Special Variation to rates attachment

Audit, Risk and Improvement Committee

January 2025

The Audit Risk and Improvement Committee (ARIC) receive regular reports on financial matters and provide advice on Northern Beaches Council's financial management in accordance with their Terms of Reference.

Discussions include the impact major issues had on the organisation, including cashflow, like managing the COVID-pandemic and multiple natural disaster events, along with industry wide issues that have resulted in multiple inquiries at both the State and Federal levels of Government.

Minutes of ARIC meetings are available on the Council's website: https://www.northernbeaches.nsw.gov.au/council/meetings/committees/audit-risk-and-improvement-committee. Relevant extracts for the last 3 years are attached.

3 Dec 2024: Extract of minutes

6.3 FINANCE UPDATE

PURPOSE

The purpose of this report is to provide an update on the financial performance of the Council as at 30 September 2024.

DISCUSSION

Caroline Foley, Chief Financial Officer provided an update to the committee, covering the topics of disaster recovery funding, exemption from the Waste Levy, operating deficit and a further update on the Special Rate Variation (SRV).

Caroline highlighted the 4 main financial issues facing Council, being inflation, a $3 million increase in the Emergency Services Levy, recent natural disasters and the long term impact of COVID, requiring Council to place projects on hold.

The committee asked questions on the topics of infrastructure projects and asset renewal and maintenance, the impact of population increase on rates and benchmarking of land property value.

The Chair confirmed that the committee has previously been briefed on the Long Term Financial Plan and note, that each year, asset maintenance has been falling behind schedule. It is also noted that Council's operating performance ratio is starting to lag.

ACTIONS

Caroline Foley to provide the committee with the updated version of the Long Term Financial Plan.

OUTCOME

That the ARIC note the finance update as at 30 September 2024.

11.1 AUDIT OFFICE CLOSING REPORT AND MANAGEMENT LETTER FOR THE 2023/24 FINANCIAL YEAR

PURPOSE

The purpose of this report is to provide the ARIC with the Audit Office of NSW Engagement Closing Report and Management Letter on the final phase of the audit for the year ended 30 June 2024 for their review.

DISCUSSION

Hugh Wilson, Team Leader - Financial Audit, Audit Office of NSW provided an overview of the Engagement Closing Report.

The Council's Finance team was commended on the quality of work papers and financial statements are of a high quality. Both the general and special purpose financial statements were all unqualified.

The ARIC noted the uncorrected monetary misstatements / judgemental misstatements and the feedback received from Caroline Foley and Hugh Wilson that these items are immaterial. The Chair asked if Hugh could refer these items back to his team to discuss whether there is a possible resolution for these items.

OUTCOME

That the ARIC note the Audit Office of New South Wales Management Letter on the final phase of the audit for the year ended 30 June 2024 and the 2024 Engagement Closing Report.

10 Sept 2024: Extract of minutes of extraordinary meeting

9.1 DRAFT 2023/24 FINANCIAL STATEMENTS

PURPOSE

The purpose of this report is to provide the Audit, Risk and Improvement Committee with an overview of the process undertaken and significant judgements and assumptions used in preparing the draft 2023/24 Northern Beaches Council Financial Statements prior to their inclusion on the agenda for the Council meeting to be held on 15 October 2024.

DISCUSSION

The Chair introduced the item and commended staff on the quality and information in their reports and papers.

- There has been significant cost increase in the infrastructure space, primarily due to weather events over the last 5 years that have affected the condition of assets, especially roads. Comprehensive infrastructure revaluations are scheduled to be undertaken this year on buildings, operational lands and roads, footpaths and bridges. All other classes will have desktop revaluations.

10 Sept 2024: Extract of minutes of ordinary meeting

7.3 BENCHMARKING PROGRAM FY22/23 - FINANCE, WORKFORCE AND OPERATIONS

PURPOSE

The purpose of this report is to present benchmarking results and trends for 2022/23 across Council's finance, workforce and operations.

DISCUSSION

Michael McDermid, Manager Corporate Strategy attended for this item.

Michael provided a summary of the results for the period. The committee noted that the program is working well.

OUTCOME

The ARIC noted the performance results for the 2022/23 core benchmarking program on finance, workforce and operations.

11 June 2024: Extract of minutes

6.1 VERBAL UPDATE BY THE CHIEF EXECUTIVE OFFICER

PURPOSE

The purpose of this report is to to provide the ARIC with a brief update on current issues, particularly those relating to areas of potential risk for Council.

DISCUSSION

The Acting Chief Executive Officer's (A/CEO) verbal report included the following:

- ICAC is conducting Operation Mantis which concerns contracting and sub-contracting arrangements at Canterbury Bankstown Council
- A report was presented to the May Council meeting to provide demerger costings
- Councillors attending a workshop to discuss financial sustainability
- Council made submissions to the inquiry by the NSW Parliament's Legislative Council Standing Committee on State Development into the ability of local governments to fund infrastructure and services, and an inquiry by the Parliament of Australia's House of Representatives Standing Committee on Regional Development, Infrastructure and Transport into local government sustainability.

OUTCOME

The Audit, Risk and Improvement Committee noted the Chief Executive Officer's update.

6.3 FINANCE UPDATE

PURPOSE

The purpose of this report is to provide an update on the financial performance of the Council as at 31 March 2024.

DISCUSSION

Caroline Foley and David Walsh attended for this item.

Committee members asked questions about the emergency service levy, fines, development contributions, workers compensation claims, and waste charge calculations in the long term financial plan. Return on investment was noted and commended.

It was noted Council made submissions to the inquiry by the NSW Parliament's Legislative Council Standing Committee on State Development into the ability of local governments to fund infrastructure and services, and an inquiry by the Parliament of Australia's House of Representatives Standing Committee on Regional Development, Infrastructure and Transport into local government sustainability.

The committee thanked Caroline and David for their work on these submissions, assisting other councils with their submissions, and attending the NSW inquiry.

OUTCOME

The Audit, Risk and Improvement Committee noted the finance update as at 31 March 2024.

13 March 2024: Extract of minutes

6.1 VERBAL UPDATE BY THE CHIEF EXECUTIVE OFFICER

PURPOSE

The purpose of this report is to provide the ARIC with a brief update on current issues, particularly those relating to areas of potential risk for Council.

DISCUSSION

Scott Phillips, Chief Executive Officer advised that Councillors will attend a strategic planning workshop on 23 and 24 March. The Chair noted that this workshop and subsequent planning will be useful context for ARIC when developing its 4-year strategic workplan. This plan must be developed in consultation with the governing body, as required by the Office of Local Government's Guidelines for Risk Management and Internal Audit.

ACTIONS

Scott Phillips to provide feedback to ARIC on the strategic planning weekend outcomes in preparation for ARIC's discussions with the governing body on ARIC's 4-year strategic workplan.

Governance to facilitate consultation between the governing body and ARIC to inform the development of ARIC's 4-year strategic workplan.

OUTCOME

The ARIC noted the Chief Executive Officer's verbal update.

12 December 2023: Extract of minutes

6.0 STANDING ITEMS

6.1 VERBAL UPDATE FROM CHIEF EXECUTIVE OFFICER

PURPOSE

To provide the ARIC with a brief update on current issues, particularly those relating to areas of potential risk for Council.

DISCUSSION

Scott Phillips, Chief Executive Officer gave an update on a number of topics including:

- Actions in response to data breaches involving third party contractors
- A financial update
- An update on the Enterprise Resource Planning (ERP) project
- A proposed change to the senior executive organisational structure.

OUTCOME

The ARIC noted the Chief Executive Officer's verbal update.

6.2 FINANCE UPDATE

PURPOSE

To provide the ARIC with an update on the financial performance of the Council as at 30 September 2023.

DISCUSSION

Caroline Foley, Executive Manager Financial Planning & Systems addressed the meeting.

Discussion covered the impact of external factors on the projected future financial position including COVID-19, inflation and the rate peg. The ARIC noted the latest forecast operating result for the financial year and that Council's budget remains balanced and financial ratios on track for the 2023/24 financial year.

ACTIONS

Caroline Foley to circulate the budget briefing pack presented to the Councillor briefing to the ARIC.

11.1 AUDIT RECOMMENDATIONS - UNFUNDED 2023/24 (CYBER SECURITY AND SOFTWARE LICENCE MANAGEMENT)

PURPOSE

To provide the ARIC with a management response on outstanding actions.

DISCUSSION

Mark Jones, A/Director Workforce and Technology and Naren Gangavarapu, Chief Information Officer addressed the meeting to the discuss audit recommendations (cyber security) that are not financially supported in 2023/24 and risks involved with extending some target implementation activity completion dates.

ARIC noted while both actions have been constrained by budget limitations, considerable work has been undertaken to date to mitigate Council's risk in both areas.

OUTCOME

That the:

1. ARIC noted the report and continued work to strengthen Council's cyber security position and that remaining actions are to be initiated subject to a cyber roadmap analysis to be undertaken by Council's new Chief Information Security Officer and available budget.
2. Action from the ARIC meeting of 12 September 2023 relating to the implementation of software licence management processes be closed and the item be included on Council's risk register and remain as a project on Council's Capital Project Funding Request Pipeline for inclusion in future budgets.

10.1 AUDIT OFFICE CLOSING REPORT AND MANAGEMENT LETTER FOR THE 2022/23 FINANCIAL YEAR

PURPOSE

To provide the ARIC with the Audit Office of NSW Engagement Closing Report and Management Letter on the final phase of the audit for the year ended 30 June 2023 for its review.

DISCUSSION

Susan Prichard, Director Financial Audit Services, Audit Office of NSW provided an overview of the Engagement Closing Report.

The ARIC noted the Council's position in relation to rural fire-fighting equipment remaining not recognised in its financial statements and the progress in the reviews of its policies.

The ARIC commended Council on receiving a clean audit and noted this was an unusually positive outcome in comparison with other Councils.

OUTCOME

The ARIC noted the Audit Office of NSW Management Letter on the final phase of the audit for the year ended 30 June 2023 and the 2023 Engagement Closing Report.

12 September 2023: Extract of minutes

7.2 BENCHMARKING PROGRAM FY21/22 - FINANCES, WORKFORCE AND OPERATIONS

PURPOSE

The purpose of this report is to provide the ARIC with benchmarking results and trends for finance, workforce and operations.

DISCUSSION

Michael McDermid, Manager Corporate Performance talked to this item. There was discussion about finding reliable sources of data for local government benchmarking. Council continues to talk with the Office of Local Government (OLG) and other councils about this.

The committee noted the importance of this data to inform Council's activities, to create a data loop and reinforce the dynamics of continuous improvement. The committee also noted the impact of the COVID years on the data and trends we are now analysing. It will be important to assess the data in context (eg. asset renewal against depreciation) to articulate a meaningful story for Council.

ACTIONS

1. Future reports will include the reported median's range (highest and lowest) for the Councils measured.
2. Mark Jones will provide information to the committee on Council's unscheduled leave balance.

OUTCOME

The ARIC noted the performance results for the 2021/22 core benchmarking program on finance, workforce and operations.

10.1 NSW AUDITOR-GENERAL'S REPORT ON LOCAL GOVERNMENT 2022

PURPOSE

The purpose of this report is to consider the NSW Auditor-General's Report on Local Government 2022 for information and consideration.

DISCUSSION

The Chair noted that the findings require no action by Northern Beaches Council and the Audit Office has been complementary about Council's performance in financial management previously.

OUTCOME

The ARIC noted the Auditor-General's Report on Local Government 2022.

10.2 NSW AUDITOR-GENERAL'S PERFORMANCE AUDIT INTO FINANCIAL MANAGEMENT AND GOVERNANCE IN LOCAL GOVERNMENT

PURPOSE

The purpose of this report is to consider the findings of the recent NSW Auditor-General's audit on financial management and governance arrangements in local government in the context of Northern Beaches Council. A gap analysis has been undertaken to assess the recommendations against Northern Beaches Council's financial management arrangements.

DISCUSSION

The committee noted Mark McCoy could remain in the meeting for this item.

Caroline Foley, Executive Manager Financial Planning & Systems and David Walsh, Chief Financial Officer spoke to this item. In the spirit of continuous improvement, the report to the committee identifies where Council is continuing to improve.

OUTCOME

The ARIC noted the report on issues raised in the Auditor-General's June 2023 report on financial management and governance in local government, including the gap analysis undertaken for Northern Beaches Council.

13 June 2023: Extract of minutes

6.2 FINANCE UPDATE

PURPOSE

To provide an update on the financial performance of the Council as at 31 March 2023.

DISCUSSION

David Walsh, Chief Financial Officer, and Caroline Foley, Executive Manager Financial Planning & Systems, presented the key details of the finance update.

Discussion covered restricted reserve funds, the status of development contributions, financial and service delivery impact of employee vacancies, reduction in waste volumes, and budget challenges including parking income, the impact of storm events, and the impact of the Emergency Services Levy.

In noting the impact of storm events, the ARIC discussed the financial impact of climate risk and key risk indicators and controls. It was noted Council has a Resilience Strategy in place.

ACTIONS

Todd Dickinson to include financial impact of recent hazard events in his upcoming report to the September ARIC meeting.

OUTCOME

The Audit, Risk and Improvement Committee noted the finance update as at 31 March 2023.

14 March 2023: Extract of minutes

6.2 FINANCE UPDATE

Note : David Walsh and Caroline Foley joined the meeting for this item

PURPOSE

To provide an update on the financial performance of the Council as at 31 December 2022.

DISCUSSION

David Walsh, Chief Financial Officer and Caroline Foley, Executive Manager Financial Planning & Systems presented the highlights of the report to the Committee.

The Committee discussed:

- The time lag to recover fine income
- Vacancy rates and leave balances after COVID and related temporary impacts
- Potential impacts of CAPEX works being pushed out on project costs and measures undertaken regarding this.

COMMITTEE RESOLUTION

The Audit, Risk and Improvement Committee noted the finance update as at 31 December 2022.

6 December 2022: Extract of minutes

6.0 STANDING ITEMS

6.1 VERBAL UPDATE BY THE CHIEF EXECUTIVE OFFICER

PURPOSE

To provide the Committee with a brief update on current issues, particularly those relating to areas of potential risk for Council.

DISCUSSION

The Chief Executive Officer (CEO) introduced the new Executive Manager of Internal Audit & Complaints Resolution, Sally Hall.

The CEO raised the following matters for discussion:

- The upcoming Enterprise Resource Planning project
- The reappointment of Council's directors for a five-year term
- The recent discussion of the disclosures of interest at the October Council meeting
- Council's Property Strategy
- The impacts of COVID-19 on resourcing and the operations of Council, including on capital works programs.

COMMITTEE RESOLUTION

The Audit, Risk and Improvement Committee noted the verbal update by the Chief Executive Officer.

6.2 FINANCE UPDATE

Note : David Walsh and Justin Hurst joined the meeting for this item

PURPOSE

To provide an update on the financial performance of the Council as at 30 September 2022.

DISCUSSION

David Walsh, Chief Financial Officer and Justin Hurst, Team Leader Management Accounting presented the highlights of the report to the Committee.

The following points were discussed:

- The storm related expenses which continue to impact the financial performance of Council
- The impact of forecast Reserve Bank rate rises – that the full impact of inflation was not yet flowing through to expenses
- The anticipated costs required for the Enterprise Resource Planning Project.

COMMITTEE RESOLUTION

The Audit, Risk and Improvement Committee noted the finance update as at 30 September 2022.

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13 September 2022: Extract of minutes

9.1 2021/22 FINANCIAL STATEMENTS

PURPOSE

To provide the Audit, Risk and Improvement Committee with an overview of the process undertaken and significant judgements and assumptions used in preparing the 2021/22 Northern Beaches Council Financial Statements (Draft) prior to their inclusion on the agenda for the Council meeting to be held on 27 September 2022.

DISCUSSION

Caroline Foley, Executive Manager Financial Planning and Systems addressed the meeting on this item. C Foley provided and overview of the statements and assumptions. The ARIC took the report as read and discussed the matters in detail, with key points discussed as follows:

- Operating surplus of $62 million including capital grants ($18 million excluding capital grants) – Council had been operating with two consecutive years of deficits prior to that.
- All financial and asset performance measures have been met.
- The financial year was entered during a period of lockdown due to COVID-19 also impacting the FY21/22. The community were supported primarily through the waiving of outdoor dining fees and subsidies to tenants.
- A desktop evaluation of infrastructure assets was undertaken with an increase in the value of infrastructure assets.
- The discount rate used for the remediation provision for the Kimbriki asset have moved from using the RBA long term government bond rate to using the IPART discount rate as it gives a more current view of the cost, in comparison to the RBA rate which is only released every six months.
- Notation of the impact of bond rate provisions on employee leave entitlements, that without this provision the rate would be higher. The number of leave entitlements across the organisation has also gone down.
- Impact of inflation and discussion of the use of panel rates, which are not totally impacted by inflation rates due to the locked in prices.
- Performance on workers compensation, with the new system for isolating and reporting on claims bringing clarity to this category.
- To ensure consistency in valuations and assumptions during this period of flux and change,

A general discussion was held on the potential future impacts to Council's future CAPEX program noting ongoing impacts from COVID-19 included associated sickness of workers, supply issues and the competitive market for building materials.

The Committee noted the papers were of a high standard and congratulated Council on the turnaround regarding the surplus results.

9.2 AUDIT OFFICE MANAGEMENT LETTER ON THE INTERIM PHASE OF THE AUDIT FOR THE 2021/22 FINANCIAL YEAR

PURPOSE

To provide the Audit, Risk and Improvement Committee with the Audit Office of NSW Audit Management Letter for the year ending 30 June 2022 for its review.

DISCUSSION

Karen Taylor, Director of Financial Audit Services Audit Office of NSW addressed the meeting providing a verbal update on the management letter. The Finance team were complimented on the comprehensive papers. It was noted that the ARIC undertook a good level of scrutiny on the papers.

COMMITTEE RESOLUTION

The Audit, Risk and Improvement Committee noted the Audit Office of NSW Management Letter for the year ending 30 June 2022.

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7 June 2022: Extract of minutes

6.1 VERBAL UPDATE BY THE CHIEF EXECUTIVE OFFICER

Note: *Mark McCoy joined the meeting.*

PURPOSE

To provide the Committee with a brief update on current issues, particularly those relating to areas of potential risk for Council.

DISCUSSION

The Chief Executive Officer (CEO) raised the following matters for discussion:

- Council is exploring a new framework with URM focussing on elements such as customer service.
- At its April 2022 meeting Council resolved to apply to the Minister for the Local Government via IPART for a permanent single year special variation to general (rates) income of 2.4% for the 2022/23 financial year.
- The status of Council's Services Review including a workshop with Council will be held on 16 July.
- The establishment of a Property Steering Committee and its purpose.

COMMITTEE RESOLUTION

That the Audit, Risk and Improvement Committee noted the CEO's verbal update.

6.2 FINANCE UPDATE

Note: *Caroline Foley and David Walsh joined the meeting*

PURPOSE

To provide an update on the financial performance of Council as at 31 March 2022.

DISCUSSION

Caroline Foley, Executive Manager Financial Planning provided an update on various impacts on Council's budget, including the February and March storms, the Reserve Bank's decision on interest rates and inflation (increasing contract prices and supply issues in capital projects for example). C Foley responded to questions regarding unrestricted funds and the impacts of the timing of rates instalment notices.

COMMITTEE RESOLUTION

The Audit, Risk and Improvement Committee noted the finance update as at 31 March 2022.

7.3 BENCHMARKING PROGRAM FY21 - FINANCES, WORKFORCE AND OPERATIONS

PURPOSE

To present benchmarking results and trends for our finances, workforce and operations.

DISCUSSION

M Jones addressed the meeting.

The Committee discussed the challenges of this undertaking, including sufficient councils participating in benchmarking activities to provide significant data sets and how to meaningfully compare (not just with other coastal councils for example).

The Committee discussed other metrics and noted the importance of providing a narrative on context and explanations for differences between councils and categories of councils, for example not many councils have a large waste facility like Kimbriki.

M Jones and M McDermid advised that Northern Beaches Council is actively connecting with councils and continues to identify sources of data and metrics.

COMMITTEE RESOLUTION

The Audit, Risk and Improvement Committee noted the performance results for the 2020/21 core benchmarking program on finances, workforce and operations.

NOTE 1: MONIQUE BARTLEY NOTED THAT THE AUDIT OFFICE RARELY HAS THE NEED TO RAISE ISSUES IN ITS MANAGEMENT LETTERS WITH NORTHERN BEACHES COUNCIL AND THAT COUNCIL IS AN EXAMPLE OF GOOD PRACTICE. THE AUDIT OFFICE USES COUNCIL AS A REFERENCE POINT AND EXAMPLE.

12 April 2022: Extract of minutes

6.0 STANDING ITEMS

6.1 VERBAL UPDATE BY THE CHIEF EXECUTIVE OFFICER

Note: *Todd Dickinson joined the meeting at 2:30pm*

PURPOSE

To provide the Committee with a brief update on current issues, particularly those relating to areas of potential risk for Council.

DISCUSSION

The Chief Executive Officer (CEO) raised the following matters for discussion:

- Seven new councillors were elected bringing the total female councillors to eight. Induction and onboarding are underway and due to be complete by May.
- The options regarding the process established by the Minister for Local Government through the Independent Pricing and Regulatory Tribunal for Council's to apply for a higher increase that is consistent with the Council's expected level of rating income (to a maximum of 2.5%). The ARIC noted the importance of taking up the option to reduce risk to Council.
- Management of workload pressures and employee fatigue as a result of staff impacted by Covid, flood and storm responses including proposed actions to reduce leave balances (and the impact on resourcing as a result of this) and support for staff wellbeing. The Chair suggested that this be updated in Council's risk register and kept as a discussion item with the Committee.
- Todd Dickinson joined the meeting to provide an overview of Council's incident management team and processes and how Council manages this in the context of the Auditor General's report on Local Government business and service continuity arrangements during natural disasters.

COMMITTEE RESOLUTION

The Audit, Risk and Improvement Committee noted the verbal update by the Chief Executive Officer.

6.2 FINANCE UPDATE

Note: *Caroline Foley and David Walsh joined the meeting at 2:39pm*

PURPOSE

To provide an update on the financial performance of Council as at 31 December 2021.

DISCUSSION

Caroline Foley, Executive Manager Financial Planning addressed the meeting.

The Committee discussed the financial performance of Council and future forecasts.

COMMITTEE RESOLUTION

The Audit, Risk and Improvement Committee noted the finance update as at 31 December 2021.

7.3 BENCHMARKING PROGRAM 2021/22

PURPOSE

To provide an update on the Benchmarking Program 2021/22.

DISCUSSION

M Jones addressed the meeting.

The Committee discussed the potential benefits of such benchmarking and management of the data including from previous benchmarking programs to inform trend analysis. The CEO advised he is discussing with four other councils a possibility to develop a pilot of the program. He noted that a lot of the data is already available via the Office of Local Government.

COMMITTEE RESOLUTION

That:

A. The Audit, Risk and Improvement Committee endorsed the new benchmarking program.

B. A report on benchmarking of workforce, finance and operations be presented to the June 2022 Audit, Risk & Improvement meeting.

C. An update on the pilot bespoke benchmarking program be provided at the Audit, Risk & Improvement Meeting of June 2022.