

OFFICIAL SENSITIVE

Strathbogie Shire Council

# Audit and Risk Committee Meeting Minutes

Extraordinary Meeting

21 April 2023  
at 11.00 am to 12 noon

Euroa Community Conference Room

Minutes of the Extraordinary Meeting of the Strathbogie Shire Council Audit and Risk Committee held on Friday 21 April 2023 commencing at 11.00 a.m.

**Present**

Paul Ayton (Chair)	Community Representative
Mark Freudenstein	Community Representative
Alister Purbrick	Community Representative (online)
Mayor Laura Binks	Council Representative
Cr Chris Raeburn	Council Representative

**Officers**

Julie Salomon	Chief Executive Officer
Amanda Tingay	Director Community and Planning
Dawn Bray	Director People and Governance
Upul Sathurusinghe	Chief Financial Officer
Kerry Lynch	Governance Officer (Minutes)

**Auditors**

Brad Eade	Internal Auditors – AFS & Associates (online)
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**1. Welcome**

**2. Acknowledgement of Traditional Land Owners**

*We acknowledge the Traditional Custodians of the places we live, work and play.*

*We recognise and respect the enduring relationship they have with their lands and waters, and we pay respects to the Elders past, present and emerging.*

*Today we are meeting on the lands of the Taungurung peoples of the Eastern Kulin nation, whose sovereignty here has never been ceded.*

**3. Apologies**

Alistair Thomson	Community Representative
Michelle Bromley	Coordinator Governance and Record Management
Danielle McKenzie	External Auditors – Crowe Audit

**4. Disclosure of Interests**

Nil to report.

## 5. BUSINESS

### 5.1 2023-24 Draft Budget and 2023-24 Draft Capital Works Program

#### Draft 2023-24 Draft Budget

The draft 2023-24 Budget has been prepared in accordance with guidance and templates issued by Local Government Victoria.

It was noted:

- that the Mayor's introduction is still under development and will be finalised for the Extraordinary Council meeting to be held on 2 May 2023 to consider releasing the draft budget for community review and feedback.
- the Statement of Human Resources is currently being finalised. (The development of the budget was delayed by three weeks due to the Mid-Year Review process and the desire to adopt the budget by 30 June 2023 rather than request the Minister for Local Government for an extension of time).

This year, a number of changes have been made by the State government relating to the inclusion of service targets for a four year period, along with other mandatory indicators. These mandatory indicators augment those we already report on and include in any Budget from our 2021-25 Council Plan.

The major initiatives outlined in the draft Budget reflect actions that will be in the 2023 review of the Council Plan which is currently being prepared.

Although Council is operating in a challenging fiscal environment exacerbated by the October 2022 flood and continued shortages of labour, materials and specialist services, Council has indicated that an average rise to rates and municipal charges for the 2023-24 year is to be 3%. This figure therefore forms the basis of the Budget preparation.

The Financial Statements show a general reduction in income and revenue, largely due to decreases in grant income. It should be noted that Council is yet to receive advice from our insurers and other levels of government advising the quantum of reimbursement for our flood related works. It is hoped that by the time the budget comes to final adoption we will be able to improve our overall financial position.

It is noted that while Council is projected to be in surplus at the end of the next four financial years, efforts must be made to ensure a surplus of around \$5 million per year to achieve optimal liquidity. This is a particular challenge in years two and four at present. Grant income for these years is uncertain and therefore we have budgeted on a conservative 'worst case' scenario.

There is no proposed change to the differential rates system, which is guided by our Revenue and Rating Plan. It is anticipated that the bulk of rating revenue will be derived from farmland (\$8.2 million) and residential land (\$8.1 million).

It should be noted that current rates and rates in dollar calculations are based on Stage 3 valuations as previously set by the Valuer General. We are yet to receive Stage 4 valuations from the Valuer General and as such, the final budget will include the rate calculation based on Stage 4 valuations. These calculations will not change total budgeted rates income however distribution may change.

## 2023-24 Draft Capital Works Program

Extensive discussions were held with Council regarding the organisation's capacity to deliver capital works and the need to return to more realistic delivery expectations. Historically we have been able to successfully deliver a total works program of between \$9-12 million in the past few years.

While our project management framework is still being refined and embedded across the organisation, we know there are further improvements to be made, particularly in relation to considering (and budgeting) whole of project and whole of life costs.

Discussions with Council have been around:

- Recognising that we have lost Project Delivery staff in recent weeks to the private sector and replacing them is incredibly difficult in a highly competitive market where Council cannot compete with the remuneration offered by the private sector
- Highlighting that we still need to make improvements into our project delivery framework and processes, particularly around considering projects holistically and the whole of life costs and resource needs and budgeting for these
- Focusing on flood recovery projects given the ongoing adverse impacts flood damage is having on our community and local economy
- Focusing on key strategic capital works that derive the greatest community benefit and value for money
- The Council Plan action is to look at the portfolio of all Council assets to gain understanding of what Council actually owns and potentially divesting of surplus assets. This project is underway and the action will remain in the Council Plan until completion
- Delivering a capital works program based on consolidation and rationalisation around existing assets in the next few years rather than taking on new projects.

Officers acknowledge that this is challenging for the Council given significant community pressure about delivering ambitious capital works programs across the Shire. However, it is considered that a reasonable balance has been achieved between community expectations and our capacity to fund and successfully deliver capital works.

To this end, the total draft capital works program is \$16.2 million, which consists of \$3.4 million of carry forward from 2022-23 and \$12.8 million in new projects.\*

\* *Note these figures were corrected, following a question by the Committee, due to a rounding error in the notes to the table for capital works – the figures in the table in the draft budget were correct.*

## Committee Observations

The Audit and Risk Committee noted the following and sought clarification around certain items in the comprehensive financial statements and capital works program:

**Note:** Page numbers quoted below are the page numbers in the Agenda relating to the draft 2023/24 Budget statements and 2023/24 Capital Works Program documents presented at the meeting.

- Reassurance was sought that a 3.5% increase in staff remunerations in the forthcoming Enterprise Agreement negotiations was a sufficiently high figure. The CEO confirmed that in the current market, the figure was sufficient. It was noted that perhaps there should be an allowance for a higher percentage agreement, and that given the challenging recruitment environment Council does not want staff leaving based on salary
- It was considered that future projections appeared to be tight as shown in the comprehensive income statement on page 14, and the Committee wanted reassurance that Council will be able to meet its future obligations
- Introduction of KPIs reflects good, poor or average criteria. It was suggested that an additional KPI be added to benchmark against small rural shires
- **Page 8 – Emergency Management Planning and Response** – it was clarified that flood recovery support payments have been allocated to this emergency management ledger reflecting a figure of \$88k to fund EFT relating to the same
- **Page 14 Comprehensive Income Statement Item 4.1.4** – Clarification was sought why there was an increase then a decrease in grant funding. It was explained that future grant funding was unknown therefore conservative forecasts are reflected in the projections in 2024 through to 2027. Additional information around future grants allocations would be useful and consideration be given to publicizing that grant funding is down
- **Page 19 - Statements of Human Resources** – add notes to the commentary clarifying that the reconciliation is incomplete and still in progress. This statement also includes increases to Workcover and Superannuation expenses
- **Page 22 - Rates and Charges Item 4.1.1** - The commentary reflects a figure of \$22,135,000 compared to \$22,245,000 in the comprehensive statement. The Chief Financial Officer clarified that the figure in the statement includes interest. It was recommended that this information be reported in the commentary to clarify the discrepancy
- **Page 28 – Borrowings** – clarity was sought around a discrepancy in borrowings figures. The Chief Financial Officer will take the question on notice
- **Page 28 – Borrowings** – a question was raised regarding future projections and what the figures pertain to - \$4M in 2025/26 and \$2M in 2026/27. It was recommended that this information be reported in the commentary to explain what the value of the borrowings relate to
- **Page 37 - Asset Renewals**– shows problems in asset renewal gap and rationalisation. The immediate reduction is due to large renewal expenditure on assets due to flood impacts. It is expected that normal trends will continue in the forward estimates.

**MOTION****Moved: Mark Freudenstein****Seconded: Alistair Purbrick****That the Audit and Risk Committee has reviewed and endorses the Budget documents for 2022/2023**

- 1. Endorse the 2023-24 Draft Budget document with the following changes:**
  - explanation of the difference between rate income figures in the commentary and tables on page 22 due to the inclusion of supplementary valuations, interest and the fire service levy (sections 4.1.1 and 4.1.1(a))
  - the inclusion of Small Rural Council data from the Local Government Performance Reporting Framework data as a benchmark for the strategic performance outcome areas
- 2. Endorse the 2023–24 Draft Capital Works Program with the following changes:**
  - Insertion of a note to explain the projected increase in borrowings for the Civic Centre project in years 3 and 4.
- 3. Pass on any recommendations to the Audit and Risk Committee relating to the independent internal audit commissioned by Council.**

**Carried**

**6. CONFIDENTIAL BRIEFING WITH THE CEO, DIRECTOR OF PEOPLE AND GOVERNANCE AND INDEPENDENT MEMBERS**

**7. NEXT MEETING**

The next scheduled quarterly meeting of the Audit and Risk Committee is 2 June 2023, however an Annual Strategy meeting will need to be programmed for May 2023.

