Plant (ie cranes, concrete pumping and scaffolding) times three	\$30,000

Sportsground and Field Hire - \$152,130 – the main invoices relate to:

Stadium Hire and Commission for August 2015	\$79,642
---	----------

Receipts to the value of \$651,365 have been received during the period, the most notable in the following areas:

Various Sundry Items	\$120,764
Healthy Lifestyles	\$110,155
Land and Building Rentals	\$79,930
Waste Collection Services	\$70,388
Government and other Grants	\$69,872
Road Restoration	\$68,859



### Sundry debts outstanding – 30 September 2015

Debts exceeding 90 days of age totalled \$477,838 as at 30 September 2015. The major invoices relating to this balance include:

Description	Date Invoiced	Balance at 30 September 2015
Debtor 68316.9 - retaining wall between Lot 1451 DP 703487, 2 and 4 Brownlow Place, Ambarvale. Debtor is maintaining arrangement to pay \$450 per month as approved by Council	09/06/10	\$6,556
Casper's Baseball Club - electricity charges. Club is experiencing financial difficulty, however have been making irregular payments to reduce the debt. Council continues to meet with club and Macarthur Baseball to resolve debt	17/12/12 to 17/06/15	\$6,878
Insight Mercantile Pty Ltd – abandoned motor vehicle, unable to locate owner of the vehicle. Finance company acknowledges Council's power to sell an encumbered vehicle. Sales agreement completed ready for disposal at the next available auction	18/07/14	\$2,799
GE Automotive – abandoned motor vehicle, unable to locate owner of the vehicle. Finance company acknowledges Council's power to sell an encumbered vehicle. Sales agreement completed ready for disposal at the next available auction	05/07/12	\$5,709
74366.6 - motor vehicle accident at the Animal Care Facility, no response to letters sent. Debtor has now been located and is in negotiation with Council's agent, legal action has commenced with a Statement of Claim being issued	05/06/14	\$1,981
Master Woodturning - Land value associated with walkway closure adjoining 37 Lancaster Street, Ingleburn. Payment is being held in trust by Council's solicitor and will be released to Council once plans have been registered with the Land Titles Office which may take up to three months	20/11/14	\$54,129
Jemena Gas Networks - Gas mains assessment for 2014-2015 (estimate)	30/06/15	\$61,000
Camden Council - Contribution to Annual Operating Costs MACROC 2015-2016. Payment expected end October 2015	31/07/15	\$86,530
Campbelltown Warriors Football Club - Community Building Partnership Program- Power upgrade to Worrell Oval – Change over in staff has delayed the process of payment, it is now expected to be paid by end of October 2015	24/06/15	\$143,000

Debt recovery action is undertaken in accordance with Council's Sundry Debtor Recovery Procedures Policy and commences with the issue of a tax invoice. A person or entity may be issued any number of invoices during the calendar month for any business, services or activities provided by Council. At the conclusion of each calendar month, a statement of transactions is provided with details of all invoices due and how payments or credit notes have been apportioned. Once an invoice is paid, it no longer appears on any subsequent statement.

All debts that age by 90 days or more are charged a statement administration fee of \$5.50 per statement. Debtors are contacted by telephone, email or in writing to make suitable arrangements for payment of the overdue debt. Where a suitable arrangement is not achieved or not maintained as agreed, a seven day letter is issued referencing referral to Council's debt recovery agents.

Matters referred to Council's recovery agent are conducted in accordance with relevant legislation and the *Civil Procedures Act 2001*. Formal legal recovery commences with a letter of demand (or letter of intent) providing debtors with at least 14 days to respond. In the event that no response is received, instructions are given to proceed to Statement of Claim allowing a further 28 days to pay or defend the action. Failing this, the matter will automatically proceed to judgment and continue through the *Civil Procedures Act 2001* process.

All costs associated with formal legal recovery are payable by the debtor and staff continue to make every effort to assist debtors to resolve their outstanding debt before escalating it through the local court.

During the month, six accounts were issued a letter of demand on Council's letterhead, advising that if the account was not settled or an appropriate arrangement was not made, the account will escalate to formal legal action through Council's agent.

Council's agents were instructed to proceed with one Warrant of Apprehension for reimbursement of services not received to council and recovery of legal costs associated with matter.

Council officers continue to provide assistance to debtors experiencing difficulties in paying their accounts. Debtors are encouraged to clear their outstanding debts through regular payments where possible, to avoid any further recovery action.

### **Officer's Recommendation**

That the information be noted.

### **Committee's Recommendation: (Lake/Borg)**

That the Officer's Recommendation be adopted.

### **CARRIED**

### **Council Meeting 17 November 2015 (Hawker/Borg)**

That the Officer's Recommendation be adopted.

### **Council Resolution Minute Number 214**

That the Officer's Recommendation be adopted.

---

## ATTACHMENT 1

### DEBTORS SUMMARY 1 September 2015 to 30 September 2015

DEBTOR TYPE/DESCRIPTION	ARREARS AT 31/08/2015	RAISED THIS PERIOD	RECEIVED THIS PERIOD	BALANCE AT 30/09/2015	% DEBT RATIO
Corporate Administration	203,146	405,280	46,637	561,789	29.49%
Abandoned Items	6,662	0	0	6,662	0.35%
Education and Care Services	18,710	0	0	18,710	0.98%
Community Bus	369	140	406	103	0.01%
Sportsground and Field Hire	61,941	152,130	110,155	103,916	5.46%
Government and other Grants	243,250	71,850	69,872	245,228	12.87%
Public Hall Hire	17,418	14,123	5,048	26,493	1.39%
Health Services	350	0	0	350	0.02%
Land and Building Rentals	55,847	131,225	79,930	107,142	5.63%
Healthy Lifestyles	1,523	32,315	31,000	2,838	0.15%
Library Fines and Costs	0	0	0	0	0.00%
Licence Fees	44,742	15,570	25,118	35,194	1.85%
Pool Hire	12,237	9,268	14,075	7,431	0.39%
Private Works	10,784	0	900	9,884	0.52%
Road and Footpath Restoration	67,092	538,379	68,859	536,612	28.17%
Shop and Office Rentals	19,853	29,701	8,212	41,341	2.17%
Various Sundry Items	152,225	90,761	120,764	122,222	6.42%
Waste Collection Services	47,149	140,722	70,388	117,482	6.17%
	<b>2,111,527</b>	<b>1,631,465</b>	<b>651,365</b>	<b>1,904,719</b>	<b>100%</b>



## ATTACHMENT 2

### AGEING OF SUNDRY DEBTOR ACCOUNTS - 31 September 2015

Description	Current Charges	Total 30 Days	Total 60 Days	Total 90+ Days	Balance Due
Corporate Administration	346,436	43,284	12,812	159,258	561,789
Abandoned Items	0	0	0	6,662	6,662
Education and Care Services	18,710	0	0	0	18,710
Community Bus	89	14	0	0	103
Sportsground and Field Hire	40,870	21,329	27,978	14,496	104,673
Government and other Grants	33,000	33,760	0	178,468	245,228
Public Hall Hire	10,225	2,066	9,983	4,219	26,493
Health Services	0	0	0	350	350
Land and Building Rentals	99,788	1,608	1,141	4,605	107,142
Healthy Lifestyles	1,252	998	290	298	2,838
Licence Fees	4,532	4,540	3,302	22,820	35,194
Pool Hire	5,937	332	522	640	7,431
Private Works	1,189	0	0	8,695	9,884
Road and Footpath Restoration	61,767	452,239	18,017	4,589	536,612
Shop and Office Rentals	21,863	13,389	5,623	467	41,341
Various Sundry Items	27,119	18,545	4,285	72,272	122,222
Waste Collection Services	103,787	13,696	0	0	117,482
	<b>737,129</b>	<b>605,799</b>	<b>83,953</b>	<b>477,838</b>	<b>1,904,719</b>
					<b>148,943</b>

Previous Month 90+ days	16,845
	6,662
	0
	0
	11,942
	0
	4,462
	350
	0
	321
	21,700
	1,274
	9,595
	1,466
	0
	74,328
	0
	<b>148,943</b>

### **3.3 Quarterly Budget Review Statement as at 30 September 2015**

#### **Reporting Officer**

Manager Financial Services

---

#### **Attachments**

Quarterly Budget Review Statement for the period 1 July 2015 to 30 September 2015  
(contained within this report)

#### **Purpose**

A quarterly financial review has been conducted on the original income and expenditure estimates presented in the 2015-2016 budget. The adjustments relating to the review of the original budget allocations are presented for Council's consideration.

#### **Introduction**

The current planning and reporting framework for NSW Local Government has a greater focus on financial sustainability. In an effort to achieve consistency in reporting between councils, the Office of Local Government introduced a set of minimum requirements and predefined templates to assist councils in meeting their legislative obligations. Collectively, these documents are known as the quarterly budget review statement (QBRS). The latest QBRS under the reporting framework is attached.

#### **Report**

In accordance with Clause 203 of the *Local Government (General) Regulations 2005*, the Responsible Accounting Officer is required to prepare a quarterly budget review of income and expenditure estimates and submit a report to Council. The QBRS must also include an opinion of the Responsible Accounting Officer concerning the financial position of Council. This report provides an overview of the results of the financial review for the quarter ended 30 September 2015.

In June 2015, Council adopted a balanced budget for 2015-2016. There is no proposed change to the budget result in this review.

The recommended movements relating to income and expenditure are summarised in the attachment and details of significant items greater than \$20,000 are listed in the body of this report for Council's consideration.

In the July to September quarter, Council considered a number of reports that either required an adjustment to budget estimates or requested that consideration be given to funding programs. The recommendations from these reports have been included in this review.

---

The following items are detailed with corresponding adjustments recommended following the completion of the quarterly financial review:

**Executive Services - \$60,000 increase in expenditure**

Costs have been incurred during the process of replacing the retiring General Manager that were not included in the original budget. Also funds have been provided to engage a consultant to finalise the organisational structural review. This funding has been provided for by savings in other areas and an increase in Development Income.

**Swimming Pool Inspection Program - \$60,000 decrease in income**

The anticipated income generated from the inspection program has been reduced due to the State Government's decision to again defer the requirement for pool owners to obtain Certificates of Compliance for sold or leased properties.

**On-Street Parking - \$50,000 increase in income**

In the previous financial year additional staff were employed to increase resources to manage parking requirements of the City. This has enabled an amplified surveillance program to be activated, resulting in an increase in the income generated from parking fines. These additional funds have been utilised to offset the loss of budgeted swimming pool compliance certificate income.

**Building Certification/Development Assessment Unit - \$246,900 increase in income**

There has been a continued significant increase in development activity resulting in a marked increase in the number of planning and building developments in the Local Government Area this financial year. This has led to an increase in the funds received from development applications, damage inspection fees and construction certificates. These additional funds have been utilised to offset the financial assistance grant reduction and Executive Services operational expenditure.

**Sanitary Waste Management - \$50,000 increase in income**

The ongoing usage of the Sanitary Waste Facility by adjoining local government areas has seen a greater level of income being received than was anticipated when the original budget was being prepared.

**Financial Assistance Grant - \$426,900 decrease in income**

As previously advised to Council the federal government has instated a freeze on the indexation of the financial assistance grant. This, along with the redistribution of available funds in accordance with population growth changes has seen a reduction in the grant funds received by Council. This decrease in funding has been offset by increased development income and rates growth income.

**Employee Leave Entitlements on Termination - \$100,000 increase in expenditure**

There has been a number of long standing employees retire or resign from Council over the first quarter of this financial year. Many of these employees were entitled to significant leave entitlements on termination resulting in this required adjustment. Council has a Leave Entitlements Reserve to fund the leave entitlements of staff who are over 55 years of age. This adjustment can be funded from the reserve.

---



### **Rates-General Purpose Revenue - \$200,000 increase in income**

The actual rates levied at the start of this financial year were greater than the amount that was calculated when the original budget was prepared. This has occurred due to changed circumstances such as additional ratepayers in the Local Government Area, new supplementary rate levies issued as a result of the subdivision of land parcels etc. This has generated additional rating income. These additional funds have been utilised to offset the reduction in financial assistance grant.

### **Summary**

As reported to Council in previous years, the financial objective has been to budget a surplus to improve Council's liquidity ratio. The liquidity ratio has improved to a satisfactory level and as such, a balanced budget is proposed for the 2015-2016 financial year.

As per the Responsible Accounting Officer's statement, the 2015-2016 results continue to support Council's sound financial position in the short to medium term. During 2015-2016, Council will further refine its financial strategy in line with the development of the 10 year Long Term Financial Plan, required by the Integrated Planning and Reporting Framework and determine the most appropriate and financially responsible action for future periods.

### **Officer's Recommendation**

That the adjustments recommended in the Quarterly Budget Review Statement be adopted.

### **Committee's Recommendation: (Greiss/Borg)**

That the Officer's Recommendation be adopted.

### **CARRIED**

### **Council Meeting 17 November 2015 (Hawker/Borg)**

That the Officer's Recommendation be adopted.

### **Council Resolution Minute Number 214**

That the Officer's Recommendation be adopted.

---

## ATTACHMENT 1

Campbelltown City Council

**Quarterly Budget Review Statement**  
for the period 01/07/15 to 30/09/15

### **Report by Responsible Accounting Officer**

The following statement is made in accordance with Clause 203(2) of the *Local Government (General) Regulations 2005*:

It is my opinion that the Quarterly Budget Review Statement for Campbelltown City Council for the quarter ended 30/09/15 indicates that Council's projected financial position at 30/06/16 will be satisfactory at year end, having regard to the projected estimates of income and expenditure and the original budgeted income and expenditure.

Signed:

  
Corinne Mears  
Responsible Accounting Officer

date: 27.10.15

Campbelltown City Council  
**Quarterly Budget Review Statement**  
for the period 01/07/15 to 30/09/15

**Income & Expenses Budget Review Statement**

Budget review for the quarter ended 30 September 2015

**Income & Expenses - Council Consolidated**

(\$000's)	Original Budget 2015/16	Approved Changes				Revised Budget 2015/16	Variations for this Sep Qtr	Projected Year End Result	Actual YTD figures
		Carry Forwards	Other than QBRS	Sep QBRS	Dec QBRS				
<b>Income</b>									
Rates and Annual Charges	94,933	-	-	-	-	94,933	200	95,133	94,999
User Charges and Fees	11,102	-	1	-	-	11,103	41	11,144	4,310
Interest and Investment Revenues	3,693	-	-	-	-	3,693	-	3,693	284
Other Revenues	4,926	-	-	-	-	4,926	962	5,888	3,730
Grants & Contributions - Operating	26,358	-	1,106	-	-	27,464	(101)	27,363	12,154
Grants & Contributions - Capital	2,453	15,391	-	-	-	17,844	-	17,844	1,778
<b>Total Income from Continuing Operations</b>	<b>143,465</b>	<b>15,391</b>	<b>1,107</b>	-	-	<b>159,963</b>	<b>1,102</b>	<b>161,065</b>	<b>117,255</b>
<b>Expenses</b>									
Employee Costs	62,373	313	193	-	-	62,879	28	62,907	18,868
Borrowing Costs	1,458	-	-	-	-	1,458	-	1,458	72
Materials & Contracts	23,927	2,862	(971)	-	-	25,818	14	25,832	5,198
Depreciation	25,918	-	-	-	-	25,918	-	25,918	3,726
Legal Costs	1,151	-	-	-	-	1,151	13	1,164	203
Consultants	951	1,143	-	-	-	2,094	65	2,159	311
Other Expenses	31,956	435	163	-	-	32,554	130	32,684	10,141
<b>Total Expenses from Continuing Operations</b>	<b>147,734</b>	<b>4,753</b>	<b>(615)</b>	-	-	<b>151,872</b>	<b>250</b>	<b>152,122</b>	<b>38,519</b>
<b>Net Operating Result from Continuing Operation</b>	<b>(4,269)</b>	<b>10,638</b>	<b>1,722</b>	-	-	<b>8,091</b>	<b>852</b>	<b>8,943</b>	<b>78,736</b>
Discontinued Operations - Surplus/(Deficit)	-	-	-	-	-	-	-	-	-
<b>Net Operating Result from All Operations</b>	<b>(4,269)</b>	<b>10,638</b>	<b>1,722</b>	-	-	<b>8,091</b>	<b>852</b>	<b>8,943</b>	<b>78,736</b>
<b>Net Operating Result before Capital Items</b>	<b>(6,722)</b>	<b>(4,753)</b>	<b>1,722</b>	-	-	<b>(9,753)</b>	<b>852</b>	<b>(8,901)</b>	<b>76,958</b>

This statement forms part of Council's Quarterly Budget Review Statement (QBRS) for the quarter ended 30/09/15 and should be read in conjunction with the total QBRS report

Campbelltown City Council

**Quarterly Budget Review Statement**  
for the period 01/07/15 to 30/09/15

**Income & Expenses Budget Review Statement**  
**Recommended changes to revised budget**

Budget Variations being recommended include the following material items:

Notes	Details
1	Additional rates levied during the quarter due to changed circumstances such as additional ratepayers in the LGA, new supplementary rate levies issued as a result of the subdivision of land parcels etc.
2	Reduction in income from swimming pool inspection program. Increase in income from building certification fees, sanitary waste disposal and footpath reinstatements.
3	Increase in income from additional parking fine income due to increased surveillance activity and additional sales from the Minto One redevelopment. Reduction in the funds received towards the indigenous art prize.
4	Reduction in income from the financial assistance grant. Increase in income received from development application fees, section 149 certificates and contributions from other councils towards employees leave entitlements.
5	Variations in employee costs due to staff vacancies which in some case have been transferred to fund contract staff, as well as additional funds required to fund employee leave entitlements on termination.
6	Capital budget used to fund operational program such as footpath and kerb & gutter and transfer of funds from operational budget to the capital budget.
7	Additional funds allocated to legal costs for Property Development and Debt Recovery.
8	Additional consulting services required to finalise the Council restructure and the consolidated LEP.
9	Movements in Other Expenses is mainly attributable to additional costs involved in the Regional Waste contract negotiations (partly offset by cost recovery from other parties).

This statement forms part of Council's Quarterly Budget Review Statement (QBRS) for the quarter ended 30/09/15 and should be read in conjunction with the total QBRS report.



**Quarterly Budget Review Statement**  
for the period 01/07/15 to 30/09/15

Campbelltown City Council

**Capital Budget Review Statement**

Budget review for the quarter ended 30 September 2015

**Capital Budget - Council Consolidated**

( '\$000's )	Original Budget 2015/16	Approved Changes				Revised Budget 2015/16	Variations for this Sep Qtr	Projected Year End Result	Actual YTD figures
		Carry Forwards	Other than by QBRs	Sep QBRs	Dec QBRs				
<b>Capital Expenditure</b>									
New Assets									
- Plant & Equipment	332	1,468	-	-	-	1,800	-	1,800	320
- Land & Buildings	-	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-	-
Renewal Assets (Replacement)									
- Plant & Equipment	3,977	24	-	-	-	4,001	-	4,001	1,040
- Office Equipment/Furniture & Fittings	142	156	160	-	-	458	8	466	77
- Land & Buildings	4,630	6,116	1,048	-	-	11,794	70	11,864	2,092
- Roads, Bridges, Footpaths	13,345	17,241	610	-	-	31,196	(51)	31,145	2,722
- Stormwater/Drainage	100	242	-	-	-	342	-	342	132
- Other Assets	300	-	-	-	-	300	-	300	47
Loan Repayments (Principal)	4,092	-	-	-	-	4,092	-	4,092	212
<b>Total Capital Expenditure</b>	<b>26,918</b>	<b>25,247</b>	<b>1,818</b>	-	-	<b>53,983</b>	<b>27</b>	<b>54,010</b>	<b>6,642</b>
<b>Capital Funding</b>									
Rates & Other United Funding	19,727	-	1,817	-	-	21,544	27	21,571	4,082
Capital Grants & Contributions	2,453	15,391	-	-	-	17,844	-	17,844	1,778
Reserves:									
- External Restrictions/Reserves	-	2,266	-	-	-	2,266	-	2,266	-
- Internal Restrictions/Reserves	2,656	7,590	1	-	-	10,247	-	10,247	-
New Loans	-	-	-	-	-	-	-	-	-
Receipts from Sale of Assets									
- Plant & Equipment	2,076	-	-	-	-	2,076	-	2,076	480
- Office Equipment/Furniture & Fittings	-	-	-	-	-	-	-	-	-
- Land & Buildings	-	-	-	-	-	-	-	-	301
- Other Assets	6	-	-	-	-	6	-	6	1
<b>Total Capital Funding</b>	<b>26,918</b>	<b>25,247</b>	<b>1,818</b>	-	-	<b>53,983</b>	<b>27</b>	<b>54,010</b>	<b>6,642</b>
<b>Net Capital Funding - Surplus/(Deficit)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

This statement forms part of Council's Quarterly Budget Review Statement (QBRs) for the quarter ended 30/09/15 and should be read in conjunction with the total QBRs report

Campbelltown City Council

**Quarterly Budget Review Statement**  
for the period 01/07/15 to 30/09/15

**Capital Budget Review Statement**  
**Recommended changes to revised budget**

Budget Variations being recommended include the following material items:

Notes	Details
1	Purchase of replacement equipment for the printing section, funded from savings in copier costs.
2	Funds transferred from operational budget to fund capital expenditure on the Better Waste and Recycling program.
3	Funds transferred from capital budget to fund operational expenditure on the footpath and kerb & gutter programs.
4	Increase in untied funds utilised to fund capital works.

This statement forms part of Council's Quarterly Budget Review Statement (QBRS) for the quarter ended 30/09/15 and should be read in conjunction with the total QBRS report

Campbelltown City Council

Cash & Investments Budget Review Statement

Budget review for the quarter ended 30 September 2015

Cash & Investments - Council Consolidated

Quarterly Budget Review Statement  
for the period 01/07/15 to 30/09/15

	Opening Balance 2015/16	Movement in Reserves		Current Balance 2015/16	Projected Movement Sep Qtr	Notes Projected Year End Balance	Actual YTD figures
		Income/ Expenses	Transfers to/from				
			Works in Kind				
<b>(£000's)</b>							
<b>Externally Restricted <sup>(1)</sup></b>							
Special Rates	-	-	-	-	-	-	-
Stormwater Management	322	-	-	322	(100)	222	322
Specific Purpose Grants	3,443	-	-	3,443	(1,500)	1,943	3,443
Specific Purpose Contributions	3,921	-	-	3,921	-	3,921	3,921
Developer Contributions - S94	9,609	1,297	-	10,906	500	11,406	10,906
Developer Contributions - Other	1,047	-	-	1,047	-	1,047	1,047
Domestic Waste Management	3,347	-	-	3,347	-	3,347	3,347
Self Insurance Workers Compensation Claims	4,210	-	-	4,210	-	4,210	5,540
<b>Total Externally Restricted</b>	<b>25,899</b>	<b>1,297</b>	-	<b>27,196</b>	<b>(1,100)</b>	<b>26,096</b>	<b>28,526</b>
(1) Funds that must be spent for a specific purpose							
<b>Internally Restricted <sup>(2)</sup></b>							
Property Development	12,818	-	-	12,818	500	13,318	12,818
Committed Works	5,087	-	-	5,087	(2,500)	2,587	5,087
Childcare	-	-	-	-	-	-	-
Self Insurance Workers Compensation Claims	1,330	-	-	1,330	-	1,330	5,540
Replacement of Plant and Vehicles	2,747	-	20	2,767	100	2,867	2,767
Committed Works funded by Loans	2,985	-	-	2,985	(500)	2,485	2,985
Employee Leave Entitlements	10,577	-	-	10,577	(500)	10,077	10,577
Environmental Sustainability	426	-	53	478	-	478	478
Asset Replacement	4,844	-	282	5,126	(500)	4,626	5,126
Infrastructure Replacement Fund	20,017	-	-	20,017	-	20,017	20,017
Olympic Ambassador	100	-	5	105	-	105	105
Insurance Claims - Excess	4,706	-	829	5,535	-	5,535	5,535
Local Government Elections	439	-	200	639	-	639	639
Other	127	0	-	127	-	127	127
<b>Total Internally Restricted</b>	<b>66,205</b>	<b>0</b>	<b>1,388</b>	<b>67,593</b>	<b>(3,400)</b>	<b>64,193</b>	<b>71,803</b>
(2) Funds that Council has earmarked for a specific purpose							
<b>Unrestricted (ie. available after the above Restrictions)</b>	<b>13,439</b>	<b>(1,297)</b>	<b>(1,388)</b>	<b>10,754</b>	<b>-</b>	<b>28,453</b>	<b>22,914</b>
<b>Total Cash &amp; Investments</b>	<b>105,543</b>			<b>123,242</b>	<b>(4,500)</b>	<b>118,742</b>	<b>123,242</b>

This statement forms part of Council's Quarterly Budget Review Statement (QBR) for the quarter ended 30/09/15 and should be read in conjunction with the total QBR report



Campbelltown City Council

**Quarterly Budget Review Statement**  
for the period 01/07/15 to 30/09/15

**Cash & Investments Budget Review Statement**

**Comment on Cash & Investments Position**

The recommended variations and projected position will not impact on Council's management plan.

**Investments**

Investments have been invested in accordance with Council's Investment Policy.

**Cash**

The Cash at Bank figure included in the Cash & Investment Statement totals \$123,242,383

This Cash at Bank amount has been reconciled to Council's physical Bank Statements.  
The date of completion of this bank reconciliation is 30/09/15

**Reconciliation Status**

The YTD Cash & Investment figure reconciles to the actual balances held as follows:

**\$ 000's**

Cash at Bank (as per bank statements)		2,218,316
Investments on Hand		121,705,913
less: Unpresented Cheques	(Timing Difference)	(1,388,522)
add: Undeposited Funds	(Timing Difference)	105,469
less: Identified Deposits (not yet accounted in Ledger)	(Require Actioning)	(233,180)
add: Identified Outflows (not yet accounted in Ledger)	(Require Actioning)	834,387
less: Unidentified Deposits (not yet actioned)	(Require Investigation)	-
add: Unidentified Outflows (not yet actioned)	(Require Investigation)	-

**Reconciled Cash at Bank & Investments**

**123,242,383**

**Balance as per Review Statement:**

**123,242,383**

Difference:

-

**Recommended changes to revised budget**

Budget Variations being recommended include the following material items:

**Notes Details**

N/A



Campbelltown City Council

**Quarterly Budget Review Statement**  
for the period 01/07/15 to 30/09/15

**Key Performance Indicators Budget Review Statement - Industry KPI's (OLG)**

Budget review for the quarter ended 30 September 2015

(\$000's)	Current Projection		Original Budget 15/16	Actuals Prior Periods	
	Amounts	Indicator		14/15	13/14

NSW Local Government Industry Key Performance Indicators (OLG):

**1. Operating Performance**

Operating Revenue (excl. Capital) - Operating Expenses	-9,753	-6.9	-4.7	4.9	-2.9
Operating Revenue (excl. Capital Grants & Contributions)	142,119				

This ratio measures Council's achievement of containing operating expenditure within operating revenue.  
Benchmark is greater than 0%



**2. Own Source Operating Revenue**

Operating Revenue (excl. ALL Grants & Contributions)	114,655	71.7	79.9	73.8	73.3
Total Operating Revenue (incl. Capital Grants & Cont)	159,963				

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants & contributions.  
Benchmark is greater than 60%



**3. Unrestricted Current Ratio**

Current Assets less all External Restrictions	86,502	3.7	3.7	3.7	3.4
Current Liabilities less Specific Purpose Liabilities	23,642				

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.  
Benchmark is greater than 1.5

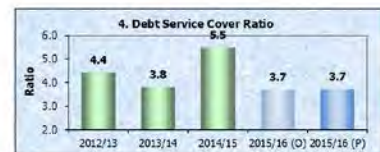


NSW Local Government Industry Key Performance Indicators (OLG):

**4. Debt Service Cover Ratio**

Operating Result before Interest & Dep. exp (EBITDA)	20,654	3.7	3.7	5.5	3.8
Principal Repayments + Borrowing Interest Costs	5,550				

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments.  
Benchmark is greater than 2



**5. Rates, Annual Charges, Interest & Extra Charges Outstanding**

Rates, Annual & Extra Charges Outstanding	3,944	4.2	4.1	4.1	4.3
Rates, Annual & Extra Charges Collectible	94,933				

To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.



**6. Cash Expense Cover Ratio**

Current Year's Cash & Cash Equivalents (incl. Term Deposits)	118,742	8.6	8.8	10.4	8.2
Operating & financing activities Cash Flow payments	138,500				

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.  
Benchmark is greater than 3



**Quarterly Budget Review Statement**  
for the period 01/07/15 to 30/09/15

Campbelltown City Council

**Contracts Budget Review Statement**

Budget review for the quarter ended 30 September 2015

**Part A - Contracts Listing** - contracts entered into during the quarter

Contractor	Contract detail & purpose	Procurement Process Undertaken	Start Date	Duration of Contract	Budgeted (Y/N)	Notes
<b>EXPENDITURE \$50,000 - \$150,000</b>						
Calibre Consulting (NSW) Pty Ltd	Q15/16 Ingleburn Traffic and Parking Study	LGP	02/07/15	Until Completion	Y	
JCB Construction Equipment Australia	Q15/12 Backhoe	LGP	13/07/15	Until Delivery	Y	
Therian Pty Ltd	Q15/17 Facility Upgrades at ACF	Public Quotation	14/08/15	Until Completion	Y	
Todaee Solar Pty Ltd	Q15/11 Greg Percival Photovoltaic	Public Quotation	08/07/15	Until Completion	Y	
MJK Enterprises (NSW) Pty Ltd t/as Kico Playground Inspection Services	Q15/02 Playground Equipment Inspections	Public Quotation	04/08/15	1 year with 2 x 12 month options for extension	Y	
Fuso Truck and Bus (Stillwell Trucks)	Q15/19 Supply and Deliver Truck with Tipper Body	LGP	09/09/15	Until Completion	Y	
Howard & Sons Pyrotechnics (Displays) Pty Ltd	Q15/10 Pyrotechnics	Public Quotation	01/08/15	1 year with 2 x 12 month options for extension	Y	
MJK Enterprises (NSW) Pty Ltd t/as Kico Playground Inspection Services Joel Spencer Coe	Q15/03 Playground Equipment Repairs	Public Quotation	04/08/15	1 year with 2 x 12 month options for extension	Y	1
<b>EXPENDITURE \$150,000 - \$300,000</b>						
Andreasens Green (NSW) Pty Ltd	T15/12 Nursery Supplies	Public tender	01/07/15	2 years with 2 x 12 month options for extension	Y	1
Greenhaven Garden Centre Pty Ltd Knock Out Pest Control Pty Ltd	T15/07 Pest Control Services	Public Tender	01/07/15	2 years with 2 x 12 month options for extension	Y	2
Molino Stewart Pty Ltd	Q14/41 Floodplain Risk Management Consultancy	LGP	07/09/15	Until Completion	Y	

This statement forms part of Council's Quarterly Budget Review Statement (QBR) for the quarter ended 30/09/15 and should be read in conjunction with the total QBR report

Campbelltown City Council

**Quarterly Budget Review Statement**  
for the period 01/07/15 to 30/09/15

**Contracts Budget Review Statement**

Budget review for the quarter ended 30 September 2015

**Part A - Contracts Listing** - contracts entered into during the quarter

Contractor	Contract detail & purpose	Procurement Process Undertaken	Start Date	Duration of Contract	Budgeted (Y/N)	Notes
<b>EXPENDITURE &gt; \$300,000</b>						
Polytan Asia Pacific Pty Ltd	T14/13 Synthetic Turf	Public Tender	22/07/15	Until Completion	Y	
Benedict Pty Ltd	T15/05 Supply of Bulk Materials	Public Tender	22/07/15	2 years with 1 x 12 month option for extension	Y	1
Collins Construction Materials Pty Ltd						
Hi-Quality Recycling Services Pty Ltd						
SITA Australia Pty Ltd						
Barrier Perry Pty Ltd	T15/09 Legal Services	Public Tender	28/07/15	3 years with 1 x 24 month option for extension	Y	1
Houston Deam O'Connor Solicitors						
HWL Ebsworth Lawyers						
Marsdens Law Group						
Sparkle Helmore Lawyers						
Cleary Bros (Bombo) Pty Ltd	T15/02 Eagle Vale Drive Upgrade	Public Tender	22/07/15	Until Completion	Y	
Precision Skate Parks Pty Ltd	T14/23 Construction of a Skate Park	Public Tender	22/07/15	Until Completion	Y	
Ultimate 1 Pty Ltd	T15/15 Air Conditioning Services	Public Tender	19/08/15	4 years	Y	2
Collins Sports Turf Pty	T15/13 Supply of Turf	Public tender	01/07/15	2 years with 2 x 12 month options for extension	Y	1
Garden Growing Solutions Pty Ltd						
SeamlessCMS Pty Ltd	T15/06 Website Development	Public Tender	22/07/15	3 years with 2 x 24 month options for extension	Y	

Notes:

1. Minimum reporting level is 1% of estimated income from continuing operations of Council or \$50,000 - whatever is the lesser.
2. Contracts listed are those entered into during the quarter being reported and exclude contractors on Council's Preferred Supplier list.
3. Contracts for employment are not required to be included.

Campbelltown City Council

**Quarterly Budget Review Statement**  
for the period 01/07/15 to 30/09/15

**Contracts Budget Review Statement**  
**Comments & Explanations relating to Contractors Listing**

Notes	Details
1	Contract price is per service, distributed amongst the panel therefore contract value is an estimation only.
2	Contract price is per services only therefore contract value is an estimation only.

This statement forms part of Council's Quarterly Budget Review Statement (QBRS) for the quarter ended 30/09/15 and should be read in conjunction with the total QBRS report



Campbelltown City Council

**Quarterly Budget Review Statement**  
for the period 01/07/15 to 30/09/15

**Consultancy & Legal Expenses Budget Review Statement**

Consultancy & Legal Expenses Overview

Expense	YTD Expenditure (Actual Dollars)	Budgeted (Y/N)
Consultancies	311,099	Y
Legal Fees	203,025	Y

**Definition of a consultant:**

A consultant is a person or organisation engaged under contract on a temporary basis to provide recommendations or high level specialist or professional advice to assist decision making by management. Generally it is the advisory nature of the work that differentiates a consultant from other contractors.

**Comments**

Expenditure included in the above YTD figure but not budgeted includes:

**Details**

N/A

#### **4. HUMAN RESOURCES**

**No reports this round**

#### **5. INFORMATION MANAGEMENT AND TECHNOLOGY**

**No reports this round**

#### **6. INTERNAL AUDIT**

##### **6.1 Audit Committee Update**

##### **Reporting Officer**

Internal Auditor

---

##### **Attachments**

Audit Committee meeting minutes of 20 October 2015 (contained within this report)

##### **Purpose**

To provide an update on the outcomes from 20 October 2015 Audit Committee meeting.

##### **History**

Council approved the establishment of an Audit Committee consisting of two independent members, the Mayor, the Deputy Mayor and the Chairperson or a member of the Corporate Governance Committee in October 2010.

The Audit Committee was formed and meets three times per year in accordance with its Charter.

##### **Report**

Detailed below are the recommendations of the Audit Committee. Council officers have reviewed the recommendations which are now presented for the consideration of Council. There are no recommendations that require an individual resolution of Council.

---

### **Audit Committee Meeting minutes – 20 October 2015**

The minutes of the Audit Committee meeting held 20 October 2015 are attached and the following were considered:

#### **5.1 Report on Internal Audit Progress (including completion of Plan and other audit activities)**

That the Committee note the Report on Internal Audit Progress (including completion of Plan and other audit activities).

#### **5.2 Report on Follow up of Implementation of Internal Audit Recommendations**

That the Committee notes the Report on Follow up of Implementation of Internal Audit recommendations.

#### **5.3 Report on Risk Management and Fraud Prevention**

That the Committee notes the Report on Risk Management and Fraud Prevention.

#### **5.4 Internal Audit Report on IT Security and Access**

That the Committee notes the Internal Audit Report on IT Security and Access.

#### **5.5 Internal Audit Report on RMS Drives Access System Compliance**

That the Committee notes the Internal Audit Report on RMS Drives Access System Compliance.

#### **5.6 Internal Audit Report on PRF Annual Compliance Audit and Certification 2014-2015**

That the Committee notes the Internal Audit Report on PRF Annual Compliance audit and Certification 2014-2015.

#### **5.7 Internal Audit Report on review of Sign Shop Processes and Management**

That the Committee notes the Internal Audit Report of Sign Shop Processes and management.

#### **5.8 Internal Audit Report on Review of Processes for management of Beverages and Snacks**

That the Committee notes the Internal Audit Report on Review of Processes for management of Beverages and Snacks.

#### **5.9 Report on External Audit Activities**

1. That the Audit Committee request Council to endorse the interim and final external audit reports.
  2. That Council's external auditor be requested to present the end of year financial reports and management letter to the Audit Committee.
-

## **6.1 Audit Committee Membership**

Council's Director Business Services noted that the membership of the Audit Committee may need to be reviewed due to the availability of members to attend the meetings.

### **Officer's Recommendation**

1. That Council adopt the Audit Committee meeting minutes of 20 October 2015.
2. That Council endorse the interim and final external audit report for the year ended 30 June 2015.
3. That Council review the membership of the Audit Committee and nominate an alternate delegate depending on the availability of the Deputy Mayor.

### **Committee's Recommendation: (Mead/Greiss)**

That the Officer's Recommendation be adopted.

### **CARRIED**

### **Council Meeting 17 November 2015 (Hawker/Borg)**

That the Officer's Recommendation be adopted.

### **Council Resolution Minute Number 214**

That the Officer's Recommendation be adopted.

---



## ATTACHMENT 1

### **Minutes of the Audit Committee Meeting**

**Held Tuesday 20 October 2015 in Committee Room 2**

Meeting Commenced: 4.30pm

#### **1. Attendance and Apologies**

**Attendance:** Bruce Hanrahan - Chairperson  
Robert Rofe - Independent member  
Councillor Paul Hawker - Mayor

**Also in Attendance:** Lindy Deitz - General Manager  
Michael Sewell - Director Business Services  
Deborah Goodyer - Internal Auditor  
Beth Buckley - Executive Support

**Apologies:** Councillor Alana Matheson  
Councillor Clinton Mead

#### **Sub Committee's Recommendation: (Hanrahan/Hawker)**

That the above apologies be accepted.

**CARRIED**

#### **2. Declarations of Interest**

There were no Declarations of Interest made at this meeting.

#### **3. Minutes of the Previous Meeting**

Minutes to the 9 June 2015 Audit Committee meeting

#### **Reporting Officer**

Director Business Services

#### **Purpose**

To confirm the minutes of the 9 June 2015 Audit Committee meeting.

#### **Report**

The minutes of the previous Audit Committee meeting held on 9 June 2015 were circulated to all members post meeting and are attached for confirmation that they are an accurate record of the meetings proceedings.

#### **Officer's Recommendation**

That the minutes be approved.

#### **Sub Committee's Recommendation: (Rofe/Hanrahan)**

That the information be noted.

**CARRIED**

---

#### **4. Report on matters arising from minutes of Audit Committee meeting 9 June 15**

##### **Reporting Officer**

Internal Auditor

##### **Purpose**

To provide the Committee with an update on matters arising from the previous meeting of the Audit Committee.

##### **Report**

The following matters arose as action items:

- Final approved Audit Committee and Internal Audit Annual Report 2014-2015
- Final approved Audit Committee Charter
- Proposals for Audit Committee training session
- Proposal for performing an external quality assessment of the internal audit function

##### **Officer's Recommendation**

That the Committee note the information provided.

##### **Sub Committee note:**

The Final approved Audit Committee Charter was distributed to members of the Sub Committee. Further to general discussions regarding the Audit Committee Training sessions, it was requested that training sessions be run in the afternoon of 8 March 2016 prior to the proposed Audit Committee meeting with the members of the Audit Committee, Financial Services staff and the Risk Coordinator to attend the training.

##### **Sub Committee's Recommendation: (Rofe/Hanrahan)**

That the information be noted.

#### **CARRIED**

#### **5. Reports**

##### **5.1 Report on Internal Audit Progress (including completion of Plan and other audit activities)**

##### **Reporting Officer**

Internal Auditor

##### **Purpose**

To provide an update to the Audit Committee on internal audit activities including the current status of work undertaken in accordance with the approved Strategic Audit Plan 2015-2016 and Budget vs. Actual Audit days.

##### **History**

The Audit Committee approved the rolling 2015-2018 Strategic Audit Plan in June 2015. Work commenced on the annual audit plan for 2015-2016 in July 2015. Other activities traditionally undertaken by the internal auditor include assistance with compliance audits, adhoc advice on policy, risk and probity, and special audit or investigation requests.

---

### **Report**

The attached report outlines the status of individual audits approved as part of the Strategic Audit Plan.

The scheduled IT security and access review was completed during the first quarter with fieldwork on the Policy Management & gap analysis audit in process.

Compliance reviews for RMS Drives access system and the Planning and reform funds covering the 2014-2015 year were completed in accordance with external requirements.

The Acting General Manager also requested internal audit reviews be undertaken into; Grant application governance arrangements, Sign shop processes, and processes for management of beverages and snacks.

Internal Audit has also been involved in the project for development of the Customer feedback and complaint handling frameworks for Council, and the recruitment of a risk coordinator as part of the Governance & Risk team.

The scheduled review of contract management is currently being planned.

### **Officer's Recommendation**

That the Committee note the Report on Internal Audit Progress (including completion of Plan and other audit activities).

### **Sub Committee's Recommendation: (Rofe/Hawker)**

That the information be noted.

### **CARRIED**

## **5.2 Report on Follow up of Implementation of Internal Audit Recommendations**

### **Reporting Officer**

Internal Auditor

### **Purpose**

To report on progress towards implementing the recommendations from previous internal audits which are outstanding.

### **History**

Internal audits are conducted in accordance with the approved Internal Audit Plan each year. The findings from each internal audit are reported to the Audit Committee in the form of a report detailing the individual issues identified, their implications; recommendations for improvement; management agreed actions with target dates for implementation; and the staff member assigned responsibility for implementation.

### **Report**

The attached report on Follow Up is Management's update on implementation of recommendations made in internal audits performed to date. It includes a summary table of audits with outstanding actions, showing the total number of recommendations made, those fully implemented and those outstanding. Detailed schedules of progress on outstanding recommendations are included providing reason(s) for any non-implementation within agreed timeframes, as well as any requests for revision of the target dates.

---



This report includes progress towards implementation of recommendations made in audits reported to the June 2015 Audit Committee being:

- Asset Management – Plant and Equipment and
- Inventory Management.

Formal follow up activities to monitor implementation of audit recommendations which exceed the due dates will be undertaken in the coming quarter and thereafter as required.

#### **Officer's Recommendation**

That the Committee notes the Report on Follow up of Implementation of Internal Audit recommendations.

#### **Sub Committee's Recommendation: (Hawker/Hanrahan)**

That the information be noted.

#### **CARRIED**

### **5.3 Report on Risk Management and Fraud Prevention**

#### **Reporting Officer**

Internal Auditor

#### **Purpose**

To report on internal audit activities in assessing and improving Council's risk management, fraud and corruption prevention frameworks, systems and controls.

#### **History**

Internal audit activity has previously included assessment and management of risks (including fraud) specifically related to individual audit projects rather than by dedicated report.

The following elements of risk management are required to be assessed and monitored by Internal Audit:

- review whether management has in place a current and comprehensive risk management framework, and associated procedures for effective identification and management of business and financial risks, including fraud
- review whether a sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings
- review the impact of the risk management framework on its control environment and insurance arrangements
- review whether a sound and effective approach has been followed in establishing business continuity planning arrangements, including whether plans have been tested periodically.

Internal Audit is also responsible for evaluating the potential for occurrence of fraud, and how Council manages fraud risk.

#### **Report**

Since the June 2015 Audit Committee meeting, Internal Audit has reviewed and assessed:

- Council's risk management and fraud & corruption prevention frameworks as a part of the Internal Audit review of Policy management. A key finding of this review is that the risk management framework is not currently adequate, focusing on insurable and WHS risk ie, there is a limited model for conducting risk assessments across the business, there is no risk register/profile established across the business, the dedicated Risk management coordinator
-



position remained unfilled until September 2015, and the Fraud & Corruption prevention policy has not been fully established with endorsement of Council

- governance of grant applications for existence of appropriate risk management controls and preliminary findings indicate that risk management is not sufficiently considered in the grant application process
- the draft business continuity document which is currently being developed at Council, and highlighted the area for future review as a part of the Internal Audit Strategic Plan 2015-2018.

Overall, internal audit activities have identified significant deficiencies in the risk management and fraud prevention frameworks, and recommendations for improvement will be made in internal audit reports currently being drafted.

#### **Officer's Recommendation**

That the Committee notes the Report on Risk Management and Fraud Prevention.

#### **Sub Committee's Recommendation: (Rofe/Hawker)**

That the information be noted.

#### **CARRIED**

### **5.4 Internal Audit Report on IT Security and Access**

#### **Reporting Officer**

Internal Auditor

#### **Purpose**

The Internal Audit Report details findings and recommendations from the audit of IT Security and Access which was undertaken in accordance with the 2015-2016 approved Internal Audit Plan.

#### **History**

The 2015-2016 Internal Audit Plan was approved at the June 2015 Audit Committee meeting and included the audit of IT Security and Access.

#### **Report**

Attached is the Internal Audit Report outlining the findings from the review of IT Security and Access.

The audit was undertaken to assess the key processes and controls around the IT Security and Access. The audit specifically assessed whether the review indicated that key controls were operating, except that:

The overall rating given to this audit is that there is high exposure. Of the six recommendations made, five were considered to place Council in a higher than acceptable area of exposure.

An action plan for implementing all recommendations has been developed and agreed by the relevant Managers.

#### **Officer's Recommendation**

That the Committee notes the Internal Audit Report on IT Security and Access.

#### **Sub Committee's Recommendation: (Hawker/Rofe)**

That the information be noted.

#### **CARRIED**

---

### **5.5 Internal Audit Report on RMS Drives Access System Compliance**

#### **Reporting Officer**

Internal Auditor

#### **Purpose**

The Internal Audit Report details findings and recommendations from the audit of RMS Drives Access System Compliance which was undertaken in accordance with NSW Roads and Maritime Services requirements for annual compliance certification year ended 30 June 2015.

#### **History**

The compliance audit on Councils compliance with the RMS Drives System Terms of Access Agreement has previously been undertaken in 2013-2014 by Internal Audit in accordance with the RMS audit program.

#### **Report**

Attached is the Internal Audit Report outlining the findings from the review of RMS Drives Access System Compliance.

The audit has been undertaken to form an opinion as to whether, in all material respects, the Council has complied with its obligations under the agreement.

The review indicated that, effective control procedures were operating in relation to Council meeting its obligations under the DRIVES Terms of Access Agreement.

#### **Officer's Recommendation**

That the Committee notes the Internal Audit Report on RMS Drives Access System Compliance.

#### **Sub Committee's Recommendation: (Rofe/Hawker)**

That the information be noted.

#### **CARRIED**

### **5.6 Internal Audit Report on PRF Annual Compliance Audit and Certification 2014/155.6**

#### **Reporting Officer**

Internal Auditor

#### **Purpose**

The Internal Audit Report details findings and recommendations from the audit of PRF Annual Compliance audit & Certification 2014-2015 which was undertaken in accordance with the annual directive issued by the NSW Department of Planning and Environment (the Department).

#### **History**

For the previous two financial years ended 30 June 2013 and 2014, Internal Audit has been required to complete a compliance audit and certification for submission to the NSW Department of Planning & Environment. The review includes substantial verification of Council's monthly data using a data analytics tool to confirm monthly returns and submitted revisions in accordance with errors or omissions identified.

---



### **Report**

Attached is the Internal Audit Report outlining the findings from the review of PRF Annual Compliance audit & Certification 2014-2015

The compliance audit and certification was performed against the Department's Annual audit procedure and to identify any inefficiency in Council process or systems. The audit specifically assessed whether:

- finalised returns on or before the 14<sup>th</sup> day of the following month
- verify that the monthly PRF fees are paid in accordance with the returns and made before the 28<sup>th</sup> day of the following month
- can attest that returns are a true and accurate record of all applications/certificates lodged with council during each period
- estimated costs of development applications are correctly disclosed in the PRF database
- fees are correctly calculated including the maximum application fee per application
- all 6 categories of reportable data have been reported.

The review indicated that the monthly reports are complete and accurate except for two minor omissions which did not affect fees payable.

Key controls over monthly testing are generally in place and operating, however, delays in submitting returns and remitting monthly payments are occurring due to issues with internal coordination of activities and communication of anomalies to responsible staff in a timely manner.

The overall rating given to this audit is that there is Moderate exposure. An action plan for implementing all recommendations has been developed and agreed by the relevant Managers.

### **Officer's Recommendation**

That the Committee notes the Internal Audit Report on PRF Annual Compliance audit and Certification 2014-2015.

### **Sub Committee's Recommendation: (Rofe/Hawker)**

That the information be noted.

### **CARRIED**

## **5.7 Internal Audit Report on review of Sign Shop Processes and Management**

### **Reporting Officer**

Internal Auditor

### **Purpose**

The Internal Audit Report details findings and recommendations from the audit of Sign Shop Processes and Management which was undertaken in accordance with an Acting General Manager request and Council's policy, authorised statements and procedures.

### **History**

Given recent changes to roles and responsibilities within related areas at Councils Depot, it was considered prudent to undertake a review of practices and systems to ensure adequate controls were in place and that any operational efficiency are being gained wherever possible.

---

## **Report**

Attached is the Internal Audit Report outlining the findings from the review of Sign Shop Processes and Management.

The audit was undertaken to assess the key processes and controls around the operation and management of the sign shop, located at the council Depot. The audit specifically assessed:

- Policies and procedures in place and operating specific to sign shop operations
- Delegations of authority and segregation of duties
- Approval to accept and commence work on new work order requests
- Cost allocation and invoicing for completed work orders
- Potential conflict of interest scenarios including with respect to external requests and operational capacity.

The review indicated that:

- appropriate documented policies and procedures did not exist
- staff had a sound understanding of the principles and controls required for efficient operations, however difficulties have been experienced due to deficiencies in the system and communication protocols.

The overall rating given to this audit is that there is Moderate exposure. Three of the six recommendations made were considered to place Council in a higher than acceptable area of exposure.

An action plan for implementing all recommendations has been developed and agreed by the relevant Managers.

## **Officer's Recommendation**

That the Committee notes the Internal Audit Report on of Sign Shop Processes and management.

## **Sub Committee's Recommendation: (Rofe/Hawker)**

That the information be noted.

## **CARRIED**

## **5.8 Internal Audit Report on Review of Processes for management of Beverages and Snacks**

### **Reporting Officer**

Internal Auditor

### **Purpose**

The Internal Audit Report details findings and recommendations from the audit of Processes for management of Beverages and Snacks which was undertaken in accordance with Acting General Manager request to review processes for managing procurement, use, and stock control for beverages and snacks.

### **History**

Given recent changes to roles and responsibilities it was considered prudent to undertake a review of practices and systems to ensure adequate controls were in place and that any efficiencies are being gained where possible.

---



### **Report**

Attached is the Internal Audit Report outlining the findings from the Review of Processes for management of Beverages and Snacks.

The audit was undertaken to assess the key processes and controls. The audit specifically assessed whether:

- whether beverages and snacks are requisitioned and purchased in accordance with applicable council policies, authorised statements and procedures and for official business/purposes
- adequacy of systems/records for recording stock received and distributed to relevant officers/facilities (recording stock levels, and ins & outs)
- security and appropriate conditions for storage of beverage and snack stock ie, restricted access, stock take undertaken regularly, physical conditions
- procedures for allocating financial costs to relevant area (cost centre) are accurate and in accordance with actual use.

The review indicated that key controls were not operating and that there was:

- inadequate formal procedure guiding process and systems
- inadequate structure around budget allocation and costing
- purchase card delegation exceeds general financial delegations
- lack of system for monitoring levels of stock on hand, and distinguishing items attributable to specific events or operational activities.
- inconsistent use of alarm and key security to restrict access to the LG cool room throughout business hours.

The overall rating given to this audit is that there is high exposure.

An action plan for implementing all recommendations has been developed and agreed by the relevant Managers.

### **Officer's Recommendation**

That the Committee notes the Internal Audit Report on Review of Processes for management of Beverages and Snacks.

### **Sub Committee's Recommendation: (Rofe/Hawker)**

That the information be noted.

### **CARRIED**

## **5.9 Report on External Audit Activities**

### **Reporting Officer**

Director Business Services

### **Purpose**

To provide the Committee with an update on external audit activity for the year ended 30 June 2015.

### **Report**

Council's external auditors, Intentus Chartered Accountants, conducted their second interim audit in June 2015. The attached report outlines the scope of their interim visit and the findings and recommendations as a result of their review.

---

In the report, the auditors provide an update on the status of matters reported previously and advised that they did not identify any new matters necessary to bring to Council's attention. Intentus reported that issues identified in previous audits had been predominantly resolved.

Intentus have also completed their final audit visit during August 2015, and have issued the Management Letter at Attachment 2.

**Officer's Recommendation**

That the Committee noted the interim and final external audit reports.

**Sub Committee's Recommendation: (Rofe/Hawker)**

1. That the Audit Committee request Council to endorse the interim and final external audit reports.
2. That Council's external auditor be requested to present the end of year financial reports and management letter to the Audit Committee.

**CARRIED**

**6. General Business**

**6.1 Audit Committee Membership**

Council's Director Business Services noted that the membership of the Audit Committee may need to be reviewed due to the availability of members to attend the meetings.

**Sub Committee's Recommendation: (Rofe/Hawker)**

That the information be noted.

**CARRIED**

Next meeting of the Audit Committee is yet to be determined for 2016 at 4.30pm in Committee Room 2.

Bruce Hanrahan  
**Chairperson**

Meeting Concluded: 5.15pm

---

## **6.2 Audit Committee and Internal Audit Annual Report for year ended 30 June 2015**

### **Reporting Officer**

Internal Auditor

---

### **Attachments**

Audit Committee and Internal Audit Annual Report for year ended 30 June 2015 (contained within this report)

### **Purpose**

To report to Council the activities of the Audit Committee and internal audit for the year ended 30 June 2015.

### **History**

The Audit Committee Charter sets out the Committee's composition, roles and responsibilities, and reporting requirements. The revision of the Charter was recommended to be submitted to Council for approval on 14 July 2015 and was approved by Council on 21 July 2015.

### **Report**

The Audit Committee is required to provide a report to Council on its activities each year. The attached report covers both Internal Audit and the Audit Committee's activities for the year ended 30 June 2015.

The report outlines some of Internal Audit and the Audit Committee's key achievements during the year including complete re-establishment of the Strategic internal Audit Plan on a risk management basis, a regime for monitoring implementation of previous recommendations and developing key elements of a quality assurance and improvement program for the internal audit function.

The Annual Report covers:

- Audit Committee meetings and attendance
- cost of internal audit activities
- performance against the approved internal audit plan
- Audit Committee coverage against the roles and responsibilities in the Charter.

### **Officer's Recommendation**

That the information contained in the Audit Committee and Internal Audit Annual Report for the year ended 30 June 2015 be noted.

---

**Committee Note:** Council's Audit Committee Chairperson, Mr Bruce Hanrahan, addressed the Committee regarding the Audit Committee and Internal Audit Annual Report for year ended 30 June 2015.

**Committee's Recommendation: (Borg/Lake)**

That the Officer's Recommendation be adopted.

**CARRIED**

**Council Meeting 17 November 2015 (Hawker/Borg)**

That the Officer's Recommendation be adopted.

**Council Resolution Minute Number 214**

That the Officer's Recommendation be adopted.

---



## **ATTACHMENT 1**



# **Audit Committee and Internal Audit Annual Performance Report to Council for Year Ended 30 June 2015**

*July 2015*

---

## Table of Contents

Background .....	3
Audit Committee .....	3
Internal Audit Activities .....	7
Quality Assurance and Improvement Program .....	8
Acknowledgments and Appreciation.....	9

---

## Background

The Division of Local Government issued revised *Internal Audit Guidelines* under Section 23A of the *Local Government Act 1993* in September 2010. These guidelines recommend the establishment of an Audit Committee to play a pivotal role in the governance framework.

Council approved the establishment of an Audit Committee at its October 2010 meeting and its principle function is to provide independent advice and assistance to Council on matters related to risk management, control, governance and statutory compliance.

Since that time the Audit Committee's role has evolved with responsibilities to monitor activities including:

- the development and implementation of the annual audit program
- completion of external responsibilities (for example completion of the annual statutory financial statements)
- implementation of recommendations made by internal/external audit, and
- Council's progress in relation to risk management.

The Committee's long-term strategy is to assist with improving corporate governance by monitoring the development of a formal Enterprise Risk Management framework. This framework is intended to assist with the development of risk registers that consider all types of risk facing Council and to therefore allow a more strategic approach to the management of risks. The development of this framework has not progressed significantly, however it is anticipated that reporting of the development and implementation of this framework will occur in 2015-2016. This work, together with development of the internal audit framework and quality assurance and improvement program, will further enhance Council's ability to build the efficiency and effectiveness of the internal audit function.

## Audit Committee

### *Membership*

The Audit Committee currently consists of five voting and four non-voting members. The voting members are two independent members (including the Chairperson), the Mayor, the Deputy Mayor and the Chairperson of the Corporate Governance Committee (or a member of that Committee).

Non-voting attendees are the General Manager, Director Business Services and the Internal Auditor.

To enhance its ability to provide good governance and independently review Council activities, best practice guidance recommends that the Audit Committee should comprise a majority of independent members.

A revised Audit Committee charter has been prepared which outlines a change in composition to reflect this structure and which would coincide with the next round of elections and potential changes to the committee membership.

---



**Attendance**

Committee meetings were held on the following dates:

- 2 December 2014
- 10 March 2015
- 9 June 2015

Per the Audit Committee Charter, the Committee is to meet a minimum of three times per year with the need for any additional meetings to be decided by the Chair of the Committee in consultation with the General Manager.

Attendance at the three meetings held during the year was as follows:

Meeting Participants	No. of Meetings attended
Independent Chairperson	3
Independent member	3
Mayor	3
Deputy Mayor	3
Chairperson of Governance Committee	1
General Manager	3
Director Business Services	3
Internal Auditor	2

**Performance against Audit Committee Charter**

Audit Committee achievements over the 2014-15 year are assessed against the roles and responsibilities established by the Audit Committee Charter in the following areas.

Per Audit Committee Charter	Coverage
<b>Risk Management</b>	
Review whether management has in place a current and comprehensive risk management framework, and associated procedures for effective identification and management of business and financial risks, including fraud	Identified that there is no formal framework for risk management through the internal audit strategic planning process. A strategy of implementation is being developed with recruitment of a risk coordinator and focus on risk management in the policy management audit review proposed for July 2015.
Review whether a sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings	To be covered in Project Management audit in 2016-2017. Internal Audit planning meetings, probity advice and reviews reinforce the risk management approach for all council projects and undertakings.
Review the impact of the risk management framework on its control environment and insurance arrangements	Considered in strategic planning process and proposed to be covered by Internal Audit liaison with the Risk Coordinator position during



Per Audit Committee Charter	Coverage
	development of the risk management framework, policies and systems.
Review whether a sound and effective approach has been followed in establishing business continuity planning arrangements, including whether plans have been tested periodically.	Reviewed in the strategic planning process via review of the Business continuity plan and observations that testing occurred in April 2015.
<b>Control Framework</b>	
Review if Management has adequate internal controls in place, including over external parties such as contractors.	Considered during risk-based strategic planning and with each audit
Review if Management has in place relevant authorised statements, policies and procedures and these are periodically reviewed and updated.	Considered with each audit
Review if appropriate processes are in place to assess whether policies and procedures are complied with.	Considered with each audit
Review if appropriate policies and procedures are in place for the management and exercise of delegations.	Reviewed during strategic planning process and considered with each audit, included asset management and inventory management reviews.
Review if Management has taken steps to embed a culture which is committed to ethical and lawful behaviour through reinforcement of the Code of Conduct.	Ongoing
<b>External Accountability</b>	
Note the completion of the annual financial statements and that they are supported by appropriate management sign-off on the statements and on the adequacy of internal controls.	Included in external audit report on financial statements.
Review the external audit opinion, including whether appropriate action has been taken in response to audit recommendations and adjustments.	Any external audit issues covered in external audit update
To consider contentious financial reporting matters raised at the Committee meetings in conjunction with Council's management and external auditors.	None noted at Audit Committee meetings.
Satisfy itself there are appropriate mechanisms in place to review and implement where appropriate relevant State Government reports and recommendations.	Any relevant matters are considered and referred by the Governance and Risk Section, other relevant operational sections.
Satisfy itself there is a performance management framework linked to organisational objectives and outcomes.	In internal audit strategic planning; with respect to the human resources section, observed links between performance management and appraisal systems and organisational objectives per the delivery program.



Per Audit Committee Charter	Coverage
<b>Legislative Compliance</b>	
Determine whether management has appropriately considered legal compliance matters as part of its operations.	Considered with each audit and in strategic planning process.
Review the effectiveness of the system for monitoring compliance with relevant laws, regulations and associated government policies.	Considered with each audit and in strategic planning process.
<b>Internal Audit</b>	
Act as a forum for communication between the Council, General Manager, senior management, internal audit and external audit.	Ongoing via reports to Audit Committee.
Review the internal audit coverage and Internal Audit Plan, including ensuring the Plan has considered Council's risk framework, and approval of the Plan.	Report on Status of Internal Audit Plan and approval of Strategic Internal Audit Plan.
Consider the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved Internal Audit Plan.	Status of Internal Audit Plan, Strategic Audit Plan and Annual Report on Audit Committee and Internal Audit.
Review all audit reports and consider issues identified in audit reports and action taken on issues raised, including identification and dissemination of better practices.	Asset Management and Inventory Management reviews.
Monitor the implementation of internal audit recommendations by management.	Reports on Implementation of Internal Audit recommendations. Development of program of follow up activities.
Periodically review the Internal Audit Charter to ensure appropriate authority, access and reporting arrangements are in place.	Report on revision of Internal Audit charter submitted to June meeting.
Periodically review the performance of Internal Audit.	Annual report on Audit Committee and Internal Audit submitted to June 2015 meeting, and periodic self-assessment component of Quality Assurance and Improvement Program commenced.
<b>External Audit</b>	
Act as a forum between the Council, General Manager, senior management, internal audit and external audit.	Ongoing
Review all external audit plans and reports in respect of planned or completed financial statements external audits, monitor the implementation of audit recommendations by management.	External audit update
Consider significant issues raised in relevant external audit reports and better practice guides, and ensure appropriate action is taken.	External audit update



Per Audit Committee Charter	Coverage
<b>Responsibilities of Members</b>	
Members of the Committee are expected to: <ul style="list-style-type: none"> <li>Understand the relevant legislative and regulatory requirements appropriate to Campbelltown City Council.</li> <li>Contribute the time needed to study and understand the papers provided.</li> <li>Apply good analytical skills, objectivity and good judgement.</li> <li>Express opinions frankly and ask questions as deemed necessary.</li> </ul>	Ongoing

## Internal Audit Activities

### *Performance to financial budget*

The following provides a comparison of the cost of internal audit related activities for the current and prior financial year.

Description	Current Year	Prior Year
Cost of Internal Audit function (excludes training)	\$87,329	\$111,406
Audit Committee costs	\$3,500	\$3,500

The decrease in internal audit costs is predominantly the result of internal audit staff turnover, and a lack of coverage between October 2014 and February 2015.

The former internal auditor ceased employment with Council on 21 October 2014, and the position was filled from 9 February 2015.

### *Performance against Internal Audit Plan 2014-2015*

As a result of delays in completing previous Internal Audit Plans, and substantial time spent on special projects and investigations, the schedule of audits for the 2014-2015 year was substantially incomplete at the time the former auditor left Council.

These Internal Audit Plans were approved by the Audit Committee in the prior years and represented the program of work planned to be undertaken by the Internal Auditor, however only those audits commenced prior to October 2014 were completed within the 2014-15 audit year.

The following is a list of the internal audits scheduled during the year and their status:

Audit Name	Status
Asset Management	Complete. Presented to the June 2015 Audit Committee meeting.
Inventory Management	Complete. Presented to the June 2015 Audit Committee meeting.
Accounts Payable	Set aside as part of development of a new strategic plan for internal audit. Risk rating and priority re-assessed as low.
Contract Management	Re-scheduled as part of development of a new strategic plan for internal audit with anticipated completion second quarter 2015-2016.



Customer response	Re-scheduled together with complaint handling as part of development of a new strategic plan for internal audit with anticipated completion fourth quarter 2015-2016.
-------------------	---

In addition to the above, Council's former Internal Auditor has had a significant role in assisting with the preparation of procurement training across Council as a result of the prior year's review.

### ***Strategic Planning***

The 2013-2016 Strategic Internal Audit Plan was a three year rolling audit plan developed after consideration of industry risks and risks identified at meetings held with all Section Managers and the Executive. The Plan was approved at the Audit Committee meeting in June 2013 and was reviewed annually to ensure current risks and priorities continue to be addressed.

Given lack of progress on the strategic plan over recent years due to competing priorities, and internal audit staff turnover, it was considered prudent to reassess Council's risks and priorities, and establish a new 2015-2018 Strategic Audit Plan. The plan was approved at the June Audit Committee meeting.

### ***Other Internal Audit Activities***

The following activities have also been performed by Council's Internal Auditor during the year:

- acted as probity adviser on several tenders including provision of a probity plan and probity report and attendance at all tender evaluation meetings
- audit of the 2013-2014 Planning Reform Fund annual return and review of monthly Planning Reform Fund lodgements from July 2014 to September 2014.
- Audit of the 2013-14 RMS Drives access system.
- ad-hoc audit work including assisting with the preparation of Council's annual report and other investigative work at the request of the General Manager
- attendance at a number of conferences including the Local Government Internal Auditor Network (LGIAN) quarterly meetings, Corruption Prevention Network Council meetings, and SOPAC.

### **Quality Assurance and Improvement Program**

In order to ensure compliance with *Internal Audit Guidelines* (DLG) September 2010, and the requirements of the *International standards for the Professional Practice of Internal Audit*, a Quality Assurance and Improvement Program is being established. To develop a best practice internal audit function within Council the program will commence rollout over the coming 2015-16 year including:

- **Ongoing monitoring** to provide assurance that the processes in place are working effectively to deliver quality on an audit-by-audit basis.
- **Periodic self - assessment** of internal audit activities every 1-2 years for conformance with standards and guidelines and improvement opportunities using criteria for each element being; governance, professional practice and reporting.
- **External assessment** of the internal audit function potentially using an independent certified quality assurance assessor to validate the periodic self-assessment.



### **Acknowledgments and Appreciation**

The Committee looks forward to the opportunity to continue to provide input to Council's governance and audit processes over the coming 12 months.

---

## **7. GENERAL BUSINESS**

Nil.

### **Confidentiality Motion: (Kolkman/Borg)**

That the Committee in accordance with Section 10A of the *Local Government Act 1993*, move to exclude the public from the meeting during discussions on the items in the Confidential Agenda, due to the confidential nature of the business and the Committee's opinion that the public proceedings of the Committee would be prejudicial to the public interest.

**CARRIED**

## **23. CONFIDENTIAL ITEMS**

### **23.1 Suite 5 Milgate Arcade, Queen Street, Campbelltown**

#### **Reason for Confidentiality**

This report is **CONFIDENTIAL** in accordance with Section 10A(2)(c) of the *Local Government Act 1993*, which permits the meeting to be closed to the public for business relating to the following: -

- (c) information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business.

### **23.2 EOI for Lease of Ingleburn Occasional Care Facility**

#### **Reason for Confidentiality**

This report is **CONFIDENTIAL** in accordance with Section 10A(2)(c) of the *Local Government Act 1993*, which permits the meeting to be closed to the public for business relating to the following: -

- (c) information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business.
-

### **23.3 Agistment Agreement for Lot 112 DP 632633, Knotwood Avenue, Macquarie Fields**

#### **Reason for Confidentiality**

This report is **CONFIDENTIAL** in accordance with Section 10A(2)(c) of the *Local Government Act 1993*, which permits the meeting to be closed to the public for business relating to the following: -

- (c) information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business.

#### **Motion: (Greiss/Lake)**

That the Committee in accordance with Section 10 of the *Local Government Act 1993*, move to re-open the meeting to the public.

#### **CARRIED**

There being no further business the meeting closed at 5.58pm.

P Hawker  
CHAIRPERSON

---