



BUSINESS PAPER

**Economic and Community
Sustainability Committee Meeting
Wednesday, 13 November 2019**

INVERELL SHIRE COUNCIL**NOTICE OF ECONOMIC AND COMMUNITY SUSTAINABILITY COMMITTEE MEETING**

8 November, 2019

An Economic and Community Sustainability Committee Meeting will be held in the Committee Room, Administrative Centre, 144 Otho Street, Inverell on Wednesday, 13 November, 2019, commencing at **10.30 AM**.

Your attendance at this Economic and Community Sustainability Committee Meeting would be appreciated.

Please Note: Under the provisions of the Code of Meeting Practice the proceedings of this meeting (including presentations, deputations and debate) may be webcast. An audio recording of the meeting may be uploaded on the Council's website at a later time. Your attendance at this meeting is taken as consent to the possibility that your voice may be recorded and broadcast to the public.

P J HENRY PSM

GENERAL MANAGER

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Ethical Decision Making and Conflicts of Interest

A guiding checklist for Councillors, officers and community committees

Ethical decision making

- Is the decision or conduct legal?
- Is it consistent with Government policy, Council's objectives and Code of Conduct?
- What will the outcome be for you, your colleagues, the Council, anyone else?
- Does it raise a conflict of interest?
- Do you stand to gain personally at public expense?
- Can the decision be justified in terms of public interest?
- Would it withstand public scrutiny?

Conflict of interest

A conflict of interest is a clash between private interest and public duty. There are two types of conflict:

- **Pecuniary** – regulated by the *Local Government Act 1993* and Office of Local Government
- **Non-pecuniary** – regulated by Codes of Conduct and policy. ICAC, Ombudsman, Office of Local Government (advice only). If declaring a Non-Pecuniary Conflict of Interest, Councillors can choose to either disclose and vote, disclose and not vote or leave the Chamber.

The test for conflict of interest

- Is it likely I could be influenced by personal interest in carrying out my public duty?
- Would a fair and reasonable person believe I could be so influenced?
- Conflict of interest is closely tied to the layperson's definition of 'corruption' – using public office for private gain.
- Important to consider public perceptions of whether you have a conflict of interest.

Identifying problems

- 1st** Do I have private interests affected by a matter I am officially involved in?
- 2nd** Is my official role one of influence or perceived influence over the matter?
- 3rd** Do my private interests conflict with my official role?

Local Government Act 1993 and Model Code of Conduct

For more detailed definitions refer to Sections 442, 448 and 459 or the *Local Government Act 1993* and Model Code of Conduct, Part 4 – conflicts of interest.

Disclosure of pecuniary interests / non-pecuniary interests

Under the provisions of Section 451(1) of the *Local Government Act 1993* (pecuniary interests) and Part 4 of the Model Code of Conduct prescribed by the Local Government (Discipline) Regulation (conflict of interests) it is necessary for you to disclose the nature of the interest when making a disclosure of a pecuniary interest or a non-pecuniary conflict of interest at a meeting.

A Declaration form should be completed and handed to the General Manager as soon as practicable once the interest is identified. Declarations are made at Item 3 of the Agenda: Declarations - Pecuniary, Non-Pecuniary and Political Donation Disclosures, and prior to each Item being discussed: The Declaration Form can be downloaded at [Declaration Form](#)

Quick Reference Guide

Below is a legend that is common between the:

- Inverell Shire Council Strategic Plan;
- Inverell Shire Council Delivery Plan; and
- Inverell Shire Council Operational Plan.



1 APOLOGIES

2 CONFIRMATION OF MINUTES

RECOMMENDATION:

That the Minutes of the Economic and Community Sustainability Committee Meeting held on 9 October, 2019, as circulated to members, be confirmed as a true and correct record of that meeting.

**MINUTES OF INVERELL SHIRE COUNCIL
ECONOMIC AND COMMUNITY SUSTAINABILITY COMMITTEE MEETING
HELD AT THE YETMAN HALL, 82-84 WARIALDA STREET, YETMAN
ON WEDNESDAY, 9 OCTOBER 2019 AT 1:20 PM**

PRESENT: Cr Jacki Watts (Chair), Cr Kate Dight, Cr Anthony Michael (Deputy Mayor), Cr Stewart Berryman, Cr Neil McCosker and Cr Paul King OAM.

IN ATTENDANCE: Paul Henry (General Manager), Brett McInnes (Director Civil & Environmental Services), Scott Norman (Director Corporate & Economic Services), Scott Hamilton (Project Engineer) and Anthony Alliston (Manager Development Services).

1 APOLOGIES

Moved: Cr Anthony Michael

Seconded: Cr Kate Dight

That the apologies received from Crs Harmon, Peters and Baker, all requested leave of absence for personal reasons, be accepted and leave granted.

CARRIED

2 CONFIRMATION OF MINUTES

Moved: Cr Anthony Michael

Seconded: Cr Kate Dight

That the Minutes of the Economic and Community Sustainability Committee Meeting held on 11 September, 2019, as circulated to members, be confirmed as a true and correct record of that meeting.

CARRIED

3 DISCLOSURE OF CONFLICT OF INTERESTS/PECUNIARY AND NON-PECUNIARY INTERESTS

Nil

4 DESTINATION REPORTS

4.1 BUDGET REVOTES FROM 2018-2019 S12.5.1/13

COMMITTEE RESOLUTION

Moved: Cr Kate Dight

Seconded: Cr Anthony Michael

That the Committee recommend to Council that the list of revotes representing works in progress as at 30 June, 2019 be revoted to the 2019/2020 budget.

CARRIED

4.2 INVESTMENT POLICY S4.11.17/11

Moved: Cr Kate Dight
Seconded: Cr Anthony Michael

That the Committee recommend to Council that:

- i) the report be received and noted; and*
- ii) the Investment Policy remain unchanged.*

CARRIED

5 INFORMATION REPORTS**COMMITTEE RESOLUTION**

Moved: Cr Anthony Michael
Seconded: Cr Kate Dight

That the following information reports be received and noted.

CARRIED

5.1 LIBRARY STATISTICAL OVERVIEW 2018/19 S3.6.1/13**5.2 GRANT APPLICATIONS SUMMARY S15.8.25/12****6 GOVERNANCE REPORTS****6.1 GOVERNANCE - MONTHLY INVESTMENT REPORT S4.11.17/11****COMMITTEE RESOLUTION**

Moved: Cr Kate Dight
Seconded: Cr Stewart Berryman

The Committee recommend to Council that:

- i) the report indicating Council's Fund Management position be received and noted; and*
- ii) the Certification of the Responsible Accounting Officer be noted.*

CARRIED

The Meeting closed at 1.51pm.

The minutes of this meeting were confirmed at the Economic and Community Sustainability Committee held on 13 November 2019.

.....
CHAIRPERSON

3 DISCLOSURE OF CONFLICT OF INTERESTS/PECUNIARY AND NON-PECUNIARY INTERESTS

4 DESTINATION REPORTS

4.1 ANNUAL REPORT FROM THE CHAIR OF AUDIT, RISK AND IMPROVEMENT COMMITTEE

File Number: S4.11.21 / 19/30421

Author: Scott Norman, Director Corporate and Economic Services

SUMMARY:

Mr Phil Schwenke will present his Annual Report on the activities of the Audit, Risk and Improvement Committee (ARIC).

RECOMMENDATION:

That Standing Orders are suspended to allow Mr Phil Schwenke, Chair of the Audit Risk and Improvement Committee to present his Annual Report on the activities of the Committee.

On Resuming the meeting:

- 1. That Mr Phil Schwenke, Chair of the Audit Risk and Improvement Committee be thanked for his Annual Report on the activities of the Committee; and*
- 2. The report as tabled be received and noted.*

COMMENTARY:

It is recommended that Standing Orders be suspended to allow Mr Phil Schwenke to present a synopsis of his Report as Chair of the Audit Risk and Improvement Committee (ARIC).

It is then proposed to open a discussion on the role of ARIC and interaction with the Elected Council. The discussion will be based on the attached report that has previously been presented to Council on 25 September, 2019. (Attachment No 2.). Reference will also be made to the current discussion paper recently released by the Office of Local Government entitled "A new risk management and internal audit framework" on the review of ARIC's. A fact sheet outlining the key elements of the discussion paper is attached. (Attachment No 3.) A copy of the discussion paper can be found at [ARI Discussion Paper](#)

RISK ASSESSMENT:

One of the ARIC principle roles is to facilitate effective Enterprise Risk Management.

POLICY IMPLICATIONS:

Nil

CHIEF FINANCIAL OFFICERS COMMENT:

Nil

LEGAL IMPLICATIONS:

An ARIC is part of the Governance structure of the organisation; it is not a Committee of Council and in particular, not an Advisory Committee under S355 LGA 1993. However, the ARIC role is advisory, having no other authority, no delegation to make decisions or incur expenditure, it can not make nor ratify management decisions and cannot absolve either Council or Management of their responsibilities. Council can not delegate its responsibilities to an ARIC.

ATTACHMENTS:

- 1. ARIC Annual Report October 2019**
- 2. Audit Risk and Improvement Guidelines 25 September 2019**
- 3. ARIC Review Fact Sheet**

ARIC Annual Report

Attachment 1

This annual report on the activities of the Audit Risk and Improvement Committee (ARIC) is submitted to the Mayor and Councillors of the Inverell Shire Council. This is in line with the ARIC's responsibilities to report to Council on its operations and achievements on an annual basis.

Role and Membership of the Committee

The ARIC's responsibilities and activities are governed by its Charter.

In line with emerging State Government policy, the former Audit Committee of Council was changed by Council to the Audit Risk and Improvement Committee (ARIC) with a revised Charter on 20 December, 2017 (Res 143/17). In July 2018 members of the new ARIC were appointed and its first meeting occurred in August 2018.

Concurrent with the change from the former Audit Committee additional responsibilities were given to the ARIC under its Charter. A report provided to Council at its September 2019 meeting gives more detailed information on the evolution of the current ARIC and its emerging role under State Government plans flagged for full implementation by 2026.

Importantly, from a Council assurance perspective the ARIC and its associated internal audit function form part of a three lines of defence model (combined assurance). The diagram below places the ARIC in this context:

Combined Assurance - 3 Lines of Defence Model		
1 st Line of Defence	2 nd Line of Defence	3 rd Line of Defence
Line Managers & Direct Supervision Real-Time Focus	Senior Management Monitoring Real-Time Focus+ Review of 1 st Line	Independent Monitoring & Assurance Review of 1 st Line and 2 nd Line
Management Controls Work, Health, Safety specifics	Risk Management Principles Regulatory Compliance Work, Health, Safety Environment	Internal Audit (ARIC) External Audit Office of Local Government
Comply with governance & compliance requirements Implement/Recommend Improvements	Confirm governance and compliance Recommend Improvements	Independently confirm governance and compliance Recommend improvements

Source: Institute of Internal Auditor's material

While the ARIC is part of the Governance structure of the organisation; it is not a Committee of Council and in particular, not an Advisory Committee under S355 LGA 1993. However, the ARIC role is advisory, having no other authority, no delegation to make decisions nor incur expenditure, it cannot make nor ratify management decisions and cannot absolve either Council or Management of their responsibilities. Council can not delegate its responsibilities to an ARIC.

This is the inaugural report of the ARIC and much of the work to date has been aimed at establishing the Committee. Establishment matters have been quite wide ranging from basic matters such as the agenda format, through discussing options for implementing the internal audit function, to more complex matters like assessing Council's risk maturity, its financial history and reports.

Membership

Council appointed the Committee by resolution; this included nominating the Committee Chair.

Current Committee Members are:

Mr Phil Schwenke	Independent Member and Chair
Mrs Nicky Lavender	Independent Member
Cr Kate Dight	Councillor Representative

Collectively the Committee possess the experience, knowledge and skills to enable it to discharge its responsibilities under its Charter.

The following non-voting attendees are invited to attend meetings on an ex-officio basis:

- The General Manager
- The Director Corporate and Economic Services (who acts as Head of Audit)
- The Manager Financial Services
- Representatives from the NSW Audit Office as external auditor.

Other staff and stakeholders are invited to attend on an 'as required' basis, this includes contract internal auditors.

Meetings

The ARIC meets at least four times a year and the minutes of each meeting are reported to the next Council meeting. The timing of one of these meetings is dictated by the NSW Audit Office requirement to work with the external auditor to provide Council with an opinion on the Draft Financial Statements.

The following meetings have been held since the creation of the ARIC. All Committee Members attended every meeting.

Meeting Date	Minutes reported to Council
1 August 2018	22 August 2019
17 October 2018	24 October 2019
6 March 2019	27 March 2019
29 May 2019	26 June 2019
30 May 2019 (Training Day)	Not applicable
22 August 2019	28 August 2019
16 October 2019	23 October 2019

The Council Code of Conduct has been noted by the Committee and the general rules of debate adopted with no written standing orders.

State of Play

Current guidance provided by The Office of Local Government (OLG) is contained in the Internal Audit Guidelines 2010. These Guidelines provide a model Charter which is the basis for the Inverell ARIC Charter. Much of what is contained in the Guidelines is under review by the NSW Government and the scope is so broad that the current discussion paper on the subject does not envisage full implementation until 2026. The Committee's work to date has been based around the existing 2010 guidelines but the potential impact of the proposed changes is obvious and the Committee will keep abreast of developments.

A work plan which schedules ARIC responsibilities across future meetings is under development by the Head of Internal Audit and will be presented for the Committee's consideration. The range of responsibilities flagged by the OLG is also currently under review and this will impact the work plan.

The ARIC's primary mode of operation is currently via three mechanisms:

- Formal committee processes with the ability to ask questions of management and others (e.g. employees and the external auditor);
- The ability to request specific internal reports from management on any aspect of Council operations/policy (e.g. IT Super Users Policy update); and
- The ability to commission targeted audit work within budget, currently performed by external contractors on a quoted bases (e.g. Procurement and Contractor Management Audit).

Work and Achievements of the Committee

The work of the Committee currently covers six areas:

- Enterprise Risk Management;
- Control Framework;
- External Reporting;
- Legislative Compliance;
- Internal Audit; and
- System Improvement (stemming from the above).

Work and achievements in each of these areas is summarised below:

Enterprise Risk Management (ERM)

ERM is defined as the culture, processes and structures directed toward an organisation achieving its objectives while at the same time realising potential opportunities and managing possible adverse effects.

It is the responsibility of Management to develop a framework that defines ERM and the associated practices for the organisation. A key outcome is a Register of Risks and risk treatments relevant to the organisation. The internal audit program is heavily influenced by the Risk Register. The Committee's role is to satisfy itself that the ERM systems are effective and make recommendations for improvements.

The ERM Framework was in draft when the Committee commenced, the first Internal Audit the ARIC commissioned was on the Framework itself. Key findings of that audit are not repeated here but some related examples of background work by the ARIC is listed below:

- Reviewed pre-existing work (carried forward from Dec 2017) on Council's risk maturity (by Jardine Lloyd Thompson Pty Ltd);
- Reviewed management reports on the draft risk register and related matters;

- Reviewed identified risk issues pursuant to recommending acceptance of the 17/18 Financial Statements (and subsequent 18/19 Financial Statements);
- Supported management initiative to improve the current risk framework by including risk tolerance factors. Statewide, the Insurance Mutual to which Council belongs sponsored a workshop on Risk Tolerance/Appetite attended by Committee Members, Councillors and Staff;
- Reviewed internal reports from Risk Coordinator; and
- Received regular progress updates from management on flagged system improvements.

The amended Draft Risk Management Framework will be presented back to ARIC at the next meeting for its consideration.

Control Framework and Legislative Compliance

ARIC observations on the adequacy of internal management controls (e.g. to prevent fraud) and Council systems for monitoring compliance (e.g. with laws, regulations) are in their infancy.

Consequently, future ARIC work on these matters is heavily dependent on building on the improved Risk Management Framework (above) and associated future, internal audits. In the interim, existing arrangements have been reviewed via reports from management (supplemented by external reports in some cases – see next section).

External Reporting

It is a key function of ARIC to form an opinion on the Council's Financial Statements and make a recommendation to Council.

The Committee considers the interim findings, the Audit Opinion and the matters arising highlighted in the Auditors' letters to Management. The External Auditor attends ARIC to present the findings of the Audit.

ARIC has made recommendations to Council on the 2017-18 and 2018-19 Financial Statements.

The recent change in external audit arrangements and the move to the NSW Audit Office as the provider has not been without some difficulties. The timing of the availability of reports to ARIC has been less than ideal. Despite this, the Committee was able to form a favourable view on both occasions. It is hoped as new external audit processes are bedded down, timing of reporting will improve.

The NSW Audit Office also provides Performance Audits on the Local Government sector. These audits examine whether programs and services are delivered efficiently, effectively, economically and in accordance with the law. ARIC review these performance Audits to assess the relevance to Inverell Shire. To date, ARIC has considered.

- Fraud Control in Local Government;
- Shared Services in Local Government; and
- Council Reporting on Service Delivery.

Internal Audit

Internal audit is a program of investigations aimed at evaluating and improving the effectiveness of risk management, control and governance processes in an organisation.

The ARIC Charter makes reference to a "Head of Internal Audit" position; this role is currently covered by the Director Corporate and Economic Services, who also provides a secretariat function for the Committee, co-ordinates the development and implementation of the Risk Framework and procurement of contract, internal audit services as required. The actual appointment of contract internal auditors is a decision for the Committee.

Council currently has no in-house internal audit capacity or ongoing arrangements with contract internal auditors. The Committee accesses a panel of (State Government) prequalified suppliers for Internal Audit services and has established a working relationship with Findex (previously known as Crowe Horwath). The arrangement with Findex is Audit-by-Audit, with no commitment to ongoing work.

ARIC aims to complete around three Internal Audits a year dependant on budget and time. A draft Internal Audit Program has been considered based on the probability and impact of the risks identified on the Risk Register. The Committee can also use Internal Audit to report on an emerging issue.

The Committee also considered an Audit of Council's Workplace Health and Safety Practices conducted by StateCover (the Insurance Mutual that council belongs to).

Internal Audits currently being undertaken by Findex are on Procurement and Contractor Management and Workplace Culture and Wellbeing.

Looking to the future.

The development of a mature, more effective ARIC can reasonably be expected to take some years, progress to date has established a working base.

Essential tasks such as:

- Review of external Financial Reporting have been accomplished across 2 financial years;
- The smooth functioning of the Committee continues to improve;
- The strengthening of Council's ERM systems has commenced with a clear path forward;
- A meaningful Internal Audit work program has commenced.

There remain some process, resource and structural challenges for Council with the ARIC. For example:

- The ARIC has been externally mandated and in its full form the costs to implement for smaller Councils seem prohibitive;
- Collaborative models to overcome resource constraints have been considered by the ARIC but such models bring with them other limitations in the New England regional context;
- In a larger organisational setting, typically the head of internal audit/chief internal audit executive would not also be someone with operational/management duties (as in the current Inverell model);
- The Inverell ARIC model currently includes a Councillor member whereas as mooted ARIC guidance from the OLG excludes Councillor members;
- Members of the ARIC currently all retire their positions at the same time. This potentially weakens the transfer (within the Committee) of corporate knowledge to incoming ARIC members – a staggered retirement model is an alternative;
- There are questions around how, what and when the ARIC should report to Council.

Finally, based on recently released State Government material it is probable that the nature and role of ARICs will change even more in the near future. There are now some 42 responsibility areas identified for ARIC oversight.

To some extent Inverell Shire Council is well placed for the future because it has been willing to 'test' the ARIC concept prior to its full introduction. So while resource constraints still appear to be prohibitive, the work to date by the current ARIC means that Council is better prepared to respond to these challenges.

Phil Schwenke

Chairperson

Inverell Shire Council ARIC

November 2019

AUDIT RISK & IMPROVEMENT COMMITTEE GUIDELINES**File Number:** S4.11.21/02 / 19/32934**Author:** Scott Norman, Director Corporate and Economic Services**SUMMARY:**

This report is for information. It provides an update on the changing environment for the Audit, Risk and Improvement function within NSW Local Government and seeks to clarify the relationships between the Audit Risk and Improvement Committee, the elected Council and the operational arm of Council.

COMMENTARY:**A. Background**

This report aims to refresh Council's knowledge of the current Internal Audit Guidelines and outline probable future changes to the related regulations. In particular it seeks to clarify the current relationships between the Audit Risk and Improvement Committee (ARIC), the elected Council, the External Auditors and the operations of Council as directed by the General Manager. It should be regarded as a "state of play" on the evolution of ARICs not a definitive reference on the Committee's role, responsibilities and supporting systems. Much of this is under review by the NSW Government and the scope is so broad that the current (just released) discussion paper on the subject does not envisage full implementation until 2026.

The current guidance provided by The Office of Local Government (OLG) is contained in the Internal Audit Guidelines 2010. These were issued under section 23A of the *Local Government Act 1993* (LGA 1993) and are in effect binding. For the convenience of Councillors the section of the legislation is quoted under the Legal Implication heading of this report.

A copy of the guidelines can be found at [Internal-Audit-Guidelines-September-2010](#)

For Councillors convenience a copy is also loaded to their dropbox accounts.

A Discussion Paper on revised Guidelines has very recently been released by OLG.

A copy of the discussion paper can be found at [ARI Discussion Paper](#)

OLG has also produced a summary "snapshot version" of the paper that is attached to this report.

The table of abbreviated timelines below helps trace the development of the Audit Risk and Improvement function.

2001	ICAC raises the issue of internal audit for councils and note that only 20% of councils have internal audit committee.
2008	Internal Audit Guidelines are released and are empowered under S23 of LGA 1993.
2010	The Guidelines were updated to the current version.
2014	The Local Government reform process commences and changes to the Act which affect internal audit and risk management are foreshadowed.
2016	Amendments to the LGA 1993 are legislated. The commencement of the relevant sections of the amending legislation is deferred. The relevant section of <i>The Local Government Amendment (Governance and Planning) Act 2016 No 38</i> is quoted under the LEGAL IMPLICATIONS heading. It should be noted that the 2010 Guidelines are not updated to reflect the changes.
2016	A discussion paper on new guidelines was drafted, but release of the paper is delayed.
Sept 2019	The discussion paper on new guidelines released for comment.

B. The Current operating environment of the ARIC

An ARIC is part of the Governance structure of the organisation; it is not a Committee of Council and in particular not an Advisory Committee under S355 LGA 1993. However, the ARIC role is advisory, having no other authority, no delegation to make decisions or incur expenditure, it can not make nor ratify management decisions and cannot absolve either Council or Management of their responsibilities. Council can not delegate its responsibilities to an ARIC.

An ARIC is not yet compulsory. As part of recent Local Government reforms, legislation was introduced to mandate an Audit, Risk and Improvement Committee. The amending legislation was

Local Government Amendment (Governance and Planning) Act 2016 No 38. It has received royal assent but the commencement date of the relevant section has been deferred. As it stands a Committee must be established within 6 months of the next ordinary election. This makes the expected deadline March 2021.

The current 2010 guidelines do not yet reflect the changes made to the LGA 1993 in 2016, but nonetheless are the current guidelines. The discussion paper just released for comment by Local Government New South Wales does not propose major changes to the intent of these guidelines however the paper is more prescriptive and expansive in their application.

The guidelines prescribe Internal Audit and Risk Management Systems for NSW Local Government. They also include appropriate structures, functions, example charters and membership of Audit and Risk Management Committees. They were originally developed in association with the Institute of Internal Auditors.

The first internal audit commissioned by the ARIC was a review of the current operating and risk management environment to identify gaps and recommend improvements. This has been completed by Findex (Crowe Horwath).

C. Key Relationships, Functions and Processes Defined by the Guidelines.

(note: page number references refer to the attached Internal Audit Guidelines 2010)

The guidelines note that no two ARIC's function in exactly the same way, nor should they. A dynamic committee process is required for each Council to cater for particular internal and external influences impacting upon them. Below is a summary of how ISC has gone about implementing the guidelines. It should be noted that following a recent training day the ARIC is planning a review of procedures at its October meeting. This is to consider information that was provided at the training and the Committee is taking the opportunity to refine processes.

1. Appointment (Ref page 29)
 - a. The Committee is appointed by Council.
 - b. The Chair is appointed by Council.

2. Objective and Operation.

The objective of the Committee is articulated in the Committee's charter which states "the Committee is to provide an independent insurance and assistance to Council on risk management, control, governance, and external accountability responsibilities." The ISC ARIC Charter reflects the model Charter provided by the guidelines. Some minor changes were recommended by the recent Crowe Audit which reflect the legislated changes not yet enacted. The Guidelines state the model Charter should not be used verbatim but should be adapted to reflect the Council's circumstances.

- a. The Council approves the Charter. 20 December 2017 (Res 143/17)
- b. The Committee endorses the Charter. This happened at the first meeting of the ARIC on 1 August 2018 and was reported to Council in the Committee's minutes at the August 2018 Council meeting.

3. Who Can Attend Meetings – This is defined in the Charter

- a. The three committee members. These are the only attendees that have voting rights.
- b. Other invitees – The General Manager, Head of Audit, contract internal auditors, external auditors Chief Financial Officer and other staff as required.

The meeting is not open to the public.

4. Enterprise Risk Management

Risk management is an essential part of effective corporate governance. It is defined as the culture processes and structures that are directed towards realising potential opportunities while managing adverse risks. Good risk management is based on well-planned, logical, comprehensive and documented strategy however, a strategy itself is not effective risk management. Leadership effort by all levels and careful monitoring by Councillors and the Committee are needed to make the strategy a success. Enterprise risk management is the holistic management of all risks being Council, not just insurable risks or Occupational Health & Safety.

The Committee is not responsible for designing or implementing a risk management framework but is required to consider the risk management framework in planning and conducting audits. As previously mentioned the Committee included a review of Risk Management Framework as part of the initial Internal Audit. This identified the level of maturity of the Framework, recommended improvements and indicated the level of confidence the Committee could place in the Framework.

In general the development and implementation of the Risk Management Framework is part of the operations of Council and therefore the responsibility of the General Manager and is not a policy decision of Council. Council certainly has had input in setting tolerances for risk. (Ref page 31)

5. Internal Audit.

a. Internal Audit Charter.

Council may choose to adopt an internal audit charter. This is a comprehensive statement of purpose, authority, responsibilities and reporting relationships of the internal audit function. An adopted charter is a useful document in clearly delineating roles and responsibilities but is not compulsory, it is a decision for the ARIC. (Ref page 30)

The ISC ARIC does not have an adopted Internal Audit Charter. The concept is better suited to larger organisations with an identified Head of Internal Audit who is not conflicted by any other duties. In an organisation the size of Council this is not practical or affordable.

Audit Program. The current arrangement is that the role of Head of Internal Audit is assumed by the Director of Corporate and Economic Services but only to the extent of coordinating contract internal auditors and assisting the Committee with the development and delivery of the audit plan. He acts as the internal audit provider and reports functionally to the ARIC and administratively to the General Manager on day to day operations of internal audit including budget and accounting, internal communication flow and administration of internal policies and procedures.

b. Audit Program

Who decides the Internal Audit Program? The ARIC approves the Audit Plans (Ref page 19)

c. Internal Audit Budget

How is the internal audit budget approved? The budget is approved as part of the Operational Plan.

d. Internal Audit Program

Who delivers the Internal Audit Program? The Director of Corporate and Economic Services acts as Head of Audit and has delegated authority from the General Manager to expend the allocated budget. Council has no internal capacity to conduct internal audits so all audits are contracted to external providers.

e. Internal Audit Papers

Who has access to the Internal Audit Reports? Internal audit reports are intended for internal use only. Internal audit findings should be reported to the committee, General Manager and management of the areas audited. (Ref page 22) The reports should also be shared with Council's external auditors to assist them in the course of their work. The reports are not necessarily shared with the Elected Council. (Ref page 23). This is at the discretion of the ARIC. The implication of this, combined with who is invited to attend meetings is that not all Councillors have automatic access to the ARIC Agendas.

External Audit

The ARIC role in regard to external Audit is more precisely defined since the appointment of the NSW Audit as auditors for Local Government. The ARIC reviews the Audit Plan, interim Audit findings, the Audit Opinion and Management Letter. It also reviews the Draft General Purpose Financial Statements and draft Audit Opinion and makes a recommendation to Council prior to the Audit Office providing a final opinion. The Charter broadly defines the ARIC relationship with the council's external auditor.

6. Reporting and Working Relationships of the ARIC.

As previously mentioned the ARIC has an advisory role and has no delegation to make decisions or incur expenditure. It principally provides advice to the Elected Council or the General Manager as head of operations.

a. Reporting to the Elected Council

The committee should report regularly to Council, this can be done after each meeting but should be done at least annually. Councillors should have access to the minutes of the Committee. The ISC ARIC has been reporting the minutes to Council after each meeting; typically this will be for information but the report may contain recommendations to Council on policy issues that are at the discretion of Council. (Ref page 23)

The Chair will report to Council on the operations and achievements of the Committee on an annual basis. It is planned that the Chair will present his first report Council in November 2019.

Council may request the Chairperson of the committee to address Council to answer any enquiries about the operation of the Committee.

The separation of powers between the General Manager and the Elected Council is a key element to the Act and accordingly both need to ensure that they do not interfere with or control the exercise of each of these functions. It is therefore not appropriate for an internal auditor to report directly to the Mayor and/or Councillors. (Ref page 18)

b. Reporting to the General Manager and the Executive

The ARIC recommendations on operational issues are reported either directly or via the Director of Corporate and Economic Services (acting as Head of Audit) to the senior management and staff involved in any internal audit. The recommendations that are accepted are either actioned directly through delegated authority or through the regular Management Meetings.

ARIC Members are at liberty to contact the General Manager regarding any issues of concern.

The key communication channel from the operational side of Council to the Committee Members is the Director of Corporate and Economic Services (acting as Head of Audit). This relates to the operation of the ARIC, the implementation of Internal Audit Program, the co-ordination with the External Auditors and associated activities.

D. Future Requirements for Audit Risk and Improvement Committees.

As previously mentioned a Discussion Paper on revised Guidelines has very recently been released by OLG. The attached facts sheet provides a concise summary of the proposals. The proposed time table is reproduced below for Councillors convenience.

Full compliance with section 428A of the Local Government Act will be expected by 2026. Councils with established Audit, Risk and Improvement Committees and mature risk management and internal audit functions will be encouraged to comply sooner.

→ By March 2021
Audit, Risk and Improvement Committee established and appointed
→ By December 2022
Risk management framework developed, including appointment of a Risk Management Coordinator Internal audit function established, including employment of a Chief Audit Executive and personnel
→ By 2024
Risk management framework fully implemented throughout council and operating in compliance with regulatory requirements. Internal audit function fully implemented by the council and operating in compliance with regulatory requirements
→ By 2026
Audit, Risk and Improvement Committee's role expanded to include compliance, fraud control, financial management, governance, integrated planning and reporting, service reviews, performance measurement data and performance improvement in compliance with section 428A of the Local Government Act

RISK ASSESSMENT:

The Guidelines provide a framework for the operation of the ARIC which must have regard for the Risk Management Framework.

POLICY IMPLICATIONS:

The ARIC is in an establishment phase; even so its work will always include the refinement and improvement governance controls and procedures. Much of this involves reviewing and making recommendations regarding policy to both the Elected Council and the General Manager.

CHIEF FINANCIAL OFFICERS COMMENT:

The budget for the ARIC is approved when the Operational Plan is adopted.

LEGAL IMPLICATIONS:

The Internal Audit Guidelines are issued under section 23A of the LGA1993.

S23A Departmental Chief Executive's guidelines

(1) For the purposes of this Act, the Departmental Chief Executive may from time to time prepare, adopt or vary guidelines relating to the exercise by a council of any of its functions.

(2) The Departmental Chief Executive may only prepare, adopt or vary guidelines relating to the exercise by a council of functions conferred or imposed on the council by or under any Act or law that is not administered by or the responsibility of the Department of Local Government if the Departmental Chief Executive has first obtained the concurrence of the Minister administering or responsible for the administration of the other Act or law.

(3) A council must take any relevant guidelines issued under this section into consideration before exercising any of its functions.

(4) The guidelines for the time being in force are to be made available to councils on request and, on payment of such fee (if any) as the Departmental Chief Executive may determine, to any interested person.

The changes in Committee structure and purpose that have been legislated but not yet implemented.

The *Local Government Amendment (Governance and Planning) Act 2016 No 38* amends the *Local Government Act 1993*. The Act was assented to 30.8.2016 and commenced in part 26 November, 2016. The relevant section has not yet commenced.

Part 4A Internal audit

428A Audit, Risk and Improvement Committee

(1) A council must appoint an Audit, Risk and Improvement Committee.

(2) The Committee must keep under review the following aspects of the council's operations:

- (a) compliance,
- (b) risk management,
- (c) fraud control,
- (d) financial management,
- (e) governance,
- (f) implementation of the strategic plan, delivery program and strategies,
- (g) service reviews,
- (h) collection of performance measurement data by the council,
- (i) any other matters prescribed by the regulations.

(3) The Committee is also to provide information to the council for the purpose of improving the council's performance of its functions.

Timing of implementation is also impacted by *Local Government Act 1993*, Schedule 8 Savings, transitional and other provisions consequent on the enactment of other Acts.

123 Audit, Risk and Improvement Committees

A council is not required to establish an Audit, Risk and Improvement Committee in accordance with Part 4A of Chapter 13, as inserted by the amending Act, until 6 months after the next ordinary election of councillors following the commencement of that Part.

The next expected Ordinary Local Election is September 2020; therefore the expected deadline is March 2021.

A NEW RISK MANAGEMENT AND INTERNAL AUDIT FRAMEWORK

for local councils in NSW

Snapshot Guide

September 2019



A NEW RISK MANAGEMENT AND INTERNAL AUDIT FRAMEWORK FOR LOCAL COUNCILS IN NSW – SNAPSHOT GUIDE

2019

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A NEW RISK MANAGEMENT AND INTERNAL AUDIT FRAMEWORK FOR LOCAL GOVERNMENT IN NSW - **Snapshot Guide**

Purpose

This summary guide provides a 'snapshot' of the mandatory internal audit and risk management framework that is being proposed for NSW councils.

For a full understanding of the proposed framework, please refer to the discussion paper, *A new risk management and internal audit framework for local councils in NSW*, which can be found at www.olg.nsw.gov.au.

Introduction

In 2016, the NSW Government made it a requirement under the *Local Government Act 1993* ('Local Government Act') that each council have an Audit, Risk and Improvement Committee. This requirement is likely to take effect from March 2021. Councils are also required to proactively manage any risks they face under the new guiding principles of the Act.

The Government is consulting on the proposed regulatory framework that will support the operation of these committees, and the establishment of a risk management framework and internal audit function in each council.

There will be nine core requirements that councils will be required to comply with when establishing their Audit, Risk and Improvement Committees, risk management framework and internal audit function.

These requirements are based on international standards and the experience of Australian and NSW Government public sector agencies who have already implemented risk management and internal audit.

There are also components of the proposed framework that are designed to reflect the unique needs and structure of NSW councils.

The framework will apply to councils, county councils and joint organisations.

Have Your Say

The NSW Government would like to know what you think of the framework being proposed.

Submissions may be made in writing by **31 December 2019** to the following addresses.

Post: Locked Bag 3015 NOWRA NSW 2541
Email: olg@olg.nsw.gov.au

Key questions you may wish to consider when providing your feedback include:

- will the proposed framework achieve the outcomes sought?
- what challenges do you see for your council when implementing the proposed framework?
- does the proposed framework include all important elements of an effective internal audit and risk framework?
- is there anything you don't like about the proposed framework?
- can you suggest any improvements to the proposed framework?

Proposed regulatory framework

The NSW Government's objective is to ensure that:

- each council in NSW has an independent Audit, Risk and Improvement Committee that adds value to the council
- each council in NSW has a robust risk management framework in place that accurately identifies and mitigates the risks facing the council and its operations
- each council in NSW has an effective internal audit function that provides independent assurance that the council is functioning effectively and the internal controls the council has put into place to manage risk are working, and
- councils comply with minimum standards for these mechanisms that are based on internationally accepted standards and good practice.

The proposed statutory framework will consist of the following three elements:

1. Current provisions in the Local Government Act

Section 428A

Section 428A (when proclaimed) will require each council to establish an Audit, Risk and Improvement Committee to continuously review and provide independent advice to the general manager and the governing body of council about:

- whether the council is complying with all necessary legislation
- the adequacy and effectiveness of the council's risk management framework, fraud and corruption prevention activities, financial management processes, and the council's financial position and performance
- the council's governance arrangements

- the achievement of the goals set out in the council's community strategic plan, delivery program, operational plan and other strategies
- how the council delivers local services and how to improve the council's performance of its functions more generally
- the collection of performance measurement data by the council, and
- any other matters prescribed by the *Local Government (General) Regulation 2005* (i.e. internal audit).

Section 428B

Section 428B (when proclaimed) will also allow a council to establish a joint Audit, Risk and Improvement Committee with another council/s including through joint or regional organisations of councils.

Guiding principles and roles and responsibilities

Amendments made to the Local Government Act in 2016 prescribed new guiding principles for councils and updated the prescribed roles and responsibilities of the governing body (section 223) and general manager (section 335). These amendments will operate to support the work of Audit, Risk and Improvement Committees and provide for the future establishment of a risk management and internal audit function in each council.

These guiding principles and roles and responsibilities have already commenced.

2. New regulations

The operation of sections 428A and 428B will be supported by new regulations in the *Local Government (General) Regulation 2005*.

These will prescribe the requirements that councils are to comply with when appointing their Audit, Risk and Improvement Committee and establishing their risk management framework and internal audit function.

The regulations will also provide for a model internal audit charter and model terms of reference for Audit, Risk and Improvement

Committees which all councils must adopt and comply with.

3. New Guidelines

New guidelines will be issued setting out the core requirements that each council's Audit, Risk and Improvement Committee, risk management framework and internal audit function must comply with.

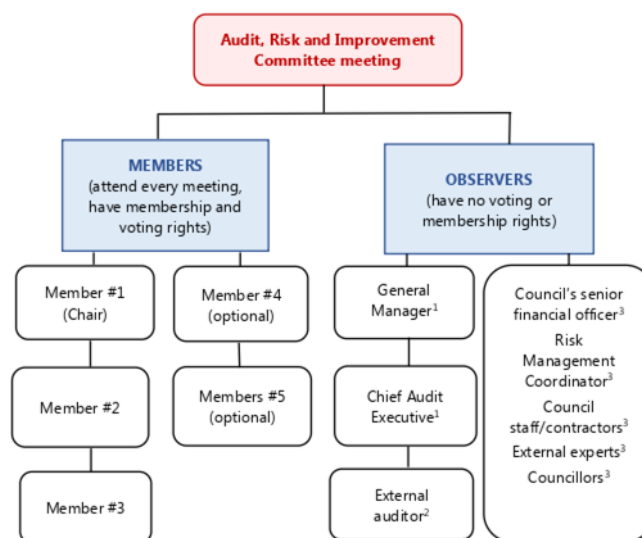
These core requirements are detailed below.

Core requirement 1: Appoint an independent Audit, Risk and Improvement Committee

- Each council is to have an independent Audit, Risk and Improvement Committee that reviews all the matters prescribed in section 428A of the Local Government Act
- The Audit, Risk and Improvement Committee is to operate according to terms of reference, based on a model terms of reference, and approved by the governing body of the council after endorsement by the Committee
- The Audit, Risk and Improvement Committee is to comprise of three to five independent members who are prequalified via the NSW Government's *Prequalification Scheme: Audit and Risk Committee Independent Chairs and Members*
- Audit, Risk and Improvement Committee members and the Chair are to serve a three to five-year term. A member's term cannot exceed eight years and the Chair's term cannot exceed five years
- The Audit, Risk and Improvement Committee is to meet quarterly, with the ability to hold extra meetings if required. A council's general manager and Chief Audit

Executive (see below) should attend except where excluded by the Committee

- Audit, Risk and Improvement Committee members are to comply with the council's code of conduct and the conduct requirements of the NSW Government's *Prequalification Scheme: Audit and Risk Committee Independent Chairs and Members*
- Disputes between the general manager and/or the Chief Audit Executive are to be resolved by the Audit, Risk and Improvement Committee. Disputes with the Committee are to be resolved by the governing body of the council
- The Audit, Risk and Improvement Committee is to provide an annual assurance report to the governing body of the council and be assessed by an external party at least once each council term as part of council's quality assurance and improvement program
- The general manager is to nominate a council employee/s to provide secretariat support to the Audit, Risk and Improvement Committee. Minutes are to be recorded for all committee meetings



¹ Attends each meeting except where excluded by the Committee

² Open invitation to attend every meeting as an independent advisor

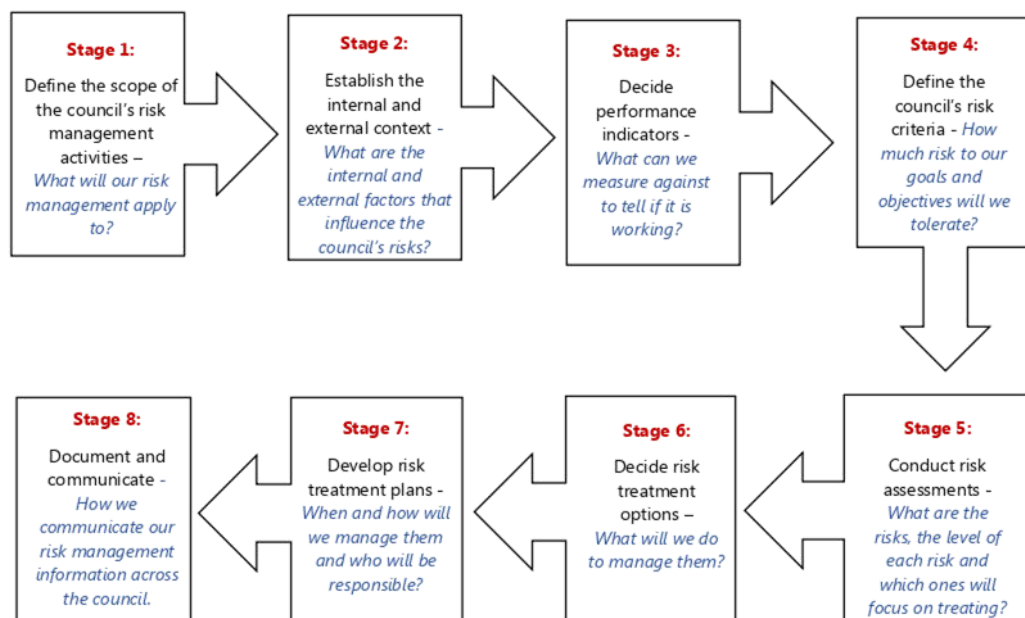
³ When invited by the Committee to attend/give information

Core requirement 2:

Establish a risk management framework consistent with the current Australian risk management standards

- Each council is to establish a risk management framework that is consistent with current Australian standards for risk management
- The governing body of the council is to ensure that council is sufficiently resourced to implement an appropriate and effective risk management framework
- Each council's risk management framework is to include the implementation of a risk management policy, risk management plan and risk management process (see below). This includes deciding the council's risk criteria and how risk that falls outside tolerance levels will be treated
- Each council is to fully integrate its risk management framework within all of council's decision-making, operational and integrated planning and reporting processes
- Each council is to formally assign responsibilities for risk management to the general manager, senior managers and other council staff and ensure accountability
- Each council is to ensure its risk management framework is regularly monitored and reviewed
- The Audit, Risk and Improvement Committee and the council's internal audit function are to provide independent assurance of risk management activities
- The general manager is to publish in the council's annual report an attestation certificate indicating whether the council has complied with the risk management requirements

Stages of a council's risk management process



A New Risk Management and Internal Audit Framework for Local Councils in NSW – Snapshot Guide

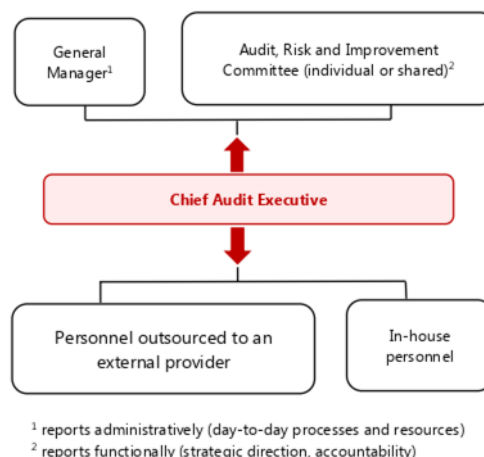
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Core requirement 3:

Establish an internal audit function mandated by an Internal Audit Charter

- Each council is to establish an internal audit function
- The governing body is to ensure that the council's internal audit function is sufficiently resourced to carry out its work
- The governing body of the council is to assign administrative responsibility for internal audit to the general manager and include this in their employment contract and performance reviews
- The Chief Audit Executive is to develop an Internal Audit Charter, based on a model charter, which will guide how internal audit is conducted by the council. The Charter is to be approved by the governing body of the council after endorsement by the Audit, Risk and Improvement Committee

- The general manager is to ensure that, if required, the council has adequate internal audit personnel to support the Chief Audit Executive. Councils will be able to appoint in-house internal audit personnel or completely or partially outsource their internal audit function to an external provider



Core requirement 4:

Appoint internal audit personnel and establish reporting lines

- The general manager is to appoint a Chief Audit Executive to oversee the council's internal audit activities in consultation with the Audit, Risk and Improvement Committee
- The Chief Audit Executive is to report functionally to the Audit, Risk and Improvement Committee and administratively to the general manager and attend all committee meetings

Core requirement 5:

Develop an agreed internal audit work program

- The Chief Audit Executive is to develop a four-year strategic plan to guide the council's longer term internal audits in consultation with the governing body, general manager and senior managers. The strategic plan is to be approved by the Audit, Risk and Improvement Committee
- The Chief Audit Executive is to develop an annual risk-based internal audit work plan, based on the strategic plan, to guide the council's internal audits each year. The work plan is to be developed in consultation with the governing body, general manager and senior managers and approved by the Audit, Risk and Improvement Committee

- The Chief Audit Executive is to ensure performance against the annual and strategic plans can be assessed

Core requirement 6:

How to perform and report internal audits

- The Chief Audit Executive is to ensure that council's internal audits are performed in accordance with the IPPF and current Australian risk management standards (where applicable), and approved by the Audit, Risk and Improvement Committee
- The Chief Audit Executive is to develop policies and procedures to guide the operation of the internal audit function, including the performance of internal audits
- The Chief Audit Executive is to report internal audit findings and recommendations to the Audit, Risk and Improvement Committee. Each finding is to have a recommended remedial action and a response from the relevant senior manager/s
- All internal audit documentation is to remain the property of, and can be accessed by, the audited council, including where internal audit services are performed by an external provider. It can also be accessed by the Audit Risk and Improvement Committee, external auditor and governing body of the council (by resolution)

Core requirement 7:

Undertake ongoing monitoring and reporting

- The Audit, Risk and Improvement Committee is to be advised at each quarterly meeting of the internal audits

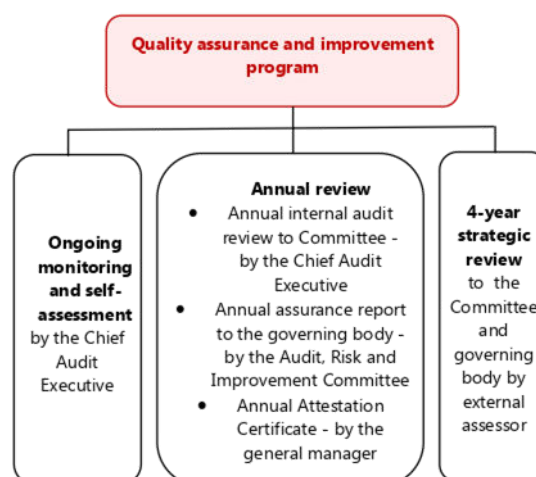
undertaken and progress made implementing corrective actions

- The governing body of the council is to be advised after each quarterly meeting of the Audit, Risk and Improvement Committee of the internal audits undertaken and the progress made implementing corrective actions
- The Audit, Risk and Improvement Committee can raise any concerns with the governing body of the council at any time through the Chair

Core requirement 8:

Establish a quality assurance and improvement program

- The Chief Audit Executive is to establish a quality assurance and improvement program which includes ongoing monitoring and periodic self-assessments, an annual review and strategic external review at least once each council term
- The general manager is to publish in the council's annual report an annual attestation certificate indicating whether the council has complied with the core requirements for the Audit, Risk and Improvement Committee and the internal audit function



Core requirement 9:

Councils can establish shared internal audit arrangements

- A council can share all or part of its internal audit function with another council/s by either establishing an independent shared arrangement with another council/s of its choosing, or utilising an internal audit function established by a joint or regional organisation of councils that is shared by member councils
- The core requirements that apply to stand-alone internal audit functions will also apply to shared internal audit functions, with specified exceptions that reflect the unique structure of shared arrangements
- The general manager of each council in any shared arrangement must sign a 'Shared Internal Audit Arrangement' that describes the agreed arrangements

Implementation timeline

The transitional arrangements built into the Local Government Act mean that the requirement to have an Audit, Risk and Improvement Committee will not come into force until six months after the next ordinary elections in September 2020 at the earliest. Councils will therefore have until March 2021 to establish their committees.

It is proposed that councils will then have a further 18 months, until December 2022, to establish their internal audit function and risk management framework (guided by the Audit, Risk and Improvement Committee).

As these functions are bedded down and greater time and resources become available to the Audit, Risk and Improvement Committee and the council, the role of the committee is to broaden to comply with the

remaining requirements of sections 428A of the Local Government Act.

Full compliance with section 428A of the Local Government Act will be expected by 2026.

Councils with established Audit, Risk and Improvement Committees and mature risk management and internal audit functions will be encouraged to comply sooner.

→ By March 2021

Audit, Risk and Improvement Committee established and appointed (core requirement 1 or 9 for shared arrangements)

→ By December 2022

Risk management framework developed, including appointment of a Risk Management Coordinator (core requirement 2)

Internal audit function established, including employment of a Chief Audit Executive and personnel (core requirements 3-4 or 9 for shared arrangements)

→ By 2024

Risk management framework fully implemented throughout council and operating in compliance with regulatory requirements (core requirement 2)

Internal audit function fully implemented by the council and operating in compliance with regulatory requirements (core requirements 5-8)

→ By 2026

Audit, Risk and Improvement Committee's role expanded to include compliance, fraud control, financial management, governance, integrated planning and reporting, service reviews, performance measurement data and performance improvement in compliance with section 428A of the Local Government Act.



4.2 EXPIRING LICENCE AGREEMENT - JOHN BARRY

File Number: S5.10.142 / 19/47950

Author: Kristy Paton, Temporary Corporate Support Officer - Publishing

SUMMARY:

The Licence Agreement between Council and Mr John Barry is due to expire on 15 November, 2019. The Committee is requested to consider offering Mr John Barry a new Agreement.

RECOMMENDATION:

That:

- i) Council renew the agreement with Mr John Barry for Lot 701 DP 1021556, Yetman;*
- ii) The licence agreement be for a two (2) year period with a two (2) year option;*
- iii) The Licence fee be \$168.82 per annum (GST Inclusive); and*
- iv) The Licence Agreement be subject to any other terms and conditions as negotiated by Council's General Manager.*

COMMENTARY:

The Licence Agreement between Council and Mr John Barry for Lot 701 DP 1021556, Yetman, expires on 15 November, 2019. The authorised use of the land is for the purpose of holding and grazing stock.

An inspection of the area confirms use is in accordance with the Licence Agreement.

It is noted that the licences are issued subject to the licensee providing Public Liability Insurance for \$10M. These Policies now cost over \$500 p.a.

Further noted is the last annual billed amount of \$163.90 (GST inclusive).

The Committee is requested to consider offering Mr John Barry a new Agreement.

**RISK ASSESSMENT:**

Nil

POLICY IMPLICATIONS:

Nil

CHIEF FINANCIAL OFFICERS COMMENT:

Nil

LEGAL IMPLICATIONS:

Nil

ATTACHMENTS:

Nil

4.3 TINGHA RECREATION RESERVE**File Number:** S5.19.1 / 19/49524**Author:** Paul Henry, General Manager**SUMMARY:**

This report requests the Committee to determine a course of action in respect of the operation and management of the various parcels of Crown Lands that comprise the area known as the Tingha Recreation Reserve.

RECOMMENDATION:

- i) *That Council determine a negotiating position in respect of the Tingha Recreation Reserve; and*
- ii) *That this position be discussed with the Tingha Recreation Reserve Trust, with the outcome of these discussions being reported back to Council for a final determination.*

COMMENTARY:1. Background

A number of requests have been received from members of the Tingha Community for Council to provide funding assistance to improve recreation facilities or help with preparing grant applications to upgrade these facilities. In response Council requested staff to investigate the status of the Reserve and how the Reserve 'operates'.

a) Land Tenure

The recreation facilities for the village of Tingha are located on two (2) Crown Reserves, namely:

- Eastern side of Ruby Street
- Western side of Ruby Street

Appendix 1 shows the location of the two Reserves.

The skate park area has a unique history. While it is a part of the reserve, previous Councils have had the belief the area is owned by Council. Therefore, this area has been maintained by the previous councils.

These maps also show the "subdivision" of the Reserves by the activities conducted on the area:

- i. Skate park
- ii. Open area
- iii. Cattle grazing
- iv. Football oval and Amenities
- v. Licenced Club/Carpark/Bowling green
- vi. Cricket Field
- vii. Golf Course

b) Management

The Reserve is managed by a three (3) person trust (appointed by Land and Property Management). The Trust maintains the open space areas and raises funds to meet operating costs. Any 'development' of the facilities relies on voluntary working bees or small grants from Reserve Improvement Fund (administered by Land and Property Management).

The trust sublets two portions of the Reserve for:

- i. Cattle Grazing; and
- ii. Licenced Club/Carpark/Bowling Green.

These facilities are managed by a separate committee. Discussions have been held with the Trust to understand the operations of the Trust. The significant work undertaken by the Trustees and a small number of volunteers indicates that maximum effort is required from 'the few' to keep the Reserve functioning and meeting operating costs.

c) Use of the Reserve

Apart from the obvious uses for the various components of the Reserve, the Tingha Public School regularly uses the area for:

- General fitness and group activities (Cricket field)
- Cross Country races (Golf Course); and
- Football/Touch football (oval)

The Tingha community access the facilities for ad hoc activities.

2. Options for Assistance

Council recently acknowledged that within the shire, a major proportion of recreation lands are "owned"/controlled/funded by Council. It was also acknowledged at this meeting that on a "fairness and equity basis" the options for assisting the Trust with the maintenance and improvement of the Reserve should be considered.

A number of options are submitted for the Committee's consideration. It should be noted that the following areas are excluded from the coverage of these options.

a) Cattle Grazing Area

Reason: This area is not required for either current or projected recreational needs of the village. No changes to the existing arrangements are proposed; and

b) Licenced Club/Carpark/Bowling Green

Reason: A separate management regime is in place, the area is a licenced area. Use of this area is for a "single purpose", while the other areas of the Reserve are used by the school, sporting groups and individuals.

Option 1 – Do Nothing

The Trust would continue to operate and be responsible for the maintenance and development of the Reserves (including the Skatepark).

Comment: No Council resources are impacted. Trust is currently in place. However, two positions on the Trust remain open. The existing Trust have not been able to encourage members of the Community to fill these vacancies. The future of the Trust is uncertain.

Option 2 – Maintain Status Quo

Option 1, except that ISC undertakes maintenance of the Skatepark area, previously undertaken by Guyra Shire and Armidale Regional Councils.

Comment: The issue of the long term future of the Trust remains uncertain. Minimal costs would be incurred as mowing of the area and whippersnipping boundaries would be required.

Option 3 – Assist the Trust

Council maintains the Skatepark Area, assists the Trust prepare a development plan for the Reserve, write grant applications for Trust and Council, make an annual contribution to the Trust to offset a portion of the operating costs for the Reserve.

Comment: This option creates an expectation that Council would provide financial as well as 'in kind' support. Trust remains in place. Issue of 'longevity' of Trust not changed.

Option 4 – Council become Trustee for a portion of the Reserve

Council would be responsible for the maintenance and improvement of those portions of the Reserve subject to this option. Council responsible for funding the operation and improvement costs. A local Management Committee be formed to retain the level of 'self help' currently displayed in Reserve activities.

Comment: This option places responsibility for maintenance/development/funding of the Reserve activities with Council. The level of volunteers is at a relatively high level and the aim would be to encourage retention of that level of involvement. Removes the issue of 'longevity' of the existing Trust, places an added responsibility on Council.

3. NSW Department of Planning, Industry and Environment

Comment has been sought from the Department Planning, Industry & Environment, the administrators of Crown Lands, regarding the possible subdivision of the two existing Reserves to establish several "new" reserves according to function (to facilitate the appointment of separate trustees for the reserve). Crown Lands have indicated that this is entirely possible, therefore there is no philosophical impediment to implementing the option 4 stated above.

4. Council Determination

Council is requested to determine a preferred position (either one of the 4 options mentioned in the report or another option).

This position would then be discussed with the Tingha Reserve Trust members to ascertain their views. The Trustees comments would be referred back to Council for a final determination on the level of involvement by Council in the maintenance and improvement of the Reserve.

RISK ASSESSMENT:

Nil

POLICY IMPLICATIONS:

Nil

CHIEF FINANCIAL OFFICERS COMMENT:

Nil




LEGAL IMPLICATIONS:

Nil

ATTACHMENTS:

1. Location of Tingha Recreation Reserves



 <p>Inverell Shire Council Inverell Shire Council 700 New 516 Inverell NSW 2860 Ph: (02) 4728 008 Fax: (02) 4728 877 Email: cs@inverellshire.nsw.gov.au</p>	<p>Important Notice! This map is not a precise survey document. Accurate locations can only be determined by a survey on the ground.</p> <p>This information has been prepared for Council's internal purposes and for no other purpose. No statement is made about the accuracy or suitability of the information for use for any purpose (whether the purpose has been notified to Council or not), while every care is taken to ensure the accuracy of this data, neither the Inverell Shire Council nor the Department of Lands makes any representations or warranties about its accuracy, reliability, completeness or suitability for any particular purpose and disclaims all responsibility and all liability (including without limitation, liability in negligence) for all expenses, losses, damages (including indirect or consequential damage) and costs which you might incur as a result of the data being inaccurate or incomplete in any way and for any reason.</p> <p>© The State of New South Wales (Department of Lands) 2008, © Inverell Shire Council 2008.</p>	 <p>Important This map was produced on the GEOCENTRIC DATUM OF AUSTRALIA 1984 (GDA84), which has superseded the Australian Geodetic Datum of 1984 (AGD66/84). Heights are referenced to the Australia Height Datum (AHD) heights. For most practical purposes GDA84 coordinates and satellite derived (GPS) coordinates based on the World Geodetic Datum 1984 (WGS84) are the same.</p>	 <p>True North, Grid North and Magnetic North are shown diagrammatically for the centre of the Inverell Local Government Area. Magnetic North is correct for 2008 moving easterly by 0.04° in about five years.</p> <p>Grid - Magnetic 10.5°</p>
		<p>Imagery:</p>	<p>Contour Interval:</p>
		<p>Projection: MGA Zone 56 (GDA94)</p>	<p>Cost:</p>
		<p>Date: Wednesday, 24 July 2019</p>	<p>Map Scale: 1:6,654 at A4 Map Zoom: 1321 m</p>
		<p>Drawn By: Corporate Services</p>	

4.4 WATER PRICING - BINDAREE BEEF**File Number:** S8.5.1 / 19/49650**Author:** Paul Henry, General Manager**SUMMARY:**

In April 2019 Council considered the water charge/settlement discount for Bindaree Beef. An update on this matter is provided for the information of Council.

RECOMMENDATION:

That the report be received and noted.

COMMENTARY:

At the April 2019 Council meeting the water charge/settlement discount for Bindaree Beef was discussed. Council resolved as follows:

- i) *The charge will be \$0.82 per kilolitre. This charge reflects the actual cost of treating and delivering the water to your business. No return on capital charge is included in this charge,*
- ii) *The early settlement discount has been increased to 40 per cent for the period 1st July to 31st December, 2019 and a 20 per cent for the period 1st January to 30th June, 2020. The trading terms remain unaltered.*

The increased 'settlement' discount has resulted in the following level of support of the abattoir by the community.

Table 1 – Financial Support

Month (2019)	Usage (kl)	20% Standard Discount	40% Discount
July	66,926	\$10,975.86	\$21,951.73
August	41,873	\$6,867.17	\$13,734.34
September	48,247	\$7,912.51	\$15,825.02
October	50,407	\$8,388.10	\$16,777.53

No request to extend the elevated 'early settlement discount' beyond 31/12/19 has yet been received.

POLICY IMPLICATIONS:

Nil.

CHIEF FINANCIAL OFFICERS COMMENT:**LEGAL IMPLICATIONS:**

Nil.

ATTACHMENTS:

Nil

4.5 NEW VALLEY ROAD - UNAUTHORISED OCCUPATION**File Number:** S5.11.74 / 19/49839**Author:** Paul Henry, General Manager**SUMMARY:**

A Crown Reserve in New Valley Road is being occupied illegally. A confidential report on this matter informs Council on the next course of action.

RECOMMENDATION:

That the matter be referred to Closed Committee for consideration as the matters and information are:

f matters affecting the security of the Council, councillors, staff and Council property.

On balance the public interest in preserving the confidentiality of the information outweighs the public interest in openness and transparency in Council decision-making by discussing the matter in open meeting; and all reports and correspondence relevant to the subject business be withheld from access to the media and public as required by section 11(2) of the Local Government Act, 1993.

COMMENTARY:

The *Local Government Act 1993* (the Act), and the *Local Government (General) Regulation 2005* makes provision for the closure of meetings to the public and media in specified circumstances. In particular s.10A of the Act provides that Council may close to the public and media so much of a meeting as relates to the discussion and consideration of information identified in s.10A(2). The matters which may be closed to the public and media, as stated in the Act, must involve:

- (a) *Personnel matters concerning particular individuals (other than councillors.)*
- (b) *The personal hardship of any resident or ratepayer.*
- (c) *Information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business.*
- (d) *Commercial information of a confidential nature that would, if disclosed:*
 - (i) *prejudice the commercial position of the person who supplied it, or*
 - (ii) *confer a commercial advantage on a competitor of the council, or*
 - (iii) *reveal a trade secret.*
- (e) *Information that would, if disclosed, prejudice the maintenance of law.*
- (f) *Matters affecting the security of the council, councillors, council staff or council property.*
- (g) *Advice concerning litigation, or advice that would otherwise be privileged from production in legal proceedings on the grounds of legal professional privilege.*
- (h) *Information concerning the nature and location of a place or an item of Aboriginal significance on community land.*

In considering whether to close a part of a meeting to the public and media, Councillors are also reminded of further provisions of s.10D of the Act which states:

Grounds for closing part of meeting to be specified

- (1) *The grounds on which part of a meeting is closed must be stated in the decision to close that part of the meeting and must be recorded in the minutes of the meeting.*
- (2) *The grounds must specify the following:*
 - (a) *the relevant provision of section 10A (2),*
 - (b) *the matter that is to be discussed during the closed part of the meeting,*

- (c) *the reasons why the part of the meeting is being closed, including (if the matter concerned is a matter other than a personnel matter concerning particular individuals, the personal hardship of a resident or ratepayer or a trade secret) an explanation of the way in which discussion of the matter in an open meeting would be, on balance, contrary to the public interest.*

It is recommended that, pursuant to Section 10A(2) of the *Local Government Act 1993* the matter be referred to Closed Committee for consideration as the matters and information are:

- f details of systems and/or arrangements that have been implemented to protect council, councillors, staff and Council property.

On balance the public interest in preserving the confidentiality of the information outweighs the public interest in openness and transparency in Council decision-making by discussing the matter in open meeting; and all reports and correspondence relevant to the subject business be withheld from access to the media and public as required by section 11(2) of the *Local Government Act, 1993*.

4.6 FEDERAL GOVERNMENT DROUGHT FUNDING**File Number:** S15.8.90 / 19/50418**Author:** Paul Henry, General Manager**SUMMARY:**

Additional drought funding for Councils was announced on 7 November, 2019. The Committee is being asked to consider how these funds might be utilised.

RECOMMENDATION:

A matter for the Committee.

COMMENTARY:

The following media release was received from the Office of the Hon. Barnaby Joyce, Federal Member for New England, detailing additional drought support for the New England:

MEDIA RELEASE

7 November 2019

Added drought support for New England

Drought-hit farmers, small businesses and rural towns are set for an immediate cash injection to keep stock fed and watered, keep businesses open, keep locals in work and pump funds into local economies.

Member for New England, Barnaby Joyce, said the latest funding was the end result of persistent advocacy on behalf of his constituents.

"I have been fighting for and now received a large contribution especially for the New England and Upper Hunter which is completely in drought and therefore should have absolute access to these measures announced today," Mr Joyce said.

The latest funding, he added, would provide relief to farmers as well as vital economic stimulus for the New England through the Drought Communities Program.

"This is not only a drought for people on the land, it's a drought for people in the towns," Mr Joyce said.

"That's why I'm glad to see another million dollars for every council in the New England providing projects already delivered under the drought program such as the fire control centre upgrade at Quirindi, upgrades to the Kempsey Road at Armidale or new showground facilities at Walcha, which have provided the support our town economies need."

The Prime Minister said the Coalition Government's next step of measures to combat the drought's impact was ready to flow.

"We are stepping up our drought response once again to meet the increasing needs as the drought's effects also step up," the Prime Minister said.

“Since the budget we have already committed an additional \$355 million to step up our drought response. Today’s announcement triples this to more than \$1 billion since the election, as well as more than \$1 billion in new interest free loans, to see people through.

“This is money into the pockets of all those farmers and graziers who know they have a future, but are currently struggling to keep their operations running as the crippling effects of this drought continue to bite that we’ve heard from out on the ground. They are backing themselves and we are backing them to make it through to the better days that will be ahead.”

New Federal Government measures announced today:

- Extra \$122 million for drought support to local councils - including all 10 in New England - to build local infrastructure, support jobs and regional economies
- Extra \$138.9 million for additional Roads to Recovery funding
- New and existing drought loans will be interest free for 2 years to pay for immediate expenses like fodder, freight and wages. Years 3-5 will be interest-only
- New loans worth up to \$500,000 each for small businesses dependent on agriculture to pay staff, buy equipment and refinance existing debt, also interest-free for 2 years.
- \$10 million to support schools facing financial hardship as a result of ongoing drought conditions
- \$5 million from the Community Child Care Fund will help assist centres that are experiencing decreased demand and financial pressure due to families from drought-affected areas being unable to pay for child care
- Redirecting \$200 million into a Building Better Regions Fund special drought round, providing up to \$10 million per project in local government areas
- 100 gegalitres of water from South Australia will be used to grow up to 120,000 tonnes of fodder as well as silage and pasture to secure supplies for the months ahead

This announcement includes an additional \$1M for Inverell Shire Council. The guidelines for projects that could be funded from these funds have yet to be finalised. However, Council may wish to give some early thought as to how best to utilise these funds for the maximum community benefit.

RISK ASSESSMENT:

Nil

POLICY IMPLICATIONS:

Nil

CHIEF FINANCIAL OFFICERS COMMENT:

Nil

LEGAL IMPLICATIONS:

Nil

ATTACHMENTS:

Nil

5 INFORMATION REPORTS

5.1 INVERELL CHAMBER OF COMMERCE & INDUSTRY - SURVEY

File Number: S28.7.18/67 / 19/49668

Author: Paul Henry, General Manager

SUMMARY:

The Inverell Chamber of Commerce & Industry have conducted a survey. Council has been provided with a copy of the results.

RECOMMENDATION:

That the report be received and noted.

COMMENTARY:

The Inverell Chamber of Commerce & Industry surveyed businesses in the CBD regarding Council's intention to reconstruct two (2) blocks in Byron Street with the 'TCRP treatment'. The results of this survey are provided for Council's information.

Inverell Chamber of Commerce & Industry TCRP Survey Results October 2019

%

1. How do you feel that the proposed TCRP for Byron Street will affect your business after completion
 - a. Immediate benefit to business trade 5%
 - b. Slow increase in business trade 5%
 - c. Doubtful if it will be of any benefit to my business 84%
 - d. It could be detrimental to my business 5%
2. When thinking about your business longevity, do you feel that the completed TCRP will
 - a. Help to improve my business for the long term 21%
 - b. Not sure if it will have any effect 74%
 - c. Will be detrimental in the long run for my business 5%
3. In thinking about the impact to your business during construction do you feel
 - a. The construction will have little or no impact on my business 53%
 - b. It will have an impact but worth the long term benefits 11%
 - c. the impact will significantly affect my business 37%
4. What are your feelings of the TCRP as a whole?
 - a. A good initiative and will be an asset to the town 68%
 - b. Some concerns however the benefits are greater 16%
 - c. Not in support of the project under circumstances 16%

5. Would you say it would be best to wait until economic conditions improve before implementing the TRCP
- | | |
|--------|-----|
| a. Yes | 58% |
| b. No | 42% |

ATTACHMENTS:**Nil**

6 GOVERNANCE REPORTS**4.1 QUARTERLY BUDGET AND OPERATIONAL PLAN REVIEW 2018/2019****File Number:** S12.5.1 / 19/18499**Author:** Paul Pay, Manager Financial Services**SUMMARY:**

Each quarter Council is required to report on its Operational Plan and Council's Responsible Accounting Officer is required to report as to whether they believe the Budget Review Statement indicates that the financial position of the Council is satisfactory, having regard to the original estimate of income and expenditure, and if unsatisfactory, make recommendations for remedial action. The Committee is being asked to consider the report.

RECOMMENDATION:

That the Committee recommend to Council that:

- i) Council's Quarterly Operational Plan and Budget Review for 30 September, 2019 be adopted; and*
- ii) The proposed variations to budget votes for the 2019/2020 Financial Year be adopted providing an estimated Cash Surplus at 30 June, 2019 from operations of \$4,241.*

COMMENTARY:**2019/2020 BUDGET VARIATIONS:**

It is advised that Council's financial position remains sound.

The following table represents variations required to be made to budget votes as a result of changes since the last meeting to ensure the 2019/2020 Budget remains in balance (see attachment). Those items identified as requiring funding since the adoption of the 2019/2020 budget have now been funded in full.

The Budget Variations for 2019/2020 are as follows:

Internally Restricted Cash Utilised	(14,450)	68,190		53,740
Transferred to Internally Restricted Cash	-	-	-	-
ESTIMATED CASH RESULT	(2,037)	(1,204)	(1,000)	(4,241)
FOR 2019/2020 ACTIVITIES				SURPLUS
2019/2020 Budget Variations Required to Maintain a Balanced Budget				
REVOTES	4,875,684	2,386,957	3,059,763	10,322,404
UNEXPENDED GRANTS	918,651	-	-	918,651
Budget Review Adjustments 30-9-19	505,486	-	-	505,486
Budget Review Adjustments 31-12-19	-	-	-	-
Budget Review Adjustments 31-3-2020	-	-	-	-
SUB TOTAL	6,299,821	2,386,957	3,059,763	11,746,541
Internally Restricted Cash Utilised	(505,486)	-	-	(505,486)
FUNDED FROM EQUITY	(5,794,335)	(2,386,957)	(3,059,763)	(11,241,055)
NET BUDGET VARIATIONS	0	0	0	0
REVISED CASH RESULT	(2,037)	(1,204)	(1,000)	(4,241)
FOR 2019/2020 ACTIVITIES				SURPLUS

DEFINITIONS:

- 1) **REVOTES** - Revotes are works budgeted and funded in the previous financial year, carried forward for completion in the current financial year. Revotes only occur if cash funding remains available from that previous Financial Years Budget to fund the works. The cash is held as equity.
- 2) **FUNDED FROM EQUITY** - Represents Cash funding received in previous financial years from Revenues, Grants and Other Sources and held as Cash due to its non-expenditure, carried forward to fund the required works in the current Financial Year.
- 3) **INTERNALLY RESTRICTED CASH** - Is cash held in investments to fund future financial obligations, for example Employee Leave Entitlements, Future Projects etc. These funds are not part of Council's Working Capital. The expenditure of funds from Council's Internally Restricted Cash does not impact on Council's ability to undertake its regular activities.
Internally Restricted Cash does not include unexpended Grant Funds or Funds which are subject to External Restrictions and Legislative Restrictions in respect of their use.
- 4) **BALANCED BUDGETS** - Council has adopted the principle of delivering "Balanced Budgets" as a major means of ensuring its operations are sustainable in the medium and long term. In determining that this objective is being met, the "Revised Cash Result" must be a "Surplus" for each of the three funds, and equal or exceed the "Original Cash Result" amount.

The report indicates that the net budget variations for 2019/2020 continue to remain at “Zero”. Councillors will note that expenditure has increased by \$3.63M, while revenue has increased by \$3.12M. The “zero” change position is achieved by utilising Internally Restricted Assets (IRA). This means that all budget variations required to be made to this point, to cover increased or additional expenditures, have been fully funded from either Council receiving additional income or alternately from reductions in expenditures in other areas. There has been no reduction in working capital.

The attached Consolidated Income and Expense Statement indicate a surplus from all activities to 30 September, 2019 of \$16.775M, against a budgeted annual result of \$4,241. This current result indicates that sufficient funding remains available to fund Council’s 2019/20 continuing operations for the next 9 months to the end of the 2019/2020 Financial Year.

QUARTERLY BUDGET REVIEW REPORT:

Council’s 30 September, 2019 Quarterly Combined Budget Review Summary Report and Income and Expense Statement by function are attached. A review of the report indicates that Council’s actual revenue/expenditure compares favourably with Council’s revised budget.

Council retains a strong Internally Restricted Asset balance see attached. These restricted balances fund liabilities, future works and emergencies. The quantum of these funds adds significantly to Council’s investment income and therefore capacity to undertake recurrent maintenance and capital works.

GENERAL FUND – OPERATIONAL PLAN REVIEW:

The General Fund remains in balance with the predicted Cash Surplus in respect of 2019/2020 operations remaining unchanged following approval of the Budget Variations attached to this report. This is after transfers to/from Internally Restricted Assets and Revotes from previous years and the bringing forward of grant funding received in 2018/2019 which will be expended in 2019/2020.

A range of additional costs have and are expected to be incurred in the General Fund over the year. These are to be funded as indicated in the Budget Variation Report, from cost savings in other areas and from additional income received.

A comprehensive review of the General Fund Budget indicates that overall, incomes and expenditures to 30 September, 2019 are in accordance with the adopted budget. All matters not in accordance with the adopted budget are included in the Budget Variation Report.

Capital Works:

Council’s Capital Works Program as disclosed in the 2019/2020 Operational Plan remain on track.

Progress on the major Road Construction Program, has been reported to Council through the Civil and Environmental Services Committee.

Investments:

The General Fund investments remain sound. The RBA cut interest rates to a record low of 0.75% on 1 October, 2019. The market continues to fully price in the next 25bp rate cut by early 2020, potentially taking the official cash rate down to 0.50%. The Australian 10-year government bond yields remain just below the 1% level reflecting the projected low interest rate environment in the long-term.

Domestically, the RBA remains on an easing bias looking to address the ‘spare capacity’ in the economy, particularly following the uptick in the unemployment rate. The RBA has suggested that additional stimulus through further rate cuts may be warranted in order to target full employment.

Their forward guidance is now to expect an “extended period” of low interest rates to achieve full employment and progress towards their inflation target.

The global key risks for the RBA stem from the impact of ongoing trade and technology disputes, softening inflation, political uncertainty (e.g. US, Brexit, Hong Kong, Italy) and a broader slowdown

in the global economy. The Board will continue to assess developments in the global and domestic market before considering further rate cuts.

The RBA has recently shifted its view and has become openly more dovish, signalling the scenario in which it will cut interest rates (rising unemployment, low inflation, below trend growth). For now, they are endeavouring to remain on a neutral bias while employment continues to show strength. Housing concerns are closely being monitored with the fall in house prices (mainly in Sydney and Melbourne) finally being acknowledged as having an impact on the 'wealth effect' towards consumers.

Term deposits are now as low as 1.30-1.50%. It is anticipated that Council will achieve budgeted interest during 2019/2020.

A copy of Council's Cash and Investment Budget Review Statement as at 30 September, 2019 is attached. Council retains a sound investment position to fund all of Council's internal and external restrictions and Council's working capital/cash flow needs.

A detailed investment report is provided to Council on a monthly basis and all investment continues to comply with Council's Investment Policy.

Contracts, Consultancy & Legal Expenses

The attached Contracts Summary indicates any contracts entered into with a value of over \$50,000 by Council during the quarter ending 30 September, 2019, other consultancy and legal expenses are summarised in the attached Consultancy & Legal Expense summary.

General Fund Summary:

Overall, the operational and financial position of the General Fund function is sound.

WATER FUND – OPERATIONAL PLAN REVIEW:

The Water Fund continues to show sound growth. This position is as always dependant on water sales. Water sales were up, \$294K in 2015/2016, down \$83K in 2016/2017, up \$535K in 2017/2018 and up \$749K in 2018/2019. It is anticipated that water sales will continue to increase during 2019/2020 due to the current dry conditions within the Shire.

The Water Fund holds term deposits totalling \$9M and cash at bank of \$2.4M.

Overall, the operational and financial position of the Water Fund function is sound.

SEWERAGE FUND OPERATIONAL PLAN REVIEW:

The Sewerage Fund continues to hold a sound operational and financial position.

The Committee will be aware that the main priority for the Sewer Fund is the completion of the refurbishment/expansion of the Inverell Sewerage Treatment Plant in 2019/2020. This project is funded from Loans and Cash Reserves.

The Sewerage Fund holds Term Deposits totalling \$5.5M plus cash at bank of \$250K.

OPERATIONAL PLAN – COMBINED FUND

Overall Council's operational and financial position in respect of its five destinations is sound. The following information is provided in respect of major issues and projects that Council is leading, participating in, or delivering in 2019/2020.

Destination 1 – A recognised leader in the broader context:

- Tingha boundary realignment effective 1 July, 2019;
- Participated in road funding meetings with the Roads and Maritime Services;
- Participated in New England High Country Destination Management Hub;
- Participated in meetings with New England Council's Joint Organisation of Councils;
- Participated in Border Region Organisation of Councils Meeting;
- Seeking grants for the benefit of the community;

- Sponsor acquisition prize of Inverell Art Prize;
- Development of Inverell Shire Cultural & Arts Strategy;
- Participated in the Northern Inland Risk Management Group;
- Secure funding for the development of an Arts & Cultural Strategic Plan;
- Assist with establishment of Blaze Aid Camp at Inverell showground;
- Install entrance signage for Bonshaw;
- Assist Gilgai School spring fete with 500 attendees;
- Secured Funding for 2019 Grandparents Day events;
- Audit Risk & Improvement Committee transitioning from establishment to assuming the functions of the committee – first internal audit completed;
- Review of WHS and establishment of working group to implement reforms;
- Implementation of Vault software for integrated WHS management;
- Implementation of new business papers software and improved digital distribution of business papers; and
- Completed Council Strategic Planning review of future projects for this term of Council.

Destination 2 – A community that is healthy, educated and sustained:

- Youth Opportunities Programs in progress to engage young people aged 12-20;
- Assist with Sapphire City Festival;
- Participation in New England Cooperative Library;
- Host school holiday sport & arts programs for 149 youth;
- Host TAFE training for 24 youth to gain job-ready skills;
- Host grant writing workshops with 36 participants;
- Assist more than 30 community groups and schools to apply for grant funding;
- Commence upgrade of Library Management System;
- Youth week events engage more than 350 youth;
- Commenced Inverell CCTV upgrade; and
- Participation in work experience programs with local schools.

Destination 3 – An environment that is protected and sustained:

- Partnering with Local Land Services in River Rehabilitation & Weeds Removal Programs;
- Commenced an Osage Orange Program along the Macintyre River;
- Participated in Cross Borders Working Group on weed control meetings;
- Participated in Northern Inland Regional Waste meetings;
- Ongoing works to improve riverbank environment in Inverell;
- Secured grant funding for the rehabilitation of Gum Flat & Nullamanna Landfills;
- Completed LED lighting upgrade at Inverell Library;
- Commenced LED street lighting upgrade in partnership with Essential Energy; and
- Hosted an art competition for students K-Y6 to promote anti-litter campaign.

Destination 4 – A strong Local Economy:

- Participated in a wide range of Tourism and Marketing Shows;
- Participated in Inverell Promotional Activities with the Inverell Chamber of Commerce and Industry;
- Completed Drought Communities Programs – which supported more than 140 local businesses;
- Sponsorship of Eat Drink New England;
- Facilitated round two of Sapphire Wind Farm Community Benefit Fund;
- Partnered with Fishing Australia to develop promotional film of Inverell LGA;
- Supported the Chambers “Choose Inverell” campaign; and
- Secured \$5M in grant funding to upgrade Copeton Northern Foreshores.

Destination 5 – The Communities are served by sustainable services and Infrastructure:

- Commenced and completed a range of Road Upgrade Projects on the Regional Road and Local Road Network;
- Completed a significant quantum of Shire Roads Gravel Resheeting;
- Completed a significant quantum of heavy patching throughout the Shire;
- Commenced Council's 2019/2020 bitumen reseal program;
- Completed 2019/2020 Financial Statements – sound financial result achieved;
- Progressing with upgrade works at the Inverell Sewerage Treatment Plant;
- Progressing with infrastructure works at Inverell Sports Complex, Inverell Tennis Club, Lake Inverell, and Criterium Circuit valued at \$2.9M;
- Secured RMS Drought Relief-Heavy Vehicle Access funding for upgrade works on Jardine Road;
- Secured State Government funding for SH12/Tingha bridge roundabout; and
- Completed extensions & upgrade to Ashford skate Park and Inverell Skate Park.

Also attached is a copy of Council's Key Financial Performance Indicators.

RELATIONSHIP TO STRATEGIC PLAN, DELIVERY PLAN AND MANAGEMENT PLAN:

Strategy: S.01 Sound Local Government Administration, Governance and Financial Management are provided.

Operational Objective: CS.04 Financial Services – To manage Council Finances with the view to ensuring Council's ongoing financial health and stability, the discharge of statutory and fiduciary responsibilities, proper accounting systems and standards and an efficient and equitable revenue base.

POLICY IMPLICATIONS:

No Council or Management Policy is relevant at this time; however, adoption of the recommendation will ensure that Council's philosophy of maintaining “balanced budgets” is continued.

CHIEF FINANCIAL OFFICERS COMMENT:

In accordance with the Local Government (General) Regulation 2005 it is my opinion that the Quarterly Budget Review Statement for Inverell Shire Council for the quarter ended 30 September, 2019 indicates that Council's projected financial position at 30 June, 2020 will be satisfactory at

year end, having regard to the projected estimates of income and expenditure and the original budgeted income and expenditure.

Adoption of the proposed budget variations as indicated above will maintain Council's 2019/2020 budget in balance, with an indicative surplus of \$4,241.

LEGAL IMPLICATIONS:

Council is required to comply with the provisions of the *Local Government Act, 1993* and *Local Government Regulation, 2005* in these matters.

ATTACHMENTS:

- 1. Quarterly Budget & Operational Plan Review Statements**

BUDGET VARIATIONS - FINANCE MEETING 13-11-2019			
ITEM/LEDGER NO.	DESCRIPTION	AMOUNT \$	COMMENT/REASON
GENERAL FUND			
<i>Increase/Decrease in INCOME</i>			
122880-1000	R2R Grant-Rds.to Recovery	281,084	Additional grant provided
128590-1000	Rental Income	40,000	Rental Income - Old RTA Building
139398-1000	RMS-Income-Drought Relief-Heavy Vehicle Access Program	300,000	Drought Relief Heavy Vehicle Access Program grant
121992-1000	Grant-Dept Planning Industry & Environment-SH12 Roundabout	440,000	NSW Government Grant - SH12 Roundabout - Initial Grant Allocation - Total Grant \$2.2M
160389-1000	Income-Library -Disability & Geography Adjustment Grant	37,987	Additional Library grants
121810-1000	Grant-Library Per Capita	9,768	Additional Library grants
128591-3740	Connections Building Redevelopment Agreement	309,514	Early repayment of Connection Building Redevelopment Costs
145863-1000	RMS 2019/20 Active Transport Program	81,847	Grant funding for Connecting Centres (Cycling) Infrastructure
122000-1000	Grant-Nsw Heritage Assist - (Advisor)	(2,000)	Reduction in grant income
122010-1000	Grant-Local Heritage Fund	(2,000)	Reduction in grant income
122025-1000	Grant-NSW Enviro.Trust-Gumflat & Nullamanna Landfills	100,000	Part grant allocation of rehabilitation of Gumflat and Nullamanna Landfills (Total grant \$200K)
122400-1000	Grant - Block-Operating Income	71,525	Additional Block grant allocation
121211-1000	Grant-(SCCF)-Stronger Country Communities Funding	1,455,926	2019/2020 Grant allocations
TOTAL INCREASE IN INCOME		3,123,651	<i>Positive figure indicates increased income, (Negative) figure indicates decreased income)</i>
<i>Increase/Decrease in EXPENDITURE</i>			
143644-1100	R2R5-Yr1 Bitumen Renewal	281,084	Additional R2R grant provided
151050-1000	Shops & Offices	40,000	Maintenance of OLD RTA Building
139399-1100	Drought Relief HVAP - Jardine Road Rehabilitation	300,000	Grant funding rehabilitation of Jardine Road
139399-1100	Drought Relief HVAP - Jardine Road Rehabilitation	400,000	Council Contribution to Jardine Road Rehabilitation - Funded from IRA
140832-1000	Roundabout-SH12/MR73-(Tingha Bridge Roundabout)	440,000	SH12 - Roundabout Construction
160398-1000	Library-Disability & Geograph.Adjustment	25,000	Correct allocation of original 2019/2020 budget
160395-1000	Library-Disability & Geograph.Adjust-2016/17-Expenditure	(25,000)	Correct allocation of original 2019/2020 budget
160398-1000	Library-Disability & Geograph.Adjustment	37,987	Additional Library grants
136630-3830	Library-Telephone & Comp - AMLIB Software	14,150	New LMS Software License, hosting and maintenance fees
136630-3840	Library-Telephone & Comp - Booking System	570	PC booking System License fees
129381-1000	Special Projects	(4,952)	Contribution to LMS software
145864-1000	RMS-Active Transport Program 2019/20-Expenses	125,847	Grant funding for Connecting Centres (Cycling) Infrastructure
138270-1000	Urban Works Program-PAMP	(44,000)	Council contribution to Active Transport Program
135300-1000	Waste Management - Sulo Bins	1,090	Correct allocation of original 2019/2020 budget
135310-1000	Roadside Litter Bins	(1,090)	Correct allocation of original 2019/2020 budget
136250-1000	Nsw Heritage Advisor - Expenses	(2,000)	Reduction in grant income
136260-1000	Local Heritage Program	(2,000)	Reduction in grant income
135454-1000	Gum Flat Tip Closure & Consolidation Costs	65,250	Part grant funded rehabilitation of Gumflat Landfill (Total grant \$130,500)
135453-1000	Nullamanna Tip Closure & Consolidation Costs	34,750	Part grant funded rehabilitation of Nullamanna Landfill (Total grant \$69,500)
137840-1000	Block Exps-Traffic Facilities	42,390	Additional Block grant allocation
137561-1000	Block Grant-Capital Exps	29,135	Additional Block grant allocation
137375-1000	Lake Inverell Upgrade-SCCF-Boardwalk/Paths/Kayak Facilities	853,054	Stronger Country Communities grant funded project
160538-1000	Sports Complex Upgrade-Athletics Precinct-(SCCF Grant- 2019)	240,247	Stronger Country Communities grant funded project
160662-1000	Off Road Recreational Circuit- (SCCF Grant Program 2019)	131,937	Stronger Country Communities grant funded project
160662-1000	Off Road Recreational Circuit- (SCCF Grant Program 2019)	415,000	Council contribution to project
160663-1000	Inverell Tennis Club Upgrade/Extensions-(SCCF Grant - 2019)	230,688	Stronger Country Communities grant funded project
TOTAL INCREASE IN EXPENDITURE		3,629,137	<i>Positive figure indicates increased expenditure, (Negative) figure decreased expenditure)</i>
NET CHANGE TO CURRENT BUDGET Surplus/(Deficit)		505,486	<i>Positive figure indicates increased expenditure, (Negative) figure decreased expenditure)</i>
<i>Restricted Assets</i>			
162230-6220	Strategic Development Fund	415,000	Funding for Council Contribution towards Off Road Recreational Circuit
161900-6220	Economic Develop/Growth Assets IRA	400,000	Funding for Council Contribution towards rehabilitation of Jardine Road
PJ-161720-6210	Building Refurbishment/Upgrade IRA	(309,514)	Early repayment of Connection Building Redevelopment Costs
TOTAL FUNDING FROM RESTRICTED ASSETS		505,486	
FUNDED FROM EQUITY (G5795,000)			
NET CHANGE TO FINANCIAL POSITION Surplus/(Deficit)		-	
WATER FUND			
<i>Increase/Decrease in INCOME</i>			
TOTAL INCREASE IN INCOME		-	<i>Positive figure indicates increased income, (Negative) figure indicates decreased income)</i>
<i>Increase/Decrease in EXPENDITURE</i>			
TOTAL INCREASE IN EXPENDITURE		-	<i>Positive figure indicates increased expenditure, (Negative) figure decreased expenditure)</i>
NET CHANGE TO CURRENT BUDGET Surplus/(Deficit)		-	<i>Positive figure indicates increased expenditure, (Negative) figure decreased expenditure)</i>
SEWER FUND			
<i>Increase/Decrease in INCOME</i>			
TOTAL INCREASE IN INCOME		-	<i>Positive figure indicates increased income, (Negative) figure indicates decreased income)</i>
<i>Increase/Decrease in EXPENDITURE</i>			
TOTAL INCREASE IN EXPENDITURE		-	<i>Positive figure indicates increased expenditure, (Negative) figure decreased expenditure)</i>
NET CHANGE TO CURRENT BUDGET Surplus/(Deficit)		-	<i>Positive figure indicates increased expenditure, (Negative) figure decreased expenditure)</i>

**INVERELL SHIRE COUNCIL
BUDGET REVIEW FOR THE QUARTER ENDED 30-9-2019
CONSOLIDATED INCOME AND EXPENSE STATEMENT**

	ORIGINAL BUDGET 2019/2020 (000's)	Approved Changes						REVISED BUDGET (000's)	Recommended Changes for Council Resolution (000's)	PROJECTED Year End Result 2019/2020 (000's)	ACTUAL YTD (000's)	% OF PROJECTED BUDGET
		Revotes (000's)	Unexpended Grants B/FW (000's)	Sept 2019 Review (000's)	Dec 2019 Review (000's)	Mar 2020 Review (000's)	June 2020 Review (000's)					
INCOME												
Rates & Annual Charges	21,468							21,468		21,468	21,406	99.71%
User Charges & Fees	4,022							4,022		4,022	582	14.47%
Interest	1,137							1,137		1,137	383	33.69%
Other revenues from ordinary activities	597							597	350	947	576	60.82%
Grants & Contributions provided for non capital purposes	10,045							10,045	617	10,662	2,836	26.60%
Grants & Contributions provided for Capital Purposes	2,014							2,014	2,157	4,171	528	12.66%
Gain from the sale of assets	184							184		184	137	74.46%
Gain from interest in joint ventures & associates	-							-				
TOTAL INCOME FROM CONTINUING OPERATIONS	39,467	-	-	-	-	-	-	39,467	3,124	42,591	26,448	67.01%
EXPENSES												
Employee Costs	14,264	273	165					14,702		14,702	3,271	22.25%
Borrowing Costs	135							135		135	44	32.59%
Materials and Contracts	7,724	1,538	236					9,498	868	10,366	1,438	13.87%
Depreciation	9,215							9,215		9,215	2,304	25.00%
Other Expenses from ordinary activities	4,373	170						4,543	(4)	4,539	2,286	50.36%
Loss from the disposal of assets	-							-				
Loss from interest in joint ventures & associates	-							-				
TOTAL EXPENSES FROM CONTINUING OPERATIONS	35,711	1,981	401	-	-	-	-	38,093	864	38,957	9,343	24.53%
NET OPERATING RESULT FROM CONTINUING OPERATIONS SURPLUS/(DEFICIT)	3,756	(1,981)	(401)	-	-	-	-	1,374	2,260	3,634	17,105	1244.92%
ADD BACK Non Cash Amounts												
Depreciation	9,215							9,215		9,215	2,304	25.00%
Carrying Amount of Assets Sold	433							433		433	10	2.31%
Capital Amounts	13,404	(1,981)	(401)	-	-	-	-	11,022	2,260	13,282	19,419	176.18%
Repayments by deferred Debtors												
Acquisition of Assets	(12,746)							(12,746)	(2,765)	(15,511)	(2,597)	20.38%
Loan Repayments	(600)							(600)		(600)	(47)	7.83%
Advance to Deferred Debtors												
Loan Funds												
Less Net Transfers to IRA	(54)							(54)	505	451		0.00%
Plus Equity Funding	-							-		-		0.00%
Unallocated Consolidation Net Profit/(Loss)	4	(1,981)	(401)	-	-	-	-	(2,378)	-	(2,378)	16,775	
NET OPERATING RESULT BEFORE CAPITAL ITEMS SURPLUS/(DEFICIT)	1,742							1,742		1,742	16,577	

* Favourable / (Unfavourable) variance

EXPLANATION OF MATERIAL VARIANCES

YTD Variances

Item	Explanation
INCOME	
Rates & Annual Charges	Includes rate levy for 2019/2020
Grants & Contributions provided for Capital Purposes	Works have not yet commenced on these projects and grant funding for road projects are normally paid in arrears

EXPENSES

CAPITAL AMOUNTS

RECOMMENDED CHANGES TO REVISED BUDGET

The budget variations recommended above are required to be made to budget votes as a result of changes since the last budget review. Refer to attached appendix "Budget Variations" for commentary on each budget variation. Those items identified as requiring funding since the adoption of the 2018/2019 budget have now been funded.

INVERELL SHIRE COUNCIL
BUDGET REVIEW FOR THE QUARTER ENDED 30-9-2019
INCOME & EXPENSES BY FUNCTION

	ORIGINAL BUDGET 2019/2020 (000's)	Approved Changes						REVISED BUDGET (000's)	Recommended Changes for Council Resolution (000's)	PROJECTED Year End Result 2018/2019 (000's)	ACTUAL YTD (000's)	% OF PROJECTED BUDGET (000's)
		Revotes (000's)	Unexpended Grants B/FW (000's)	Sept 2019 Review (000's)	Dec 2019 Review (000's)	Mar 2020 Review (000's)	June 2020 Review (000's)					
EXPENSES												
Governance	250							250		250	37	14.80%
Administration	7,065	143	47					7,255		7,255	1,811	24.96%
Public Order and Safety	1,053	50						1,103		1,103	620	56.21%
Health & Environment	3,569	25	90					3,684	100	3,784	809	21.38%
Community Services and Education	103	28	24					155		155	16	10.32%
Housing and Community Amenities	1,159	68						1,227	-4	1,223	268	21.91%
Water Supplies	3,501							3,501		3,501	878	25.08%
Sewerage and Drainage Services	1,937							1,937		1,937	490	25.30%
Recreation and Culture	2,395	262	8					2,665	245	2,910	634	21.79%
Mining, Manufacturing and Construction	372							372		372	117	31.45%
Transport and Communication	6,184	745	165					7,094	483	7,577	1,769	23.35%
Economic Affairs	1,521	661	67					2,249	40	2,289	503	21.97%
TOTAL EXPENSES	29,109	1,982	401	0	0	0	0	31,492	864	32,356	7,952	24.58%
REVENUES												
Governance	-							-		-	-	-
Administration	25,994							25,994		25,994	16,152	62.14%
Public Order and Safety	393							393		393	16	4.07%
Health & Environment	4,170							4,170	100	4,270	3,590	84.07%
Community Services and Education	24							24		24	5	20.83%
Housing and Community Amenities	292							292	1,452	1,744	84	4.82%
Water Supplies	4,806							4,806		4,806	2,332	48.52%
Sewerage and Drainage Services	2,834							2,834		2,834	2,648	93.44%
Recreation and Culture	198							198	48	246	36	14.63%
Mining, Manufacturing and Construction	183							183		183	51	27.87%
Transport and Communication	5,153							5,153	1,174	6,327	2,301	36.37%
Economic Affairs	417							417	350	767	423	55.15%
TOTAL REVENUE	44,464	-	-	-	-	-	-	44,464	3,124	47,588	27,638	58.08%
OPERATING RESULT: (Surplus)	-15,355	1,982	401	-	-	-	-	-12,972	-2,260	-15,232	-19,686	
Depreciation	9,215							9,215		9,215	2,304	25.00%
Increase in Employee Leave Entitlements	2,568							2,568		2,568	414	16.12%
(PROFIT)/LOSS BEFORE CAPITAL AMOUNTS	(3,572)	1,982	401	-	-	-	-	(1,189)	(2,260)	(3,449)	(16,968)	
Carrying Amount of Assets Sold	433							433		433	10	2.31%
Proceeds Sale of Assets	(617)							(617)		(617)	(147)	23.82%
Cost Real Estate Assets Sold								-		-		
Loan Funds Used								-		-		
Other Debt Finance								-		-		
Repayments by Deferred Debtors								-		-		
Acquisition of Assets	12,746							12,746	2,765	15,511	2,597	16.74%
Development of Real Estate								-		-		
Advance to Deferred Debtors								-		-		
Repayment of Loans	600							600		600	47	7.83%
Repayment of Other Debts								-		-		
ESTIMATED BUDGET RESULT: (SURPLUS)/DEFICIT	9,590	1,982	401	-	-	-	-	11,973	505	12,478	(14,461)	
ADD BACK Non Cash Amounts												
Depreciation	9,215							9,215		9,215	2,304	
Carrying Amount of Assets Sold	433							433		433	10	
Plus Net Transfers	54							54	-505	-451		
Plus Equity Funding**								0		0		
BUDGET (SURPLUS)/DEFICIT	(4)	1,982	401	-	-	-	-	2,379	-	2,379	(16,775)	
** Equity Funding is Unexpended Grants, Contributions and incomplete works from previous years where money is held in equity at end of year												
Transfers to Internally Restricted Assets	2,203							2,203	310	2,513	0	0.00%
Transfers from Internally Restricted Assets	2,149							2,149	815	2,964	0	0.00%
Net Transfers	54	0	0	0	0	0	0	54	-505	-451	0	

EXPLANATION OF MATERIAL VARIANCES**YTD Variances**

Item	Explanation
Expenses	
INCOME	
Administration	Includes entire rate levy for 2019/20
Public Order & Safety	Bush Fire Subsidies not received until March 2020
Housing & Community Amenities	Includes entire DWM levy Charges for 2019/20
Sewerage and Drainage Services	Includes entire annual sewer charges levy for 2019/20
CAPITAL AMOUNTS	
RECOMMENDED CHANGES TO REVISED BUDGET	

Expenses**INCOME**

Administration Includes entire rate levy for 2019/20
Public Order & Safety Bush Fire Subsidies not received until March 2020
Housing & Community Amenities Includes entire DWM levy Charges for 2019/20
Sewerage and Drainage Services Includes entire annual sewer charges levy for 2019/20

CAPITAL AMOUNTS**RECOMMENDED CHANGES TO REVISED BUDGET**

The budget variations recommended above are required to be made to budget votes as a result of changes since the last budget review. Refer to attached appendix "Budget Variations" for commentary on each budget variation. Those items identified as requiring funding since the adoption of the 2018/2019 budget have now been funded.

INTERNALLY RESTRICTED ASSETS (CASH) MOVEMENTS								Comments
30/09/2019	PURPOSE	EST. BAL 30/6/18	TRANSFER TO	TRANSFER FROM	EST. BAL 30/6/2019	TRANSFER TO	TRANSFER FROM	
		\$	\$	\$	\$	\$	\$	
GENERAL ACTIVITIES								
BUILDING REFURBISHMENT/UPGRADE		1,995,343.18			1,995,343.18	36,710	100,000	Note 1 Funding Building Refurbishments/Asset Management needs/Funded from Deprn Expense
EQUIP. UPGRADE/EMERGENCY MTCE		210,805.00			210,805.00			OLG Promoting Better Practice Recommendation
COMPUTER/IT SYSTEMS UPGRADES		1,107,046.00	283,348		1,390,394.00			Note 2 Replace Revenue/Property System 2017/2018 - 2018/2019 etc
INDUSTRIAL DEVELOPMENT		1,148,600.00		126,140	1,022,460.00			Rifle Range Road Subdivision Infrastructure Costs 2017/2018
RESIDENTIAL DEVELOPMENT		7,309.77			7,309.77			
AERODROME UPGRADE/MTCE		306,330.00			306,330.00			Note 3 Federal Compensation Package Funds
COPETON NORTHERN FORESHORES		49,000.00			49,000.00			
LIBRARY BUILDING REFURBISHMENT		202,000.00			202,000.00			Future Library Building Refurbishments
INDUSTRIAL/TOURISM PROMOTION		93,594.00			93,594.00			Tourism Brochure etc
GARBAGE DEPOT LAND PURCHASE ETC		169,391.00			169,391.00			Note 4 Waste Strategy Funds - Restricted
GARBAGE DEGRADATION/REHAB.		895,345.00	100,000		795,345.00	100,000		Note 4 Waste Strategy Funds - Restricted
WASTE INFRASTRUCTURE		2,686,182.00	249,140		2,935,322.00	159,810		Note 4 Waste Strategy Funds - Restricted
WASTE-EXTERNALITY SUSTAINABILITY		447,000.00	50,000		497,000.00	100,000		Note 4 Waste Strategy Funds - Restricted
PLANT REPLACEMENT		3,638,369.00	2,213,903	1,751,727	4,100,545.00	1,668,000	1,999,000	Note 5 Plant Fleet Asset Renewals
GRAVEL PIT RESTORATION		237,596.00		19,083	218,513.00	35,000	24,985	Rehabilitation Requirement
GRAVEL PIT RESTORATION -Roads		174,876.00		19,083	155,793.00	35,000	24,985	Rehabilitation Rifle Range Road and others
COMMUNITY CAPITAL PROJECTS AND LAND PURCH.		450,000.00			450,000.00			Note 6
ECONOMIC DEVELOP/GROWTH ASSETS		4,210,000.00	1,230,000		5,440,000.00			Note 7 Major Roundabouts with RMS and Federal Government
STRATEGIC CAPITAL PROJECTS FUND		4,450.00			4,450.00			Including Chester Street Renewal
STRATEGIC DEVELOPMENT FUND		755,611.00		240,000	515,611.00			Note 8 Land Bank/Infrastructure Development Funding
EMPLOYEE TRAINING (STATUTORY)		131,750.00	49,471		181,221.00			
EMPLOYEE LEAVE ENTITLEMENTS		1,336,710.46			1,336,710.46			Restricted - Minimum Statutory Requirement
WORKERS COMP INSURANCE		935,601.00			935,601.00			Promoting Better Practice Recommendation
TOWN HALL MAJOR MTCE/UPGRADE		100,000.00			100,000.00			Funding for future building refurbishments
INSURANCE EXCESS/SELF INSURANCE		209,848.00			209,848.00			Promoting Better Practice Recommendation
SWIMMING POOLS UPGRADE/FENCING		2,905,000.00	280,000		3,185,000.00			Future Upgrades (includes Transfer from Provisions)
ROAD RESUMPTIONS		20,000.00			20,000.00			Ongoing Issue
IVERRELL HOCKEY FACILITY		450,000.00			450,000.00			Field Resurfacing - Provision for Surface Renewal
CONNECTIONS BUILDINGS/PLANT/EQUIP.		72,183.61			72,183.61			Funding Building Refurbishments/Asset Management needs/Funded from Deprn Expense
SES BUILDINGS		104,311.00			104,311.00			SES Building Renewals
INTEREST EQUALISATION		0.00	350,000		350,000.00			Interest equalisation reserve - funds moves in interest rates
EMERGENCY MANAGEMENT (FIRE, FLOOD, STORM)		0.00	150,000		150,000.00			
FUND TOTAL		24,854,252.02	4,955,862.00	2,156,033.00	27,654,081.02	2,134,520.00	2,148,970.00	27,489,631.02
WATER SUPPLY								
EMPLOYEE LEAVE ENTITLEMENTS		130,000.00			130,000.00			Restricted - Statutory Requirement
EQUIPMENT BREAKDOWN		207,940.00	200,000		407,940.00			Promoting Better Practice Recommendation
REVENUE EQUALISATION		996,000.00	250,000		1,246,000.00			Best Practice Guidelines - Funds movements in water sales
INTEREST EQUALISATION		4,030,260.00	200,000		200,000.00			Interest equalisation reserve - funds moves in interest rates
FUTURE CAPITAL WORKS			330,994		4,361,254.00	68,190		Note 9
FUND TOTAL		5,364,200.00	980,994	-	6,345,194.00	68,190	-	6,413,384.00
SEWERAGE SERVICES								
EMPLOYEE LEAVE ENTITLEMENTS		67,000.00			67,000.00			Restricted - Statutory Requirement
INTEREST EQUALISATION			137,496		137,496.00			Interest equalisation reserve - funds moves in interest rates
EQUIPMENT BREAKDOWN		109,078.82			109,078.82			Promoting Better Practice Recommendation
FUTURE CAPITAL WORKS		2,439,200.00			2,439,200.00			Inverell Sewer Treatment Plant and Pump Station 1 renewal and Mains Relining
FUND TOTAL		2,615,278.82	137,496	-	2,752,774.82	-	-	2,752,774.82
TOTAL OF ALL FUNDS		32,833,730.84	6,074,352	2,156,033	36,752,049.84	2,202,710	2,148,970	36,655,789.84

INTERNALLY RESTRICTED ASSETS COMMITMENTS			
Note 1 - Building Refurbishment/Upgrade Projects - Asset Renewal funded from annual depreciation expense. Asset Management Plans require this level of Funding over the next 10 Years			
Transfer to IRA is lease fee from Connections.			
Note 2 - Replace Property Revenue System 2020/2021			
Note 3 - Funding received from Federal Compensation Package - Future Bitumen Reseals			
Note 4 - Waste Management Strategy Implementation Funding and future land purchases/degradation requirements, including new Garbage Trucks, Solar Power, Weighbridges, Tip Closures etc			
Note 5 - Plant Fleet future acquisitions fund - Asset Renewal plus GPS devices			
Note 6 - Future Capital Works/Non-Trading Land Purchases/Industrial Land Development Fund		450,000.00	Industrial Land Development
		300,000.00	Armajun Medical Centre
		750,000.00	
Note 7 - Economic Dev/Growth Assets		Chester St. Renewal - Heavy Vehicle Route	1,000,000.00
		Roundabout-SH12/MR73-(Tingha Bridge Roundabout)	2,040,000.00
			Council Urban Works 2017-19 \$1M, Plus SCIF 2017-19 \$1.04M Plus Federal Funding \$1.5M, RMS Contribution \$2.2M
		Gwydir Highway/Rosslyn Street Roundabout	1,000,000.00
		Gwydir Highway/Mansfield St Intersection	500,000.00
		Oliver Street Extension	500,000.00
		Jardine Road Resealing & Rehabilitation	400,000.00
			5,440,000.00
Note 8 - Strategic Capital Projects and Infrastructure Fund		415,000	2018/2019 Council Contribution towards Criterion Track at Lake Inverell
		100,000	Provision (not commitment) for Inverell Community Gardens Projects
		515,000	
Note 9 - Future Capital Works		Ashford Water Treatment Plant	850,000.00
		Lake Inverell Safety Works	400,000.00
		Other Capital Works	700,000.00
			1,950,000.00

These funds are held as Cash and Investments, primarily as Term Deposits

**INVERELL SHIRE COUNCIL
BUDGET REVIEW FOR THE QUARTER ENDING 30-9-2019
CAPITAL BUDGET**

	ORIGINAL BUDGET 2019/2020 (000's)	Approved Changes						REVISED BUDGET (000's)	Recommended Changes for Council Resolution (000's)	PROJECTED Year End Result 2019/2020 (000's)	ACTUAL YTD (000's)
		Revotes (000's)	Unexpended Grants (000's)	Sept 2019 Review (000's)	Dec 2019 Review (000's)	Mar 2020 Review (000's)	June 2020 Review (000's)				
CAPITAL FUNDING											
Rates and Other untied Funding											
General Fund	4,280							4,280	423	4,703	4,703
Sewer Fund	640							640		640	640
Water Fund	661							661		661	640
-								-			
Capital Grants & Contributions											
Bushfire	197							197		197	
Sporting Fields	10							10		10	
Library	25							25	38	63	63
Roads	4,834							4,834	664	5,498	2,795
Open Space								-	1,640	1,640	-
-								-			
Internal Restricted Assets											
Aerodrome								-		-	
Plant Replacement	1,999							1,999		1,999	1,999
Roads Program								-		-	
Sewerage Future Capital Works								-		-	
Water Future Capital Works								-		-	
Strategic Capital Projects Fund								-		-	
Other	100									-	
Loan Funding								-		-	
Equity (Unexpended Grants and Contributions from previous years)		8,341	518					8,859		8,859	8,859
TOTAL CAPITAL FUNDING	12,746	8,341	518	-				21,605	2,765	24,270	19,699
CAPITAL EXPENDITURE											
Administrative Services	15							15		15	-
Aerodrome								-		-	
Engineering Equipment	2							2		2	-
SES/Bushfire	204							204		204	7
Information Services	148	309						457		457	4
Sporting Fields	24							24		24	-
Cemetery	10							10		10	-
Library	124	9	32					165	38	203	21
Open Space	100	51						151		151	
Plant	2,616							2,616		2,616	
Minor Community Infrastructure Assets	280	215	122					617	(5)	612	155
Stonger Country Communities		452						452	1,640	2,092	386
Strategic Capital Infrastructure Program	480							480		480	-
Sewerage Services	640	3,060						3,700		3,700	257
Water Services	861	2,387						3,248		3,248	18
Roads	7,242	1,858	364					9,464	1,092	10,556	1,749
TOTAL CAPITAL EXPENDITURE	12,746	8,341	518	-				21,605	2,765	24,370	2,597

RECOMMENDED CHANGES TO REVISED BUDGET

The budget variations recommended above are required to be made to budget votes as a result of changes since the last budget review. Refer to attached appendix "Budget Variations" for commentary on each budget variation. Those items identified as requiring funding since the adoption of the 2019/2020 budget have now been funded.

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**INVERELL SHIRE COUNCIL
BUDGET REVIEW FOR THE QUARTER ENDING 30-9-2019
CASH & INVESTMENTS**

	ORIGINAL BUDGET 2019/2020 (000's)	Approved Changes						Recommended Changes for Council Resolution (000's)	PROJECTED Year End Result 2019/2020 (000's)	ACTUALS (000's)
		Revotes (000's)	Unexpended Grants B/FW (000's)	Sept 2019 Review (000's)	Dec 2019 Review (000's)	Mar 2020 Review (000's)	June 2020 Review (000's)			
EXTERNALLY RESTRICTED										
Water Services	10,554						10,554		10,554	10,554
Sewerage Services	6,677						6,677		6,677	6,677
Waste Management	4,396						4,396		4,396	4,396
Special Purpose Grants	788						788		788	788
Developer Contributions	546						546		546	546
Bonds & Deposits	210						210		210	104
Stormwater Management							-		-	146
TOTAL EXTERNALLY RESTRICTED	23,171						23,171		23,171	23,211
INTERNALLY RESTRICTED										
Employee Leave Entitlements	1,337						1,337		1,337	1,337
Strategic Development Fund	516						516		516	516
Plant Replacement	4,101						4,101		4,101	4,101
Computer	1,390						1,390		1,390	1,390
Building Renewal/Upgrades	2,095						2,095		2,095	2,095
Economic Development/Growth Assets	5,440						5,440		5,440	5,440
Aerodrome	306						306		306	306
Workers Compensation Insurance	936						936		936	936
Future Capital Works/Land Purchases	450						450		450	450
Emergency Management/ Equipment Upgrades	315						315		315	315
Industrial Development	1,022						1,022		1,022	1,022
Baths Improvements - Inverell Pool	3,185						3,185		3,185	3,185
Sports Grounds - Hockey Facility Resurfacing	450						450		450	450
Financial Assistance Grants	3,645						3,645		3,645	3,645
Other Restrictions	1,715						1,715		1,715	1,715
TOTAL INTERNALLY RESTRICTED	26,903						26,903		26,903	26,903
TOTAL RESTRICTED	50,074						50,074		50,074	50,114
TOTAL CASH & INVESTMENTS	59,252						59,252		59,252	55,577
AVAILABLE WORKING CAPITAL	9,178	Figure incl. revotes & Unexpended grants from 2017/2018					9,178		9,178	5,463

Note: The annual interest generated on Council's Working Capital is the funding source for Council's annual Strategic Capital Infrastructure Project Fund. Any reduction in Working Capital will result in a further reduction in the quantum of funds available annually for Council to undertake Strategic Projects

COMMENT ON CASH & INVESTMENT POSITION

Councils overall Investment Portfolio remains sound and as at 30 September 2019 Councils Cash and Investment Portfolio totalled \$55.577 million plus \$7.7 million Cash at bank (Water Fund \$2.4m, Sewer Fund \$0.250m, General Fund \$5.58m).

STATEMENTS

INVESTMENTS

I, SCOTT NORMAN, as Council's Responsible Accounting Officer, hereby certify that the restricted funds listed above are invested in accordance with Section 625 of the Local Government Act 1993, Clause 212 of the Local Government (General) Regulations 2005 and Council's Investment Policy. For further information about Councils investment portfolio and performance refer to Councils Monthly Investment Report included in Councils Business Paper

Total External Restricted Funds	23,211
Total Internal Restricted Funds	26,903
Total Restricted	50,114
Total Funds Invested as per Investment Report (30-09-18)	55,577
Total Available Working Capital	5,463

CASH

I, SCOTT NORMAN, as Council's Responsible Accounting Officer, hereby certify that the bank balances, as per General Ledger, have been reconciled with the bank statements for the month of September, 2019, and the details have been recorded. For further information about Councils bank reconciliations refer to Councils Monthly Financial Statements report included in the Council Business Paper

RECONCILIATION

I, SCOTT NORMAN, as Council's Responsible Accounting Officer, hereby certify that the investment balances, as per General Ledger, have been reconciled with the investment report for the month of September, 2019, and the details have been recorded. For further information about Councils investment portfolio and performance refer to Councils Monthly Investment Report included in the Councils Business Paper.

**INVERELL SHIRE COUNCIL
INVESTMENTS HELD 30-9-2019**

Term Deposit Investment Group										
<i>Investment No.</i>	<i>Borrower</i>	<i>FUND</i>	<i>Rating</i>	<i>Risk Rating</i>	<i>Purchase Date</i>	<i>Maturity Date</i>	<i>Current Yield</i>	<i>Principal Value</i>	<i>Current value</i>	<i>Term (days)</i>
19/06	St George Bank	General	AA-	1	02-Oct-18	02-Oct-19	2.60%	1,000,000	1,000,000	365
19/07	National Australia Bank	General	AA-	1	09-Oct-18	09-Oct-19	2.74%	1,000,000	1,000,000	365
19/28	Bank of Sydney	General	NR	3	17-Apr-19	17-Oct-19	2.65%	1,000,000	1,000,000	183
20/01	Bank of Sydney	General	NR	3	17-Jul-19	17-Oct-19	2.40%	1,500,000	1,500,000	92
19/08	Bendigo Adelaide Bank	General	BBB+	2	25-Oct-18	25-Oct-19	2.75%	2,000,000	2,000,000	365
19/11	National Australia Bank	Sewer	AA-	1	20-Nov-18	20-Nov-19	2.75%	2,000,000	2,000,000	365
19/12	Rural Bank	General	BBB+	2	27-Nov-18	27-Nov-19	2.85%	2,000,000	2,000,000	365
19/13	Police Credit Union (SA)	General	NR	3	27-Nov-18	27-Nov-19	2.94%	1,000,000	1,000,000	365
19/14	AMP BANK	General	A-	2	27-Nov-18	27-Nov-19	2.85%	2,000,000	2,000,000	365
19/15	AMP BANK	General	A-	2	27-Nov-18	27-Nov-19	2.85%	1,000,000	1,000,000	365
19/16	AMP BANK	Water	A-	2	27-Nov-18	27-Nov-19	2.85%	1,000,000	1,000,000	365
19/17	AMP BANK	General	A-	2	27-Nov-18	27-Nov-19	2.85%	1,000,000	1,000,000	365
19/23	AMP BANK	General	A-	2	18-Mar-19	13-Dec-19	2.80%	2,000,000	2,000,000	270
20-Jul	National Australia Bank	Water	AA-	1	27-Sep-19	12-Dec-19	1.70%	1,000,000	1,000,000	76
19/19	Summerland Credit Union	Water	NR	3	17-Dec-18	17-Dec-19	3.00%	2,000,000	2,000,000	365
19/25	Nexus Mutual	Water	NR	3	28-Mar-19	30-Dec-19	2.80%	1,000,000	1,000,000	277
19/20	National Australia Bank	General	AA-	1	09-Jan-19	09-Jan-20	2.75%	2,000,000	2,000,000	365
19/27	St George Bank	General	AA-	1	17-Apr-19	17-Apr-20	2.60%	2,000,000	2,000,000	366
20/04	Bank of Queensland	Sewer	BBB+	2	27-Aug-19	27-May-20	1.65%	2,000,000	2,000,000	274
19/09	ING BANK	General	A	1	25-Oct-18	25-Oct-20	2.90%	2,000,000	2,000,000	731
19/10	Westpac Bank	General	AA-	1	25-Oct-18	25-Oct-21	2.97%	2,000,000	2,000,000	1096
19/26	Police Credit Union (SA)	General	NR	3	28-Mar-19	29-Mar-21	2.90%	2,000,000	2,000,000	732
19/30	Rural Bank	General	BBB+	2	17-Apr-19	19-Apr-21	2.63%	1,000,000	1,000,000	733
19/33	Westpac Bank	Water	AA-	1	27-Jun-19	27-Jun-21	2.30%	2,000,000	2,000,000	731
20/02	Bank of Queensland	General	BBB+	2	17-Jul-19	19-Jul-21	2.00%	1,500,000	1,500,000	733
20/03	Bank of Queensland	General	BBB+	2	27-Aug-19	27-Aug-21	1.75%	2,000,000	2,000,000	731
20/08	AMB - Australian Military Bank	Sewer	NR	3	30-Sep-19	30-Sep-21	1.77%	1,500,000	1,500,000	731
19/29	Newcastle Permanent	General	BBB	2	17-Apr-19	19-Apr-22	2.70%	1,000,000	1,000,000	1098
19/31	Westpac Bank	Water	AA-	1	25-Jun-19	25-Jun-22	2.30%	1,000,000	1,000,000	1096
19/34	Westpac Bank	General	AA-	1	25-Jun-19	25-Jun-22	2.30%	2,000,000	2,000,000	1096
19/32	Westpac Bank	General	AA-	1	27-Jun-19	27-Jun-22	2.30%	2,000,000	2,000,000	1096
20/05	Bank of Queensland	General	BBB+	2	03-Sep-19	03-Sep-22	1.80%	1,000,000	1,000,000	1096
20/06	Bank of Queensland	General	BBB+	2	13-Sep-19	13-Sep-22	1.80%	1,000,000	1,000,000	1096
Sub Total - Term Deposit Investment Group							TOTALS	50,500,000	50,500,000	

Floating Rate Notes Investment Group									
<i>As at Date</i>	<i>Borrower</i>	<i>FUND</i>	<i>Rating</i>	<i>Risk Rating</i>	<i>Purchase Date</i>	<i>Maturity Date</i>	<i>Current Yield*</i>	<i>Principal Value</i>	<i>Current value</i>
30/9/19	Commonwealth Bank	General	A1+	1	11/1/2019	11/1/2024	2.26% 3M BBSW + 10bp	2,000,000.00	2,032,648.00
30/9/19	ANZ Bank	General	A1+	1	8/2/2019	8/2/2024	2.07% 3M BBSW + 10bp	2,000,000.00	2,029,688.00
30/9/19	ANZ Bank	Water	A1+	1	8/2/2019	8/2/2024	2.07% 3M BBSW + 10bp	1,000,000.00	1,014,844.00
Sub Total - Floating Rate Notes Investment Group								5,000,000.00	5,077,180.00

Portfolio by Fund	
General Fund	\$ 41,062,336
Water Fund	\$ 9,014,844
Sewer Fund	\$ 5,500,000
TOTAL	\$ 55,577,180

**INVERELL SHIRE COUNCIL
BUDGET REVIEW FOR THE QUARTER ENDING 30-9-2019
CONTRACTS**

Contractor	Contract Details & purpose	Contract Value	Commencement Date	Duration of Contract	Budgeted (Y/N)
Roadwork Industries	Asphalt - Lake Inverell Off-road Recreation Curium	\$ 301,752.00	01-November-2019	2 months	Y
ARRB	Road condition survey - Sealed Road Network	\$ 93,478.00	01-January-2019	3 months	Y
Peter Whetton	Cemetery Maintenance Contract	\$ 294,500.00	01-October-2019	5 years	Y
Tait Hino	Truck - Hino 300 Series (716 Medium)	\$ 109,473.00	27-September-2019	Delivery pending	Y
Tait Hino	Truck - Hino 300 Series (616 Medium)	\$ 76,124.75	27-September-2019	Delivery pending	Y

Notes

1. Minimum reporting level is 1% of estimated income from continuing operations or \$50,000 whichever is the lesser
2. Contractors to be listed are those entered into during the quarter and have yet to be fully performed, excluding contractors that are on Council's Preferred supplier list and Fleet purchased through LGP.
3. Contracts for employment are not included

Explanation of Unbudgeted Contracts

No unbudgeted contracts as at 30 September 2019

**INVERELL SHIRE COUNCIL
BUDGET REVIEW FOR THE QUARTER ENDING 30-9-2019
CONSULTANCY & LEGAL EXPENSES**

EXPENSE	EXPENDITURE YTD	BUDGETED (Y/N)
CONSULTANCIES		
Heritage Advisor	6,000.00	Y
Waste Management	3,050.00	Y
Investment Advisor	1,666.64	Y
Financial Management	500.00	Y
LEGAL FEES	1,954.20	Y

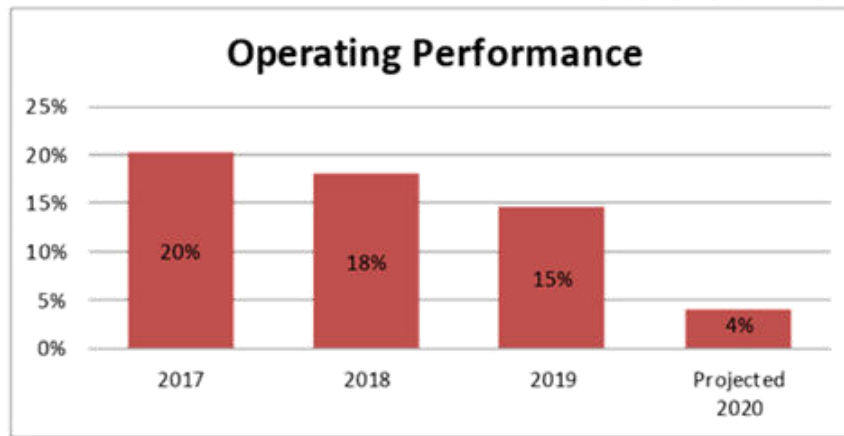
Definition of Consultant

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

Explanation of Unbudgeted Consultancy & Legal Fees

No unbudgeted Consultancy or Legal Fees as at 30 September 2019

**INVERELL SHIRE COUNCIL
BUDGET REVIEW FOR THE QUARTER ENDING 30-9-2019
KEY PERFORMANCE INDICATORS**

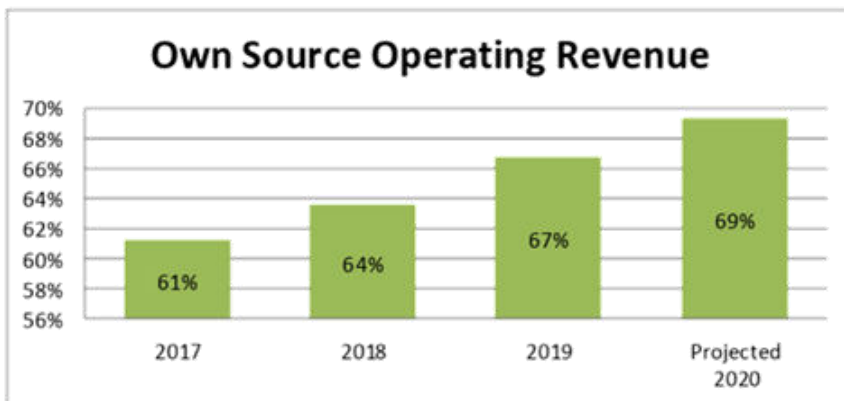


The **Operating Performance Ratio** indicates that Council operating revenue, excluding capital grants and contributions are sufficient to cover operating expenditure. Council has exceeded both the benchmarks listed below

The Tcorp benchmark for the ratio is to have a deficit of less than 4%.

The "fit for the future" benchmark is that council should have a breakeven or better operating performance ratio over a three year period.

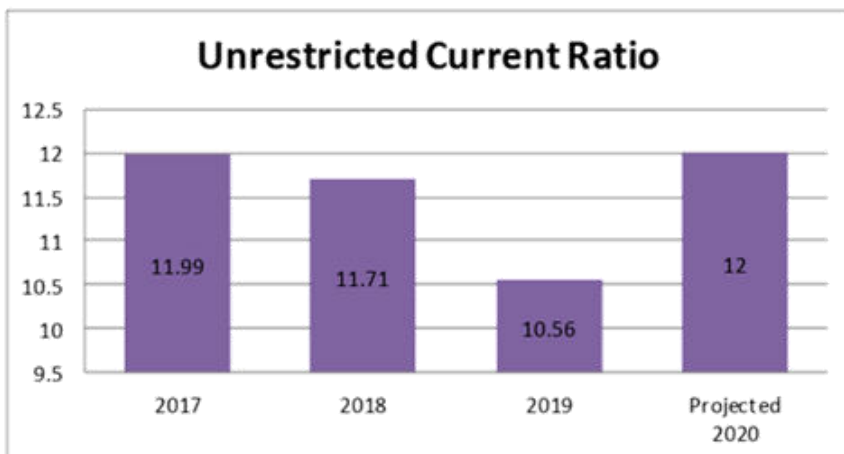
The 2017 is inflated due to the advanced payment of 50% 2017-2018 Financial Assistance Grant.



The **Own Source Operating Revenue** indicates that Council has a low dependence on grants and contributions. Council has exceeded both the benchmarks listed below

The Tcorp benchmark for sustainability is to have a ratio of greater than 60%

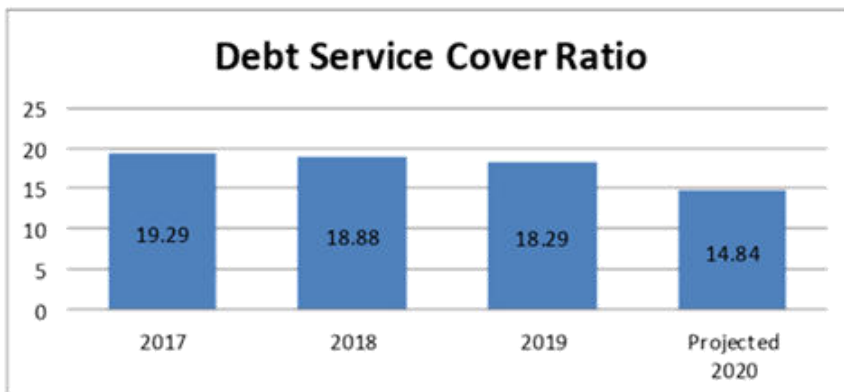
The "fit for the future" benchmark is that councils should have own source revenue of greater than 60% over a three year period.



The **Unrestricted Current Ratio** excludes all current assets and liabilities that are restricted for specific purposes. These include the water, sewer, domestic waste management functions and specific purpose unexpended grants and contributions

This ratio is before setting aside cash to fund internal restrictions in the General Fund.

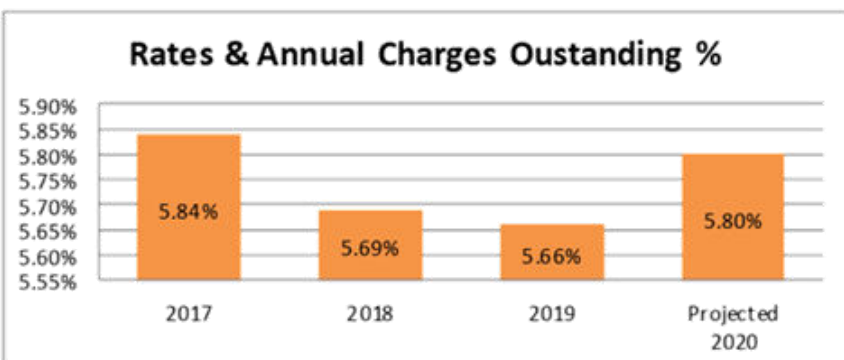
The Tcorp benchmark is greater than 1.5



The **Debt Service Ratio** indicates the extent to which council's operating revenues are committed to servicing both interest and the repayment of principal repayments on existing loans.

Councils Debt Service Ratio will increase marginally over the coming years with Councils increasing its loan borrowings by \$2m for Water and Sewer Fund activities and Waste Management Funds

The Tcorp benchmark is to have a ratio of greater than 2.

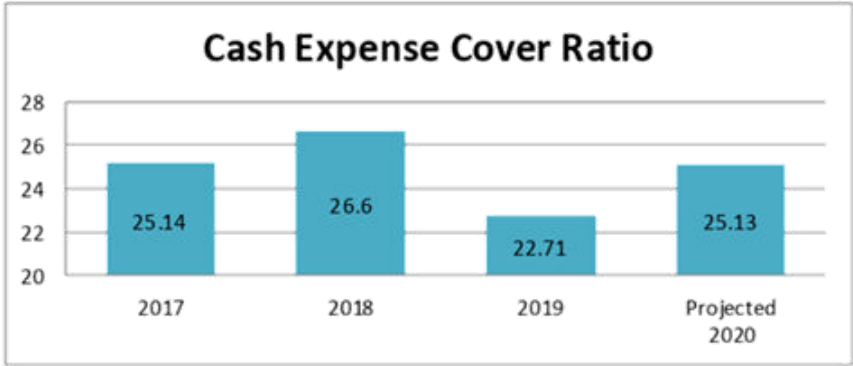


The **Outstanding Rates Ratio** indicates the percentage of uncollected rates and charges and the adequacy of recovery efforts.

Council's ratio remains at a low level and is within benchmarks for group 11 Councils and reflects good recovery procedures as advised by Councils Auditor

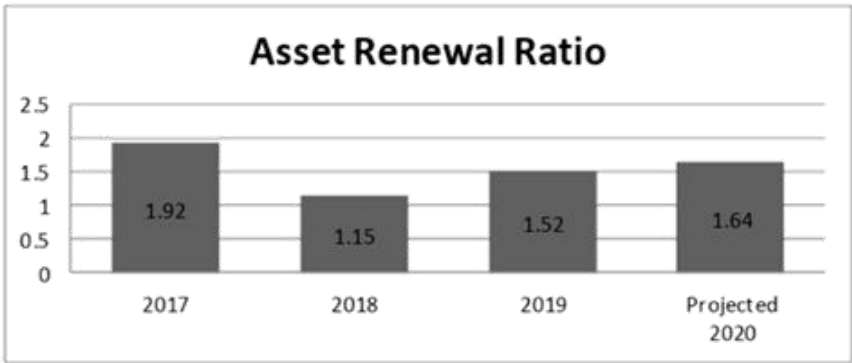
The Tcorp benchmark is to have a ratio of less than 10%

INVERELL SHIRE COUNCIL
BUDGET REVIEW FOR THE QUARTER ENDING 30-9-2019
KEY PERFORMANCE INDICATORS



The **Cash Expense Cover Ratio** indicates the number of months Council can pay its expenses without additional cash flow.

The Tcorp benchmark is to have reserves to meet at least three months of operating expenditure

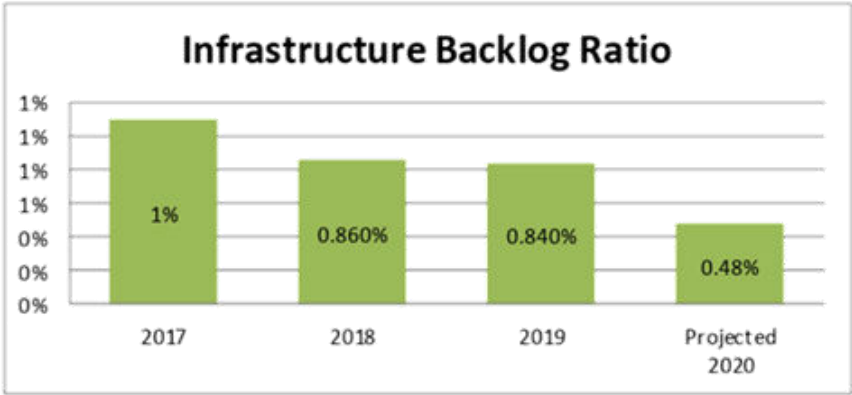


The **Asset Renewal Ratio** indicates the rate at which assets are being renewed against the rate they are being depreciated.

Councils ratio indicates that Council is expending more on asset renewals compared to the estimated asset deterioration (depreciation) across the General, Water and Sewerage Funds. This is largely due to the quantum of grant funded works being undertaken on the Shire Road Network.

The Tcorp benchmark is to have a ratio of greater than 1.

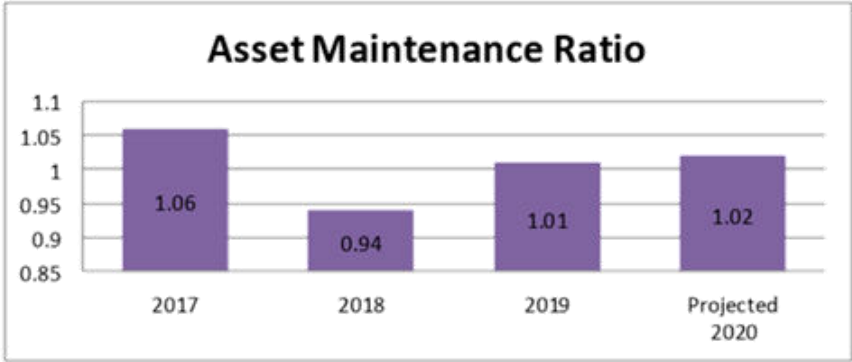
The "fit for the future" benchmark is that councils should have a ratio of greater than 1 over a three year period



The **Infrastructure Backlog Ratio** assess Council infrastructure backlog against the total value of councils infrastructure.

The Tcorp benchmark is a ratio of less than 20%.

The "fit for the future" benchmark is less than 2%



The **Asset Maintenance Ratio** compares actual asset maintenance expenses against the estimated asset maintenance required for each year.

The Tcorp benchmark is a ratio of greater than 1

The "fit for the future" benchmark is greater than 1

6.2 GOVERNANCE - MONTHLY INVESTMENT REPORT

File Number: S4.11.17/11 / 19/49872

Author: Paul Pay, Manager Financial Services

SUMMARY:

To report the balance of investments held as at 31 October, 2019.

RECOMMENDATION:

The Committee recommend to Council that:

- i) the report indicating Council's Fund Management position be received and noted;
and*
- ii) the Certification of the Responsible Accounting Officer be noted.*

COMMENTARY:

Contained within this report are the following items that highlight Council's Investment Portfolio performance for the month to 31 October, 2019 and an update of the investment environment:

- (a) Council's investments as at 31 October, 2019;
- (b) Council Investments by Fund as at 31 October, 2019;
- (c) Interest – Budgeted vs Actual;
- (d) Investment Portfolio Performance;
- (e) Investment Commentary; and
- (f) Certification – Responsible Accounting Officer.

A) Council Investments as at 31 October, 2019

Term Deposit Investment Group										
<i>Investment No.</i>	<i>Borrower</i>	<i>FUND</i>	<i>Rating</i>	<i>Risk Rating</i>	<i>Purchase Date</i>	<i>Maturity Date</i>	<i>Current Yield</i>	<i>Principal Value</i>	<i>Current value</i>	<i>Term (days)</i>
19/11	National Australia Bank	Sewer	AA-	1	20-Nov-18	20-Nov-19	2.75%	2,000,000	2,000,000	365
19/12	Rural Bank	General	BBB+	2	27-Nov-18	27-Nov-19	2.85%	2,000,000	2,000,000	365
19/13	Police Credit Union (SA)	General	NR	3	27-Nov-18	27-Nov-19	2.94%	1,000,000	1,000,000	365
19/14	AMP BANK	General	A-	2	27-Nov-18	27-Nov-19	2.85%	2,000,000	2,000,000	365
19/15	AMP BANK	General	A-	2	27-Nov-18	27-Nov-19	2.85%	1,000,000	1,000,000	365
19/16	AMP BANK	Water	A-	2	27-Nov-18	27-Nov-19	2.85%	1,000,000	1,000,000	365
19/17	AMP BANK	General	A-	2	27-Nov-18	27-Nov-19	2.85%	1,000,000	1,000,000	365
19/23	AMP BANK	General	A-	2	18-Mar-19	13-Dec-19	2.80%	2,000,000	2,000,000	270
20-Jul	National Australia Bank	Water	AA-	1	27-Sep-19	12-Dec-19	1.70%	1,000,000	1,000,000	76
19/19	Summerland Credit Union	Water	NR	3	17-Dec-18	17-Dec-19	3.00%	2,000,000	2,000,000	365
19/25	Nexus Mutual	Water	NR	3	28-Mar-19	30-Dec-19	2.80%	1,000,000	1,000,000	277
19/20	National Australia Bank	General	AA-	1	09-Jan-19	09-Jan-20	2.75%	2,000,000	2,000,000	365
20/11	Bank of Sydney	General	NR	3	18-Oct-19	20-Jan-20	1.85%	1,000,000	1,000,000	94
20/12	Bank of Sydney	General	NR	3	18-Oct-19	20-Jan-20	1.85%	1,500,000	1,500,000	94
20/10	National Australia Bank	General	AA-	1	09-Oct-19	09-Apr-20	1.60%	1,000,000	1,000,000	183
19/27	St George Bank	General	AA-	1	17-Apr-19	17-Apr-20	2.60%	2,000,000	2,000,000	366
20/04	Bank of Queensland	Sewer	BBB+	2	27-Aug-19	27-May-20	1.65%	2,000,000	2,000,000	274
20/09	St George Bank	General	AA-	1	03-Oct-19	03-Oct-20	1.70%	1,000,000	1,000,000	365
19/09	ING BANK	General	A	1	25-Oct-18	25-Oct-20	2.90%	2,000,000	2,000,000	731
19/10	Westpac Bank	General	AA-	1	25-Oct-18	25-Oct-21	2.97%	2,000,000	2,000,000	1096
19/26	Police Credit Union (SA)	General	NR	3	28-Mar-19	29-Mar-21	2.90%	2,000,000	2,000,000	732
19/30	Rural Bank	General	BBB+	2	17-Apr-19	19-Apr-21	2.63%	1,000,000	1,000,000	733
19/33	Westpac Bank	Water	AA-	1	27-Jun-19	27-Jun-21	2.30%	2,000,000	2,000,000	731
20/02	Bank of Queensland	General	BBB+	2	17-Jul-19	19-Jul-21	2.00%	1,500,000	1,500,000	733
20/03	Bank of Queensland	General	BBB+	2	27-Aug-19	27-Aug-21	1.75%	2,000,000	2,000,000	731
20/08	AMB - Australian Military Bank	Sewer	NR	3	30-Sep-19	30-Sep-21	1.77%	1,500,000	1,500,000	731
19/29	Newcastle Permanent	General	BBB	2	17-Apr-19	19-Apr-22	2.70%	1,000,000	1,000,000	1098
19/31	Westpac Bank	Water	AA-	1	25-Jun-19	25-Jun-22	2.30%	1,000,000	1,000,000	1096
19/34	Westpac Bank	General	AA-	1	25-Jun-19	25-Jun-22	2.30%	2,000,000	2,000,000	1096
19/32	Westpac Bank	General	AA-	1	27-Jun-19	27-Jun-22	2.30%	2,000,000	2,000,000	1096
20/05	Bank of Queensland	General	BBB+	2	03-Sep-19	03-Sep-22	1.80%	1,000,000	1,000,000	1096
20/06	Bank of Queensland	General	BBB+	2	13-Sep-19	13-Sep-22	1.80%	1,000,000	1,000,000	1096
Sub Total - Term Deposit Investment Group							TOTALS	48,500,000	48,500,000	

Floating Rate Notes Investment Group									
<i>As at Date</i>	<i>Borrower</i>	<i>FUND</i>	<i>Rating</i>	<i>Risk Rating</i>	<i>Purchase Date</i>	<i>Maturity Date</i>	<i>Current Yield*</i>	<i>Principal Value</i>	<i>Current value</i>
31/10/19	Commonwealth Bank	General	A1+	1	11/1/2019	11/1/2024	2.26% 3M BBSW + 113bp	2,000,000.00	2,032,648.00
31/10/19	ANZ Bank	General	A1+	1	8/2/2019	8/2/2024	2.07% 3M BBSW + 110bp	2,000,000.00	2,029,688.00
31/10/19	ANZ Bank	Water	A1+	1	8/2/2019	8/2/2024	2.07% 3M BBSW + 110bp	1,000,000.00	1,014,844.00
Sub Total - Floating Rate Notes Investment Group								5,000,000.00	5,077,180.00

Cash Deposits Accounts Investment Group									
<i>As at Date</i>	<i>Borrower</i>	<i>FUND</i>	<i>Rating</i>	<i>Risk Rating</i>	<i>Purchase Date</i>	<i>Maturity Date</i>	<i>Current Yield</i>	<i>Principal Value</i>	<i>Current value</i>
31/10/2019	Commonwealth Bank	General	A1+	1			1.60%	5,000,000	5,000,000
Sub Total - Cash Deposits Accounts Investment Group								5,000,000	5,000,000

B) Council Investments by Fund 31 October, 2019

Portfolio by Fund	30/09/2019	31/10/19
General Fund	\$ 41,062,336	\$ 44,062,336
Water Fund	\$ 9,014,844	\$ 9,014,844
Sewer Fund	\$ 5,500,000	\$ 5,500,000
TOTAL	\$ 55,577,180	\$ 58,577,180

Council's investment portfolio increased by \$3M during October 2019. This was in respect of normal cash flow movements for receipts collected and payments made during October 2019 plus advance payment of grants.

Interest – Budgeted verses Actual Result to Date

	Ledger	2019/2020 Budget \$	Actuals to Date \$	Accrued Interest to Date \$	TOTAL \$
General Fund	128820	879,000.00	236,985.74	225,800.00	462,785.74
Water Fund	812350	125,000.00	14,822.57	46,942.47	61,765.04
Sewer Fund	906320	105,000.00	13,000.83	19,209.59	32,210.42
TOTAL		1,109,000.00	264,809.14	291,952.06	556,761.20

Term deposit interest rates have moved to historic lows of approximately 1.3% for a twelve (12) month term deposit. Given our strong investment balances, Council is expected to meet interest revenue targets in 2019/2020. However, further rate cuts may require Council to downgrade this target in future years. This will require Council to reduce expenditure to offset the reduced income from investment revenue. Expenditure can be reduced by cutting various programs from the budget or by reducing/freezing budget increases, that is, no CPI increases. This results in an expenditure decrease in real terms.

C) Investment Portfolio Performance

Investment Portfolio Return		Benchmarks		
	% pa	RBA Cash Rate	Aus Bond Bank Bill	11am Cash Rate
Benchmark as at 31-10-19		0.75%	1.74%	0.75%
Term Deposits	2.40%			
Cash Deposit Accounts	1.60%			
Floating Rate Notes	2.13%			

D) Investment Commentary

Council's investment portfolio returns exceeded the Australia Bond Bank Bill benchmark in all investment categories except for Council's cash deposit accounts. These accounts are held for liquidity purposes. Term Deposits exceeded all benchmarking indexes.

Council's investment portfolio of \$58.6M is almost entirely invested in fixed term deposits. Overall, the portfolio is highly liquid, highly rated and short-dated from a counterparty perspective.

The RBA cut the official cash rate by 25bp on 1st October to a record low of 0.75%. The Board justified the move as needed to "support employment and income growth" and to provide confidence that it will meet its inflation target, while also noting that it took into account "lower interest rates globally".

The RBA remains on an easing bias and is now targeting 'full employment', as opposed to merely 'reducing' unemployment. They have repeatedly indicated to expect an "extended period" of low interest rates in order to achieve full employment and progress towards their inflation target.

The global key risks for the RBA stem from the impact of ongoing trade and technology disputes, softening inflation, political uncertainty (e.g. US, Brexit, Hong Kong) and a broader slowdown in the global economy. In Australia, they are closely monitoring employment, inflation, wage growth, housing and consumption. Should these areas continue to show signs of softening; the RBA remains on hand to adjust the official cash rate lower if required. The futures market largely factors in the next 25bp rate cut by mid-2020, potentially taking the official cash rate down to 0.50%:

F) Certification – Responsible Accounting Officer

I Scott Norman, hereby certify that the investments listed in this report have been made in accordance with Section 625 of the *Local Government Act 1993*, Clause 212 of the Local Government (General) Regulations 2005 and Council's Investment Policy.

RISK ASSESSMENT:

Nil

POLICY IMPLICATIONS:

Nil

CHIEF FINANCIAL OFFICERS COMMENT:

It is noted that the volatility for current financial markets and pending legal actions will not impact on Council's rates and charges, its ability to deliver its existing services across the funds, or its medium or long term sustainability. Council's overall Investment Portfolio remains sound.

LEGAL IMPLICATIONS:

Nil

ATTACHMENTS:

Nil

7 CONFIDENTIAL MATTERS (COMMITTEE-OF-THE-WHOLE)**RECOMMENDATION:**

That Council considers the confidential report(s) listed below in a meeting closed to the public in accordance with the reasons stated in the referral reports:

7.1 New Valley Road - Unauthorised Occupation