



Ordinary Council Meeting

Supplementary Agenda

Wednesday 20 March 2024

CITY OF BUSSELTON

Supplementary Agenda for the Council Meeting to be held on 20 March 2024

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10 REPORTS OF COMMITTEE

10.1 2023/24 Mid-Year Budget Review

Strategic Theme:	Key Theme 4: Leadership 4.2 Deliver governance systems that facilitate open, ethical and transparent decision making. 4.5 Responsibly manage ratepayer funds to provide for community needs now and in the future.
Directorate:	Corporate Strategy and Performance
Reporting Officer:	Manager Financial Services - Paul Sheridan
Authorised By:	Director Corporate Strategy and Performance - Sarah Pierson
Nature of Decision:	Executive: Substantial direction setting, including adopting budgets, strategies, plans and policies (excluding local planning policies); funding, donations and sponsorships; reviewing committee recommendations.
Voting Requirements:	Absolute Majority
Disclosures of Interest:	No officers preparing this item have an interest to declare.
Attachments:	<ol style="list-style-type: none"> 1. 23-24 Detailed Mid Year Budget Review by N&T [6.1.1 - 6 pages] 2. Capital Acquisitions & Constructions 23-24 Mid Year Budget Review [6.1.2 - 3 pages] 3. Statement of Financial Activity 23-24 Mid Year Budget Review [6.1.3 - 1 page]

This item was considered by the Finance Committee at its meeting on 6 March 2024, the recommendations of which have been included in this report.

COMMITTEE RECOMMENDATION

That the Council, pursuant to Regulation 33A of the Local Government (*Financial Management*) Regulations, adopts the 2023/2024 Annual Mid-Year Budget Review as presented within this report.

OFFICER RECOMMENDATION

That the Council, pursuant to Regulation 33A of the Local Government (*Financial Management*) Regulations, adopts the 2023/2024 Annual Mid-Year Budget Review as presented within this report.

EXECUTIVE SUMMARY

Between January and February in each financial year, a local government, in accordance with Regulation 33A of the *Local Government (Financial Management) Regulations*, is to carry out a review of its annual budget for that year. The Council is required to consider the review submitted, and determine (by absolute majority) whether to adopt the review or any recommendations made by 31 March of that financial year.

BACKGROUND

The purpose of an annual budget review is to ensure that a local government conducts a review of its financial performance at an appropriate time in the financial year. This is to identify significant

budget variances and recommend remedial action as necessary, prior to the end of the financial year.

This report, based on the City’s financial performance for the financial year to date as of 31 December 2023, has been compiled to fulfil the statutory reporting requirements.

OFFICER COMMENT

The budget review process was conducted throughout January and February 2024, via a series of workshop meetings with each of the functional management groups across the organisation.

This review considers several factors including what has occurred during the first six months of the financial year, the likely operating environment over the remaining six months, and the most likely impact on the City’s net current position.

The attached Detailed Budget Review Schedule by Nature outlines the estimated variations from the existing amended budget position on a line-by-line basis, showing an estimated total positive net variance to the budgeted net current position of approximately \$1.4M.

A copy of the Financial Activity Statement YTD December 2023 (“FAS”), extracted from the statutory Monthly Financial report as of 31 December 2023, has also been attached. It includes columns that show the summarised net surplus / (deficit) variance totals for each Nature category.

For ease of reference, the net surplus / (deficit) variance totals for each of the affected Nature categories from the FAS are summarised in the table below.

Affected FAS Categories by Nature	Forecast Surplus / (Deficit) Variances to Amended Budget at Year End		Net Impacts Via Reserve	Net Direct Muni Impacts
	\$	%		
Year End Net Current Position Per Amended Budget	(0)			
Operating Activities				
Revenue from Operating Activities				
Rates	20,000	0.03%	-	20,000
Grants, Subsidies and Contributions	(873,365)	(16.40%)	102,196	(975,560)
Fees & Charges	2,003,506	8.94%	2,271,089	(267,584)
Other Revenue	176,448	52.68%	203,000	(26,552)
Interest Earnings	1,500,000	34.84%	800,000	700,000
Profit on Asset Disposals	-	Non cash, no net impact on NCP		
	2,826,589			
Expenses from Ordinary Activities				
Employee Costs	664,849	1.75%	(49,206)	714,055
Materials & Contracts	1,803,799	6.20%	287,280	1,516,519
Utilities (Gas, Electricity, Water etc)	(594,536)	(19.95%)	-	(594,536)
Depreciation on non current assets	-	Non cash, no net impact on NCP		

Affected FAS Categories by Nature		Forecast Surplus / (Deficit) Variances to Amended Budget at Year End		Net Impacts Via Reserve	Net Direct Muni Impacts
Finance Costs		15,909	0.91%	-	15,909
Insurance Expenses		(17,098)	(1.91%)	-	(17,098)
Other Expenditure		382,415	5.60%	141,501	240,914
Allocations		-	Non cash, no net impact on NCP		
Loss on Asset Disposals		-	Non cash, no net impact on NCP		
		2,255,339			
Non-Cash Amounts Excluded from Operating Activities		-	Non cash, no net impact on NCP		
Amount Attributable to Operating Activities		5,081,928			
Investing Activities					
Capital Grants, Subsidies and Contributions		100,000	0.51%	(20,000)	120,000
Land & Buildings	} Per attached Capital Acquisitions & Constructions Report	23,185,876	38.93%	23,185,876	-
Plant & Equipment					
Furniture & Equipment					
Infrastructure					
Proceeds from Sale of Assets		-	-	-	-
Self Supporting Loans - Repayment of Principal		-	-	-	-
Amount Attributable to Investing Activities		23,285,876			
Financing Activities					
Repayment of Borrowings		-	-	-	-
Principal Elements of Finance Lease Payments		-	-	-	-
Proceeds from New Loans		(250,000)	(100.00%)	-	(250,000)
Advances to Community Groups		250,000	100.00%	-	250,000
Transfer to Restricted Assets	} Combined net impact on reserves & restricted transfers	(26,961,735)	(10.93%)	(26,941,735)	(20,000)
Transfer from Restricted Assets					
Transfer to Reserves					
Transfer from Reserves					
Amount Attributable to Financing Activities		(26,961,735)			

Affected FAS Categories by Nature		Forecast Surplus / (Deficit) Variances to Amended Budget at Year End		Net Impacts Via Reserve	Net Direct Muni Impacts
Amount Attributable to Operating Activities		5,081,928			
Amount Attributable to Investing Activities		23,285,876			
Amount Attributable to Financing Activities		(26,961,735)			
Forecast Year End Net Current Position - Surplus / (Deficit)		1,406,069		(20,000)	1,426,069

The attached Detailed Mid-Year Budget Review by Nature Report lists the details that make up each of the lines in the table above, however some high-level commentary around the most significant factors contributing to the more material variances in the table above is provided below.

Operating Activities:

Grants, Subsidies and Contributions

The overall forecast negative variance to budget of \$873K mainly relates to:

- Operating Grants & Subsidies **(\$628K)** (reserve impact negative \$219K);
- Prepaid Contributions Utilised **(\$315K)** (reserve impact positive \$315K);
- New contributions \$94K (reserve impact positive \$6K);
- Various Reimbursements (utilities, legal fees, workers comp, insurance) **(\$24K)** (reserve impact positive \$2K);

Variances generally relate to grant funded activities that will not be fully completed in the financial year.

Fees & Charges

Of the \$2M forecast net surplus to budget in Fees and Charges, a net of \$2.3M extra will need to be transferred to reserves (associated with Airport, Waste and Busselton Jetty Tourist Park fees and charges), leaving a negative impact on the municipal account in those areas that are not reserve affected of approximately **(\$268K)**. Identified major variances in this category relate to the following;

- Commercial & Property Leases **(\$92K)**, with a partial offsetting reserve impact of \$7K;
- Planning, development, various compliance and building fees & charges \$324K (included estimated loss of holiday home registration fees of \$300K);
- Cemetery Fees \$100K;
- Leisure Centers \$86K;
- Busselton Jetty Tourist Park \$180K, with an offsetting corresponding reserve impact of \$180K;
- Airport \$1.3M, with an offsetting corresponding reserve impact of \$1.3M;
- Cultural Precinct **(\$45K)**;
- Waste Services \$767K, with an offsetting corresponding reserve impact of \$767K.

Interest Earnings

The rapid increases in interest rates over 2022 and into 2023 were forecast to ease somewhat into the 23/24 financial year. Although they have not risen further, interest rates have remained high, and it is this plus the early draw down and restriction of the borrowings associated with the Saltwater project (to avoid fixing the loans at higher rates), which has resulted in the return on City term deposits to be significantly higher than predicted.

This situation is expected to remain as such for the remainder of the financial year. Current projections are as follows, with the muni impact \$700k positive:

	Budgeted June '24	Projected June '24	Surplus / (Deficit)	Reserve Impact
Total	4,305,492	5,805,492	1,500,000	800,000

Employee Costs

There is an estimated net savings against budget to 30 June of approximately \$665K, with a net negative impact on reserves in certain areas totalling (\$49K) i.e. additional drawn from reserve into muni required brings the underlying net muni impact up to \$714K.

This has been caused predominantly by employment vacancies taking longer to fill in the prevailing strong employment market. Additionally, some budgeted Saltwater and Rural Verge Maintenance positions have not yet been created.

Materials & Contracts

Although this category indicates a potential cost savings to budget in the vicinity of \$1.8M, due to the interaction of various reserves where there would be a resulting lower draw down (e.g. Waste, Airport), this is reduced by \$287K, to a \$1.5M net impact.

There are a range of factors impacting, with some elements also linked to grant funding. In the main, spend is being impacted by workforce and contractor availability.

Utilities

Cost overruns of approximately (\$595K) are expected by year-end that will directly affect the municipal account. The table below outlines the specific areas of utility:

	2023/2024 Budget	2023/2024 Forecast Actual	Forecast Municipal Impact
	\$	\$	\$
Electricity	2,039,814	2,587,900	(548,086)
Gas – Reticulated	1,692	12,932	(11,239)
Gas – LPG Bottled	23,750	37,056	(13,306)

	2023/2024 Budget	2023/2024 Forecast Actual	Forecast Municipal Impact
Gas – Alinta Boiler Gas (BJTP)	4,000	-	4,000
Water Consumption	510,527	488,462	22,066
Water Meter Rental & Supply Charge	90,241	7,782	82,459
Water Rates	-	3,700	(3,700)
Sewerage Volume Charges	32,459	82,820	(50,360)
Sewerage Charge (Rates)	78,305	85,481	(7,176)
Office Telephones, Faxes & Internet	100,095	130,826	(30,732)
Public WIFI	46,200	101,130	(54,930)
Mobile Devices Costs	105,731	81,386	24,345
Other Telecommunication & Network Costs	90,255	98,130	(7,875)
			(594,536)

Inflationary factors, particularly in the energy sector, driven by adverse global conditions such as the wars in Ukraine and the Middle East, have continued to have a significant impact.

Other Expenses

There is an estimated net savings against budget to 30 June 2024 of approximately \$382K, with the net positive impact on reserves in certain areas totalling \$141K i.e. amounts not needed to be drawn from reserve into muni, bringing the underlying net muni impact back to \$241K.

The main contributors to the cost savings/underspends in this area are in sponsorships, marketing & promotions for various events related activities of approximately \$332K.

Investing Activities:

Capital Expenditure

The attached schedule of Capital Acquisitions & Construction YTD as of December 2023 has been reviewed in conjunction with officers.

Of the total annual amended budget of \$59.6M, it is estimated that approximately \$22.4M will still be in progress come 30 June 2024, and will need to be carried forward to be re-listed (and/or re-scoped), in the 2024/25 budget.

A summary of the detailed listing of the attached Capital Acquisitions & Constructions Budget Review Report is shown below:

Actual YTD \$	Full Year Budget \$	Full Year Budget Variance YTD \$	Estimated Under / (Over) Spend by YE
Land			
454,545	3,900,000	3,445,455	3,445,455
Buildings			
7,973,247	26,076,325	18,103,078	8,358,155
Plant and Equipment			
547,953	6,078,421	5,530,468	3,000,000
Furniture and Equipment			
135,028	1,510,209	1,375,181	432,267
Roads Infrastructure			
2,760,051	10,093,354	7,326,193	3,000,000
Car Parks Infrastructure			
147,101	534,885	387,784	200,000
Footpaths Infrastructure			
196,735	1,929,587	1,732,852	1,000,000
Parks, Gardens and Reserves			
718,381	7,043,950	6,325,569	3,000,000
Drainage Infrastructure			
100,251	1,104,476	1,004,225	250,000
Regional Airport and Industrial Park			
(5,107)	1,288,278	1,293,385	500,000
<i>Infrastructure Total:</i>			
3,917,412	21,994,529	18,070,008	7,950,000
<i>Grand Total:</i>			
13,028,186	59,559,485	46,524,189	23,185,876

General Commentary

Supply chain factors and the general economic climate both in Australia and internationally has impacted on the City's operations and ability to complete its capital works programs. For example, the continued tightening of the employment market has resulted in difficulties in some areas with staff attraction and retention, also resulting in savings on salaries and wages, and in the ability also to engage contractors. Conversely, supply chain issues and rising fuel and energy prices are increasing costs.

There is no impact on the end of year municipal position as a result of the projected underspends with the capital works program funded from reserves. Components of the unspent capital and operating expenditure budgets are currently being assessed for re-listing in the Council's 2024/25 draft budget, if required.

Statutory Environment

Regulation 33A of the *Local Government (Financial Management) Regulations* is set out below:

Regulation 33A. Review of budget

- (1) *Between 1 January and the last day of February in each financial year a local government is to carry out a review of its annual budget for that year.*
- (2A) *the review of an annual budget for a financial year must –*
 - (a) *Consider the local government's financial performance in the period beginning on 1 July and ending no earlier than 31 December in that financial year; and*
 - (b) *Consider the local government's financial position as at the date of the review; and*
 - (c) *Review the outcomes for the end of that financial year that are forecast in the budget; and*
 - (d) *Include the following –*
 - (i) *The annual budget adopted by the local government;*
 - (ii) *An update of each of the estimates included in the annual budget;*
 - (iii) *The actual amounts of expenditure, revenue and income as at the date of the review;*
 - (iv) *Adjacent to each item in the annual budget adopted by the local government that states an amount, the estimated end-of-year amount for the item.*
- (2) *The review of an annual budget for a financial year must be submitted to the council on or before 31 March in that year.*
- (3) *A council is to consider a review submitted to it and is to determine* whether or not to adopt the review, any parts of the review or any recommendations made in the review.*
- (4) *Within 14 days after a council has made a determination, a copy of the review and determination is to be provided to the Department.*

**Absolute majority required.*

Relevant Plans and Policies

There are no relevant plans or policies to consider in relation to this matter.

Financial Implications

Any financial implications are detailed within the context of this report.

External Stakeholder Consultation

No external stakeholder consultation was required or undertaken in relation to this matter.

Risk Assessment

Risk assessments have been previously completed in relation to several 'higher level' financial matters, including timely and accurate financial reporting to enable the Council to make fully informed financial decisions. The completion of the Monthly Financial Report and this annual mid-year budget review are controls that assist in addressing this risk. No risks of a medium or greater level have been identified associated with the officer recommendation.

Options

As an alternative to the proposed recommendation, the Council could not adopt the budget review report. If Council intends to consider this option, officers can assist in the drafting of a suitable alternative motion for adoption before the statutory due date of 31 March 2024.

CONCLUSION

Despite uncertainty in the current economic climate and the impacts on planned and budgeted works and activities, as of 31 December 2023 the City's overall financial performance is considered satisfactory. Projections resulting from the budget review process indicate a potential positive impact on closing net current position as of 30 June 2024, in the order of approximately \$1.4M, largely a result of higher-than-expected interest earnings and underspends in salaries and wages and materials and contracts.

TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

Officers will inform the Department of the Council's consideration by 31 March 2024.

10.2 Monthly Financial Report - Year to Date 31 January 2024

Strategic Theme:	Key Theme 4: Leadership 4.2 Deliver governance systems that facilitate open, ethical and transparent decision making. 4.5 Responsibly manage ratepayer funds to provide for community needs now and in the future.
Directorate:	Corporate Strategy and Performance
Reporting Officer:	Manager Financial Services - Paul Sheridan
Authorised By:	Director Corporate Strategy and Performance – Sarah Pierson
Nature of Decision:	Legislative: adoption of “legislative documents” such as local laws, local planning schemes and local planning policies. Executive: Substantial direction setting, including adopting budgets, strategies, plans and policies (excluding local planning policies); funding, donations and sponsorships; reviewing committee recommendations.
Voting Requirements:	Simple Majority
Disclosures of Interest:	No officers preparing this item have an interest to declare.
Attachments:	<ol style="list-style-type: none"> 1. Monthly Financial Report - January 2024 [6.2.1 - 26 pages] 2. Investment Report - January 2024 [6.2.2 - 1 page] 3. Loan Schedule - January 2024 [6.2.3 - 1 page]

This item was considered by the Finance Committee at its meeting on 6 March 2024, the recommendations of which have been included in this report.

COMMITTEE RECOMMENDATION

That the Council receives the statutory monthly financial report for the period ending 31 January 2024, pursuant to Regulation 34(4) of the *Local Government (Financial Management) Regulations 1996*.

OFFICER RECOMMENDATION

That the Council receives the statutory monthly financial report for the period ending 31 January 2024, pursuant to Regulation 34(4) of the *Local Government (Financial Management) Regulations 1996*.

EXECUTIVE SUMMARY

Pursuant to Section 6.4 of the *Local Government Act 1995* (the Act) and Regulation 34(4) of the *Local Government (Financial Management) Regulations 1996* (the Regulations), a local government is to prepare, on a monthly basis, a monthly financial report that reports on the City’s Statement of Financial Activity, Statement of Financial Position, and its performance in relation to its adopted / amended budget.

This report has been compiled to fulfil the statutory reporting requirements of the Act and associated Regulations, whilst also providing the Council with an overview of the City’s financial performance on a year-to-date basis, for the period ending 31 January 2024.

STRATEGIC CONTEXT

Provision of the monthly financial report, while a statutory requirement, also supports open and accountable governance.

BACKGROUND

The Regulations detail the form and manner in which the monthly financial report is to be presented to the Council, and is to include the following:

- Annual budget estimates;
- Budget estimates to the end of the month in which the statement relates;
- Actual amounts of revenue and expenditure to the end of the month in which the statement relates;
- Material variances between budget estimates and actual revenue/expenditure (including an explanation of any material variances);
- The net current assets at the end of the month to which the statement relates (including an explanation of the composition of the net current position); and
- Statement of Financial Position

Additionally, and pursuant to Regulation 34(5) of the Regulations, a local government is required to adopt a material variance reporting threshold in each financial year.

At its meeting on 26 July 2023, the Council adopted (C2305/57) the following material variance reporting thresholds for the 2023/24 financial year:

That pursuant to Regulation 34(5) of the Local Government (Financial Management) Regulations, the Council adopts a material variance reporting threshold with respect to financial activity statement reporting for the 2023/24 financial year as follows:

- *Variances equal to or greater than 10% of the year-to-date budget amount as detailed in the Income Statement by Nature and Type/Statement of Financial Activity report, however variances due to timing differences and/or seasonal adjustments are to be reported only if not to do so would present an incomplete picture of the financial performance for a particular period; and*
- *Reporting of variances only applies for amounts greater than \$50,000.*

OFFICER COMMENT

To fulfil statutory reporting requirements and to provide the Council with a synopsis of the City's overall financial performance on a year-to-date basis, the following financial reports are attached hereto (Attachment 1):

Statement of Financial Activity

This report provides details of the City's operating revenues and expenditures on a year-to-date basis, by nature (i.e. description). The report has been further extrapolated to include details of non-cash adjustments and capital revenues and expenditures, to identify the City's net current position; which reconciles with that reflected in the associated Net Current Position report.

Statement of Financial Position

A statement of financial position is a financial statement that summarises the reporting entities assets (what it owns), liabilities (what it owes), and equity (assets less liabilities) on a particular date.

Basis of Preparation Note (Note 1)

Explains the regulatory framework upon which the financial statements have been prepared.

Statement of Financial Activity Note (Note 2)

Explains the non-cash items that have been excluded from the calculation of the Net Current Position in the Statement of Financial Activity.

Explanation of Material Variances Note (Note 3)

Provides a breakdown by directorate and cost centre of each of the variances on the face of the Statement of Financial Activity that meet Councils adopted material variance threshold for 2023/24.

Net Current Position Summary Report

This report provides details of the composition of the net current asset position on a year-to-date basis and reconciles with the net current position as per the Statement of Financial Activity.

Capital Acquisition & Construction Report

This report provides full year budget performance (by line item) in respect of the following capital expenditure activities:

- Land and Buildings
- Plant and Equipment
- Furniture and Equipment
- Infrastructure

This report outlines the actual and budgeted movement from the start of the financial year to date, that result in the balances listed in the Statement of Financial Position for Property, Plant & Equipment.

Reserve Movements Report

This report provides summary details of transfers to and from reserve funds, and associated interest earnings on reserve funds, on a full year basis.

Additional reports and/or charts can be provided as required to further supplement the information comprised within the statutory financial reports.

Net Current Position Chart

Tracks the net Current Position over the year in comparison to previous 4 years.

Comments on Financial Activity to 31 January 2024

The Statement of Financial Activity (FAS) for the year to date (YTD) shows an overall Net Current Position (NCP) of \$24.8M as opposed to the YTD budget of \$2.8M. The following table summarises the major YTD variances that appear on the face of the FAS, which, in accordance with Council's adopted material variance reporting threshold, collectively make up the above difference.

Each numbered item in this lead table is explained further in note 3 of the attached Monthly Financial Report.

Description	2023/24 Actual YTD \$	2023/24 Budget YTD \$	2023/24 Budget \$	2023/24 YTD Bud Variance %	2023/24 YTD Bud Variance \$	Change in Variance Current Month \$
Amount Attributable to Operating Activities				10.77%	3,979,721	(3,252,430)
Revenue from Operating Activities				4.58%	3,708,618	357,059
1. Grants, Subsidies and Contributions	2,280,728	1,375,701	5,325,685	65.79%	905,027	35,586
2. Other Revenue	351,337	119,468	334,932	194.08%	231,868	101,698
3. Interest Earnings	3,894,515	2,827,113	4,305,492	37.76%	1,067,402	274,781
Expenses from Operating Activities				8.22%	4,865,308	93,885
4. Materials & Contracts	(12,217,594)	(16,840,406)	(29,072,925)	27.45%	4,622,812	386,729
5. Other Expenditure	(2,189,037)	(3,417,761)	(6,823,844)	35.95%	1,228,725	(197,643)
Amount Attributable to Investing Activities				64.78%	12,931,253	(5,366,153)
6. Capital Grants, Subsidies and Contributions	2,726,549	256,211	19,724,075	964.18%	2,470,338	1,251,934
7. Land & Buildings	(9,055,561)	(19,025,575)	(29,976,325)	52.40%	9,970,013	1,313,150
8. Plant & Equipment	(734,989)	(1,808,511)	(6,078,421)	59.36%	1,073,522	304,397
9. Furniture & Equipment	(166,464)	(925,446)	(1,488,909)	82.01%	758,982	83,712
10. Infrastructure	(5,152,164)	(12,893,341)	(22,015,829)	60.04%	7,741,177	800,549
Amount Attributable to Financing Activities				395.33%	(7,277,041)	(2,150,148)
11. Proceeds from New Loans	0	2,000,000	2,000,000	(100.00%)	(2,000,000)	(250,000)
12. Advances to Community Groups	0	(250,000)	(250,000)	100.00%	250,000	0
13. Transfer to Restricted Assets	(17,992,012)	(8,815,858)	(9,200,455)	(104.09%)	(9,176,154)	(962,673)

Description	2023/24 Actual YTD \$	2023/24 Budget YTD \$	2023/24 Budget \$	2023/24 YTD Bud Variance %	2023/24 YTD Bud Variance \$	Change in Variance Current Month \$
14. Transfer from Reserves	27,497,617	23,805,333	60,071,435	15.51%	3,692,284	(82,528)

Investment Report

Pursuant to the Council’s Investment Policy, a report is to be provided to the Council monthly, detailing the investment portfolio in terms of performance and counterparty percentage exposure of total portfolio. The report (see attached) is also to provide details of investment income earned against budget, whilst confirming compliance of the portfolio with legislative and policy.

A brief summary of the details contained in the report are as follows:

As at 31 January, the value of the City’s invested funds decreased to \$123M from \$125M as at 31 December 2023. The decrease is a result of two term deposits being closed and funds used for standard operational needs.

As at 31 January 2024, the 11am account balance increased to \$10.0M from \$5.0M as funds were transferred from the term deposits.

During the month of January 2024 four term deposits matured. Two were closed with a total of \$7.0M and two were re-invested for a further 173 days at 5.01%.

The official cash rate during the month of January 2024 was 4.35%. Further movement in the cash rate is currently uncertain, although it is expected to stay steady.

Borrowings Update

During the month no new loans were drawn, with \$101K paid off the principal and \$2.7K in interest on existing loans. The attached Loan Schedule outlines the status of all existing loans YTD.

Chief Executive Officer – Corporate Credit Card

Details of transactions made on the Chief Executive Officer’s corporate credit card during January 2024 are provided below to ensure there is appropriate oversight and awareness.

Date	Payee	Description	\$ Amount
4/01/2024	SAI GLOBAL	DIGITAL DOWLOAD OF RISK MANAGEMENT GUIDELINES	178.25
9/01/2024	GREEN DEPOT	STAFF BABY CONGRATULATIONS FLOWERS	103.00
9/01/2024	THE EA INSTITUTE	ONLINE TRAINING AI FOR EA'S	597.00
10/01/2024	LAMY SHOP	CEO FOUNTAIN PEN INK CARTRIGES	39.96
16/01/2024	QANTAS	CANBERRA RCA MEETING FEB 2024- MAYOR FLIGHT BOOKING	1,340.44

Date	Payee	Description	\$ Amount
16/01/2024	QANTAS	CANBERRA RCA MEETING FEB 2024-MAYOR SEAT BOOKING IN	70.00
16/01/2024	QANTAS	CANBERRA RCA MEETING FEB 2024-MAYOR SEAT BOOKING OUT	70.00
16/01/2024	QANTAS	CANBERRA RCA MEETING FEB 2024-CEO FLIGHT BOOKING	1,340.44
16/01/2024	QANTAS	CANBERRA RCA MEETING FEB 2024-CEO SEAT BOOKING IN	70.00
16/01/2024	QANTAS	CANBERRA RCA MEETING FEB 2024-CEO SEAT BOOKING OUT	70.00
18/01/2024	WEST AUSTRALIAN	DIGITAL SUBSCRIPTION-PR	28.00
		TOTAL	4,329.48

Donations & Contributions Received

During the month no non-infrastructure asset (bridges, roads, POS etc), donations or contributions were received.

Statutory Environment

Section 6.4 of the Act and Regulation 34 of the Regulations detail the form and manner in which a local government is to prepare financial activity statements.

Relevant Plans and Policies

The officer recommendation aligns to the following adopted plan or policy:

Plan:

Annual Adopted Budget 2022-2023

[Strategic Community Plan 2021-2031](#)

[Corporate Business Plan 2022-2026](#)

[Long Term Financial Plan 2022/23 - 2031/32](#)

Policy:

There are no relevant policies for this report.

Financial Implications

Any financial implications are detailed within the context of this report.

External Stakeholder Consultation

Not applicable.

Risk Assessment

An assessment of the potential implications of implementing the officer recommendation has been undertaken using the City's risk management framework, with risks assessed taking into account any controls already in place. No risks of a medium or greater level have been identified.

Options

The Statements of Financial Activity are presented in accordance with Section 6.4 of the Act and Regulation 34 of the Regulations and are to be received by Council. Council may wish to make additional resolutions as a result of having received these reports.

CONCLUSION

As at 31 January 2024, the City's net current position stands at \$24.8M, and cash reserve balances remain sufficient for their purposes.

TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

Not Applicable.

10.3 List of Payments Made - January 2024

Strategic Theme:	Key Theme 4: Leadership 4.2 Deliver governance systems that facilitate open, ethical and transparent decision making. 4.5 Responsibly manage ratepayer funds to provide for community needs now and in the future.
Directorate:	Corporate Strategy and Performance
Reporting Officer:	Manager Financial Services - Paul Sheridan
Authorised By:	Director Corporate Strategy and Performance - Sarah Pierson
Nature of Decision:	Noting: The item is simply for information purposes and noting.
Voting Requirements:	Simple Majority
Disclosures of Interest:	No officers preparing this item have an interest to declare.
Attachments:	1. List of Payments for Council January 2024 [6.3.1 - 12 pages]

This item was considered by the Finance Committee at its meeting on 6 March 2024, the recommendations of which have been included in this report.

COMMITTEE RECOMMENDATION

That the Council notes payment of voucher numbers for the month of January 2024 as follows:

CHEQUE PAYMENTS	119854 - 119888	42,259.34
ELECTRONIC FUNDS TRANSFER PAYMENTS	100371 - 101050	5,804,414.61
TRUST ACCOUNT PAYMENTS	No payments made	-
PAYROLL PAYMENTS	01.01.2024 - 31.01.2024	1,808,289.54
INTERNAL PAYMENT VOUCHERS	DD #5563 - 5595	78,123.68
TOTAL PAYMENTS		7,733,087.17

OFFICER RECOMMENDATION

That the Council notes payment of voucher numbers for the month of January 2024 as follows:

CHEQUE PAYMENTS	119854 - 119888	42,259.34
ELECTRONIC FUNDS TRANSFER PAYMENTS	100371 - 101050	5,804,414.61
TRUST ACCOUNT PAYMENTS	No payments made	-
PAYROLL PAYMENTS	01.01.2024 - 31.01.2024	1,808,289.54
INTERNAL PAYMENT VOUCHERS	DD #5563 - 5595	78,123.68
TOTAL PAYMENTS		7,733,087.17

EXECUTIVE SUMMARY

This report provides details of payments made from the City’s bank accounts for the month of January 2024 for noting by the Council and recording in the Council Minutes.

STRATEGIC CONTEXT

Provision of the list of payments, while a statutory requirement, also supports open and accountable governance.

BACKGROUND

The *Local Government (Financial Management) Regulations 1996* (the Regulations) requires that, when the Council has delegated authority to the CEO to make payments from the City's bank accounts, a list of payments made is prepared each month for presentation to, and noting by, the Council.

OFFICER COMMENT

In accordance with regular custom, the list of payments made for the month of January 2024 is presented for information.

Statutory Environment

Section 6.10 of the Act, and more specifically Regulation 13 of the Regulations, refer to the requirement for a listing of payments made each month to be presented to the Council.

Relevant Plans and Policies

Not applicable.

Financial Implications

Not applicable.

External Stakeholder Consultation

Not applicable.

Risk Assessment

An assessment of the potential implications of implementing the officer recommendation has been undertaken using the City's risk management framework, with risks assessed taking into account any controls already in place. No risks of a medium or greater level have been identified.

Options

Not applicable.

CONCLUSION

The list of payments made for the month of January 2024 is presented for information.

TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

Not applicable.

10.4 Infrastructure and Environment Budget Amendments

Strategic Theme:	Key Theme 4: Leadership 4.5 Responsibly manage ratepayer funds to provide for community needs now and in the future.
Directorate:	Infrastructure and Environment
Reporting Officer:	A/Engineering Management Accountant - Ella McAlister
Authorised By:	Director Infrastructure and Environment - Oliver Darby
Nature of Decision:	Executive: Substantial direction setting, including adopting budgets, strategies, plans and policies (excluding local planning policies); funding, donations and sponsorships; reviewing committee recommendations.
Voting Requirements:	Absolute Majority
Disclosures of Interest:	No officers preparing this item have an interest to declare.
Attachments:	Nil

This item was considered by the Finance Committee at its meeting on 6 March 2024, the recommendations of which have been included in this report.

COMMITTEE RECOMMENDATION

That the Council endorses the following requested budget amendments:

Amendment Description					
Project Description					
Item #	Budgeted Municipal Net Current Position	Operational Expenditure Budget	Capital Expenditure Budget	Grant	Reserves or Restricted Assets
	Increase / (Decrease)	Increase / (Decrease)	Increase / (Decrease)	(Increase) / Decrease	Increase / (Decrease)
1	Add Grant Revenue to Existing Capital Project				
	Project 14943 – Changing Places Accessible Ablutions (C)				
	-	-	150,000	(150,000)	-
2	Remove Capital Project				
	Project 12331 - Smiths Beach New Public Toilet (C)				
	-	-	(250,000)	-	250,000
3	New Capital Project				
	Project West Busselton Coastal Stabilisation CERMP2223-010				
	-		160,000	(120,000)	(40,000)
4	New Capital Project				
	State Blackspot Program – Chapman Hill Road (C)				
	-	-	48,000	(32,000)	(16,000)
5	Increase Budget to Existing Capital Project				
	Project 12821 - Churchill Park Main Oval Redevelopment (C)				
	-	-	40,880	-	(40,880)

6	Add Budget to Existing Project (C)				
	Project 11034 - Dunsborough Non-Potable Water Network				
	-	-	29,183	-	(29,183)
Totals	-		178,063	(302,000)	123,937

OFFICER RECOMMENDATION

That the Council endorses the following requested budget amendments:

Amendment Description					
Project Description					
Item #	Budgeted Municipal Net Current Position	Operational Expenditure Budget	Capital Expenditure Budget	Grant	Reserves or Restricted Assets
	Increase / (Decrease)	Increase / (Decrease)	Increase / (Decrease)	(Increase) / Decrease	Increase / (Decrease)
1	Add Grant Revenue to Existing Capital Project				
	Project 14943 – Changing Places Accessible Ablutions (C)				
	-	-	150,000	(150,000)	-
2	Remove Capital Project				
	Project 12331 - Smiths Beach New Public Toilet (C)				
	-	-	(250,000)	-	250,000
3	New Capital Project				
	Project West Busselton Coastal Stabilisation CERMP2223-010				
	-		160,000	(120,000)	(40,000)
4	New Capital Project				
	State Blackspot Program – Chapman Hill Road (C)				
	-	-	48,000	(32,000)	(16,000)
5	Increase Budget to Existing Capital Project				
	Project 12821 - Churchill Park Main Oval Redevelopment (C)				
	-	-	40,880	-	(40,880)
6	Add Budget to Existing Project (C)				
	Project 11034 - Dunsborough Non-Potable Water Network				
	-	-	29,183	-	(29,183)
Totals	-		178,063	(302,000)	123,937

EXECUTIVE SUMMARY

This report seeks the Council’s approval of budget amendments for items within the Infrastructure and Environment Directorate, as detailed in this report. Adoption of this officer recommendation will have no impact on the City’s budgeted net current position.

STRATEGIC CONTEXT

The nature of these works is attributed to responsibly managing ratepayer funds to provide for community needs now and in the future, in alignment with Key Theme 4 of the City's Strategic Community Plan – Leadership.

BACKGROUND

In accordance with section 6.8(1) of the *Local Government Act 1995* (the Act), a local government is not to incur expenditure from its Municipal fund for an additional purpose except where the expenditure:

- Is incurred in a financial year before the adoption of the annual budget by the local government; and
- Is authorised in advance by Council resolution – absolute majority required; or
- Is authorised in advance by the Mayor in an emergency.

OFFICER COMMENT

The Council adopted its 2023/24 Municipal budget on 26 July 2023 and since then, officers have identified the following budget items that require adjustments within the Infrastructure and Environment Directorate. It is good management practice to revise the adopted budget when it is known that circumstances have changed. In keeping with this practice, budgets are reviewed on a regular basis.

Amendments to the budget are categorised into the three key types as listed below:

1. Adjustments impacting the budget balance or net position of the City: **Nil**
2. Adjustments with no impact on the budget balance: **Items # 1, 2, 3, 4, 5 and 6**
3. Adjustment to transfer budget between capital and operating undertakings: **Nil**

Item 1 – Changing Places Accessible Ablutions (14943)

The City has been successful in obtaining a Department of Communities Grant of \$150,000 for the above project. The project is to improve access and inclusion for people with disability who require high support and are living in, visiting, or passing through the Busselton area. The notification of the successful grant application was only received at the end of the prior financial year and was therefore not included in the budget process. The Council's approval is sought to incorporate \$150,000 of grant funding revenue which is unaccounted for in the current budget.

With the inclusion of the \$150,000 grant funding, the total project budget will increase to \$250,000, which will enable the City to deliver the required Changing Places Facility according to the Changing Places Design Specifications.

Item 2 – Smiths Beach New Public Toilet (12331)

The Council's approval is sought to remove this project from the 2023/24 budget.

The Smiths Beach New Public Toilet project is included in the current budget with an allocation of \$250,000. Following preliminary scoping of the project and a feasibility study to construct a new

toilet block, several site constraints were identified, with adequate water supply being the main hindrance.

The current water supply is at its maximum capacity and until adequate water supply is identified to accommodate the increasing demand and the larger toilet block, the project should not be undertaken. Officers are currently investigating possible solutions to the water supply issue.

Therefore, it is recommended to remove this project from the 2023/24 budget with funds to be returned to the Building Asset Renewal Reserve (1006).

Item 3 – New Project; West Busselton Coastal Stabilisation CERMP2223-010

The City was successful in securing grant funding valued at \$1,070,500 (excluding GST) from the Department of Fire and Emergency Services via the Coastal and Estuarine Risk Mitigation Funding Program (CERMP), necessitating a City contribution of \$373,500. The project total is valued at \$1,444,000. The program's aim is to assist communities to mitigate disasters relating to coastal hazards.

The objective of this infrastructure project is to provide longer term coastal protection to mitigate the impacts of coastal hazards along the coast between King Street and Gale Street in Busselton. This is to be completed by constructing a series of new Geotextile Sand Container (GSC) groynes and sand nourishment. The low-profile groynes will provide stabilisation to the West Busselton coastline and limit the erosion of the established vegetation and potential loss of the coastal road, 10m behind the beach, over 900m of coastline. This technique is widely used by the City along the Geographe Bay foreshore.

The notification of the successful grant application and the finalised project implementation plan was only received at the end of the prior financial year and was therefore not included in the budget process. The project implementation plan outlines delivery milestone with project closure being July 2026.

The Council's approval is sought to incorporate \$120,000 of grant funding revenue and \$40,000 from the Coastal and Climate Adaption Reserve (1016) to commence project planning for design and investigation, an agreed delivery milestone due in July 2024.

Item 4 – 30002068 LRSBS-23-BUS-Chapman Hill Road SLK 0

The City has been successful in obtaining a 2023/24 State Blackspot Grant of \$32,000 for the above Blackspot project, requiring a \$16,000 City contribution. The total project value is \$48,000. The objective of the project is for the installation of an audible edge line to Chapman Hill Road between the Busselton Bypass and Ambergate Road. These works were identified as a cost-effective treatment to address the number of off-carriageway crashes and deliver overall road safety benefits.

Notification of the successful grant application was only received after the 2023/24 budget was adopted. The \$16,000 City contribution is to be sourced through the Road Asset Renewal Reserve (1058).

Item 5 – Churchill Park Main Oval Redevelopment (12821)

This amendment seeks to add \$40,880 to the existing budget of Churchill Park Main Oval Redevelopment Project, to cover additional costs attributed to unforeseen lighting improvements. The required funds can be drawn from the Parks and Gardens Reserve (1049).

Following a lighting assessment in 2020, it was determined that the then existing lighting to the trotting track was at its end of life. A design was undertaken to ensure a minimum of two playing fields were able to be floodlighted to provide training space for grass sports within the Busselton Sub-District, as well as replace the trotting lights with modern LED fittings, to provide a lux level of 50lux to the trotting club. The project was successfully delivered during the 2022/23 financial year.

Subsequently, City officers were approached by the Busselton Trotting Club raising concerns that the respective lighting design was inadequate, providing insufficient lux levels for their requirements. Additional lighting was requested by Busselton Trotting Club to enable the annual races to be televised. Due to the community and club's concerns the request was accommodated, and the lighting lux levels were upgraded to the community and club's satisfaction prior to last year's race meeting.

Item 6 – Dunsborough Non-Potable Water Network

The Stage 1 – Dunsborough Non-Potable Water Network project was completed during the 2022/23 financial year. This amendment seeks to add project budget valued at \$29,183 for an additional licencing condition from the Department of Water and Environment Regulations (DWER), requiring the City to install permanent bore monitoring equipment.

Following successful delivery of the project, DWER amended the licencing agreement which outlined a new legislative requirement to continuously monitor the equipment. Consequently, the bores had to be fitted to include continuous monitoring equipment prior the ability to draw water.

The additional budget can be drawn from the City's Parks and Garden Reserve (1049).

Statutory Environment

Section 6.8 of the Act refers to expenditure from the Municipal fund that is not included in the annual budget. In the context of this report, where no budget allocation exists, expenditure is not to be incurred until such time as it is authorised in advance, by an absolute majority decision of the Council.

Relevant Plans and Policies

The officer recommendation aligns to the following adopted plan or policy:

Plan:

[Asset Management Plan](#)

Policy:

[Asset Management](#)

Financial Implications

The following table outlines the financial implications.

Item #	(Increase) / Decrease in Operational Revenue	Increase / (Decrease) in Operational Expenditure	(Increase) / Decrease in Capital Revenue	Increase / (Decrease) in Capital Expenditure	Increase / (Decrease) in Reserves and/or Restricted Assets	Increase / (Decrease) in Net Current Position
Item 1	-	-	(150,000)	150,000	-	-
Item 2	-	-		(250,000)	250,000	-
Item 3	-	-	(120,000)	160,000	(40,000)	-
Item 4	-	-	(32,000)	48,000	(16,000)	-
Item 5	-	-	-	40,880	(40,880)	-
Item 6	-	-	-	29,183	(29,183)	-
TOTALS	-	-	(302,000)	178,063	123,937	-

External Stakeholder Consultation

Nil Required

Risk Assessment

An assessment of the potential implications of implementing the officer recommendation has been undertaken using the City’s risk management framework, with risks assessed taking into account any controls already in place. No risks of a medium or greater level have been identified.

Options

The Council could decide not to proceed with any or all the proposed budget amendments requests.

CONCLUSION

The Council’s approval is sought to amend the budget as outlined in this report.

TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

The officer recommendation will be implemented in full, or in stages as per the following table:

Milestone	Completion Date
Budget amendments processed	Within one month of the Council’s decision

10.5 Busselton Margaret River Airport Budget Amendment

Strategic Theme:	Key Theme 3: Opportunity 3.4 Develop aviation opportunities at the Busselton Margaret River Airport.
Directorate:	Economic and Business Development
Reporting Officer:	Manager Airport - Jennifer May
Authorised By:	Director Economic and Business Development - Maxine Palmer
Nature of Decision:	Executive: Substantial direction setting, including adopting budgets, strategies, plans and policies (excluding local planning policies); funding, donations and sponsorships; reviewing committee recommendations.
Voting Requirements:	Absolute Majority
Disclosures of Interest:	No officers preparing this item have an interest to declare.
Attachments:	Nil

This item was considered by the Finance Committee at its meeting on 6 March 2024, the recommendations of which have been included in this report.

COMMITTEE RECOMMENDATION

That the Council endorse the following requested budget amendment:

Item #	Budgeted Municipal Net Current Position	Operational Expenditure Budget	Capital Expenditure Budget	Grant	Reserves or Restricted Assets
	Increase / (Decrease)	Increase / (Decrease)	Increase / (Decrease)	(Increase) / Decrease	Increase / (Decrease)
1	From the Airport Infrastructure Reserve				
	To new capital project code to be created				
	-	-	40,000	-	(40,000)
2	To SWDC Airport Development Business Case (O) project # 15086				
	-	160,000	-	(127,000)	(33,000)
TOTALS	-	160,000	40,000	(127,000)	(73,000)

OFFICER RECOMMENDATION

That the Council endorse the following requested budget amendment:

Item #	Budgeted Municipal Net Current Position	Operational Expenditure Budget	Capital Expenditure Budget	Grant	Reserves or Restricted Assets
	Increase / (Decrease)	Increase / (Decrease)	Increase / (Decrease)	(Increase) / Decrease	Increase / (Decrease)
1	From the Airport Infrastructure Reserve				
	To new capital project code to be created				
	-	-	40,000	-	(40,000)
2	To SWDC Airport Development Business Case (O) project # 15086				
	-	160,000	-	(127,000)	(33,000)
TOTALS	-	160,000	40,000	(127,000)	(73,000)

EXECUTIVE SUMMARY

This report seeks the Council's approval of a budget amendment for an item within the Economic and Business Development directorate as detailed in this report. Adoption of the officer recommendation will result in a nil impact on the City's budgeted net current position and will be funded from the Airport Reserve.

STRATEGIC CONTEXT

Sound financial management through considered budgeting supports the responsible management of ratepayer funds to provide for community needs now and in the future.

BACKGROUND

In accordance with section 6.8(1) of the *Local Government Act 1995* (the Act), a local government is not to incur expenditure from its Municipal fund for an additional purpose except where the expenditure:

- Is incurred in a financial year before the adoption of the annual budget by the local government; and
- Is authorised in advance by Council resolution - absolute majority required; or
- Is authorised in advance by the Mayor in an emergency.

OFFICER COMMENT

Council adopted its 2023/2024 Municipal budget on 26 July 2023 with a budget surplus position. Since then, officers have identified budgets that require adjustment within the Airport Services business unit. It is good management practice to revise the adopted budget when it is known that circumstances have changed. In keeping with this practice, budgets are reviewed on a regular basis.

Amendments to the budget are categorised into the three key types as listed below:

1. Adjustments impacting the budget balance or net position of the City; relatively uncommon type.
2. Adjustments with no impact on the budget balance; most common amendment type.
3. Adjustments to transfer budget between capital and operating undertakings; relatively uncommon type.

Item 1 – Set up of new capital account string for purchase of security screening equipment

This amendment seeks the set-up of a new capital project code for the purchase of a single Explosive Trace Detection (ETD) machine.

Currently the City owns two ETD machines, which were purchased December 2019 in preparation for the commencement of regular public transport services. The machines are under service agreements and undergo regular maintenance, however one of the machines located in the checked baggage security (CBS) area can be unreliable, particularly during the winter months when subjected to cold and damp conditions. As an ETD machine is required in the CBS and passenger screening lane for screening activities in accordance with the Aviation Transport Security Regulations (ATSR) and Aviation Screening Notice (ASN), it is proposed to purchase a new ETD machine and maintain one of the existing machines as a contingency machine.

Funds for the purchase of the ETD equipment can be transferred from the Airport Infrastructure Reserve which has a forecast closing balance \$8,688,366.

This amendment requests that \$40,000 be transferred from the Airport Infrastructure reserve to a new capital project code to be created.

Item 2 – Airport Development Business Case (15086)

In early 2023, the City in partnership with the South West Development Commission (SWDC) undertook to prepare a business case to construct a new terminal building at the Busselton Margaret River Airport (BMRA) to be submitted to State and Federal Governments for funding consideration.

In doing so, an expense of \$100,000 was included in the SWDC Business Case project consultancy code (15086-3260) to cover the costs of preparing new Terminal concept designs and quantity surveyor costs. This was funded through a transfer from the Airport Reserve for \$67,000 and an allocation of \$33,000 (15086-1300 Contributions – operating activities) reflecting contributions from surrounding Local Governments.

In parallel, the City was successful in an application for grant funding to the value of \$127,000 to assist with the preparation of the Business Case. The City was notified of the successful application on 1 August 2023 and executed the grant agreement with the Department of Primary Industries and Regional Development on 22 August 2023. As this notification was post the budget adoption, the grant funding of \$127,000 exclusive GST was not included in the 2023/2024 budget.

Further, the total consultancy costs for the business case and the terminal concept design and QS cost estimates were not known at the time of adopting the budget and therefore were not reflected in 2023/2024 budget with a shortfall of \$33,000.

This amendment requests that \$127,000 (operating grant revenue), a credit of \$33,000 transferred from the Airport Reserve and an expense allocation of \$160,000 (consultancy) be listed in SWDC Airport Development Business Case Project code (15086-1007) to reflect the following obligations:

	Revenue	Expenses	Description
1300 – Contributions – Operating Activities	\$33,000		LG contributions
Transfer from Airport Reserve	\$67,000		Included in the 2023/24 Budget
3260 – Consultancy		\$100,000	City contribution to Terminal Design costs and QS cost estimates
Total	\$100,000	\$100,000	

	Revenue	Expenses	Description
Requesting the following as part of this budget amendment report:			
Operating Grants	\$127,000		DPIRD Grant
Transfer from Airport Reserve	\$33,000		Shortfall for Business case
3260 - Consultancy		\$160,000	Expenditure item for Business Case
Total	\$160,000	\$160,000	

Statutory Environment

Section 6.8 of the Act refers to expenditure from the Municipal fund that is not included in the annual budget. In the context of this report, where no budget allocation exists, expenditure is not to be incurred until such time as it is authorised in advance, by an absolute majority decision of the Council.

Relevant Plans and Policies

The officer recommendation aligns to the following adopted plan or policy:

Plan:

BMRA Master Plan 2016-2036

Policy:

Not applicable.

Financial Implications

The table in the officer's recommendation summarises the financial implications:

	(Increase) / Decrease in Operational Revenue	Increase / (Decrease) in Operational Expenditure	(Increase) / Decrease in Capital Revenue	Increase / (Decrease) in Capital Expenditure	Increase / (Decrease) in Reserves and/or Restricted Assets	Increase / (Decrease) in Net Current Position
Item 1	-	-	-	40,000	(40,000)	-
Item 2	(127,000)	160,000	-	-	(33,000)	-
TOTALS	(127,000)	160,000	-	40,000	(73,000)	-

External Stakeholder Consultation

Not Applicable

Risk Assessment

An assessment of the potential implications of implementing the officer recommendation has been undertaken using the City’s risk management framework, with risks assessed taking into account any controls already in place. No risks of a medium or greater level have been identified.

Options

As an alternative to the proposed recommendation the Council could decide not to proceed with the proposed budget amendment request.

CONCLUSION

The Council’s approval is sought to amend the budget as outlined in this report.

TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

The officer recommendation will be implemented in full, or in stages as per the following table:

Milestone	Completion Date
Budget amendments processed	Within one month of the Council’s decision

10.6 Capability development: risk management and internal audit

Strategic Theme:	Key Theme 4: Leadership 4.2 Deliver governance systems that facilitate open, ethical and transparent decision making. 4.3 Make decisions that respect our strategic vision for the District.
Directorate:	Corporate Strategy and Performance
Reporting Officer:	Manager Legal and Governance – Ben Whitehill Governance and Risk Coordinator - Tegan Robertson
Authorised By:	Director Corporate Strategy and Performance - Sarah Pierson
Nature of Decision:	Noting: The item is simply for information purposes and noting.
Voting Requirements:	Simple Majority
Disclosures of Interest:	No officers preparing this item have an interest to declare.
Attachments:	Nil

This item was considered by the Audit and Risk Committee at its meeting on 13 March 2024, the recommendations of which have been included in this report.

COMMITTEE RECOMMENDATION

That the Council:

1. Pursuant to the Terms of Reference of the Audit and Risk Committee, supports the proposed implementation program for the improvement of the City's risk management capabilities and the introduction of an internal audit function.
2. Approve the allocation of \$110,000 in the draft 2024/2025 budget for a new risk officer plus \$35,000 consultancy to fund the engagement of a consultant to undertake the internal audit function.

OFFICER RECOMMENDATION

That the Council:

1. Note the proposed implementation program for the improvement of the City's risk management capabilities and the introduction of an internal audit function.
2. Approve the allocation of \$110,000 in the draft 2024/2025 budget for a new risk officer plus \$35,000 consultancy to fund the engagement of a consultant to undertake the internal audit function.

EXECUTIVE SUMMARY

This report informs the Council on an implementation program for the improvement of the City's risk management capability, and the introduction of an internal audit function. The report also seeks Council's approval of additional resourcing to support the program.

STRATEGIC CONTEXT

Implementing and maintaining an appropriate risk management model, including internal audit assurance, enables the City to achieve its long-term strategic objectives by effectively managing risk and reward.

BACKGROUND

The City has a Risk Management Policy which outlines the City's commitment to ensuring that effective risk management, aligned to the Australian Standard for Risk Management (AS ISO 31000:2018), remains central to its operations. As required by the Policy, the City also has an established Risk Management Framework which reflects good practice and sound corporate governance principles.

The City currently has 100 risks captured in its corporate risk register as either approved or under review, with risks generally identified as part of annual business planning activities. In accordance with the City's current Risk Management Framework, risks are reviewed periodically based on their risk rating. The risk rating and the adequacy of controls determine risk tolerance and acceptance criteria. Risk identification is currently a component of the City's annual business planning, and this annual process will be further facilitated as part of embedding risk management into business process.

The City has found in successive Regulation 17 reviews that its risk management processes are at a basic level of maturity and has identified that there remains scope for the City to further integrate and mature its risk management model, subject to resourcing.

The City has historically employed a risk and workplace health and safety officer to coordinate delivery of both corporate and workplace safety risk management processes. Since 2020, in the context of changes to legislation and noting that the City has only two workplace health and safety positions, the focus of this position has shifted to workplace health and safety. This has impacted the ongoing management of corporate risk. A desktop review has identified inconsistencies across activity areas in how risks have been captured and assessed (consistent with AMD's observations in the Regulation 17 Review detailed below). Additionally, the timely review of risks has been impacted.

The City has not historically had an internal audit capability.

2023 Regulation 17 Review

Regulation 17 of the *Local Government (Audit) Regulations 1996* (the Audit Regulations) requires the Chief Executive Officer to review the appropriateness and effectiveness of a local government's systems and procedures in relation to risk management, internal control and legislative compliance, and report the results of the review to the Audit and Risk Committee.

The City engaged AMD Chartered Accountants (AMD) to undertake this review on behalf of the CEO in May 2023 (the Regulation 17 Review). AMD's findings and recommendations were accepted by the Council in June 2023 (C2306/111).

The Regulation 17 Review made several findings regarding the operationalisation of the Risk Management Framework and the City's internal audit capability.

Finding 2.2.1 Risk Management Framework and Risk Reporting

Through the Regulation 17 Review, AMD considered the Risk Management Policy and Framework, and the effectiveness of the City's risk management systems and internal processes for determining and managing material operating risks. Following this review, AMD made the following recommendations:

"We recommend the Risk Management Framework:

- *Be reviewed and updated on a periodic basis. A comprehensive risk identification process may be required to be completed across all departments;*
- *Clear reporting requirements be documented within the Risk Framework and these reporting requirements be complied with. Ideally this would involve risk reports being presented to the Audit and Risk Committee on a quarterly basis to report emerging risks and ensure management / Council are notified of how risks are being managed;*
- *WHS risk management be matured through the implementation of an online centralised system;*
- *Corporate risk be managed by a dedicated risk officer; and*
- *The re-established Risk Management Committee undertake the annual evaluation as required by the Terms of Reference."*

In this context, AMD made one high finding with respect to the City's existing Risk Management capability noting that:

"Without updated policies and procedures and a centralised system to monitor organisation risks, staff may be unaware of Council and management's expectations regarding how to manage City risks."

The City accepted these findings, and acknowledged its risk management capability is at a basic level of maturity. Management comments noted that additional resourcing is required to implement the recommendations.

The first step towards addressing the Regulation 17 Review findings was the alignment of the risk function with governance and legal, and the appointment of a Governance and Risk Coordinator in late 2023 (with the risk function being included into the existing Governance Coordinator role, with no additional resource allocation). This has enabled the City to define a recommended program of works and resource requirements to deliver a more robust corporate risk management culture and capability at the City.

Finding 4.2.3 Internal Audit

The Regulation 17 Review also noted that:

"The City does not currently have a formal documented internal audit program in place."

AMD recommended that the City consider establishing an internal audit function, consistent with the Department of Local Government, Sport and Cultural Industries (the Department) guidelines, which suggest an internal audit function be established with a program that is reassessed annually.

OFFICER COMMENT

In response to the Regulation 17 review findings, officers have reviewed the City's existing Risk Management Policy, Framework, systems and processes in the context of a number of resources to identify best practice and develop a program of works to improve the City's risk management capability.

The City's best practice review considered the Australian Standard for Risk Management (AS ISO 31000:2018); the Department's *Audit in Local Government – Local Government Operational Guidelines, Risk Management Resources, Model Risk Management Policy, and Integrated Planning and Reporting Framework and Guidelines*; the *Western Australian Public Sector Audit Committees – Better Practice Guide* published by the Office of the Auditor General, and various other risk management resources produced for state, federal and interstate local governments.

Information sharing has also been undertaken with peer Western Australian local governments identified as having a greater maturity in risk management and internal audit.

Best Practice Risk Management

The Australian Standard for Risk Management (AS ISO 31000:2018) broadly defines risk as the effect of uncertainty on objectives. Organisational risk can be categorised as strategic, operational or project risk.

Strategic Risks

Strategic risks are macro-level risks that threaten the City's ability to meet its long-term strategic objectives. If strategic risks were to eventuate, the City may be required to change strategic direction. While strategic risks can be internal or external, they usually arise in the context of the external regulatory, political, technological, natural, economic or social environment.

In the Local Government context, the Council is accountable for the management of strategic risks, in conjunction with the CEO and Executive Leadership Team. Following review in January 2024, the Audit and Risk Committee Terms of Reference has been updated to reflect the important role the Audit and Risk Committee has in assisting the Council to manage the City's strategic risk.

Operational Risks

Operational risks are associated with developing or delivering operational plans, functions or the day-to-day activities of the City. If operational risks were to eventuate, they may impact the City's ability to deliver on its current informing strategies and operational plans (for example, the Corporate Business Plan, Asset Management Plan or Workforce Plan), potentially resulting in a failure to deliver services to community expectations, or cause a financial loss. In the Local Government context the CEO is accountable for the management of operational risks.

Project Risks

Project risks are associated with delivering projects or discrete activities. If project risks were to eventuate, that project may be unable to deliver to agreed quality, cost or schedule parameters. The CEO is accountable for the management of project risks.

Integration of risk management into an organisation's culture is a dynamic and iterative process, which is supported by the development of policy, framework, procedures and practices specific to an organisation's context and appetite for risk. The objective of risk management is not to eliminate risk, but to ensure the City is able to direct resources toward the greatest threats to its ability to function effectively in the interests of its community.

Maturing Risk Management in the City of Busselton Context

For risk management to be successfully embedded into the City's organisational culture, it is critical that the risk management context is clearly understood and the risk management model well defined. This enables officers, management and Elected Members alike to understand their role and accountability for the management and / or oversight of risk as a part of (rather than apart from) strategic planning activities, operational functions and services.

Following review, officers have identified a program of works to deliver improvements to the City's risk management capability, with following objectives:

1. Formalise the City's risk management model with clear lines of defence;
2. Roles, accountabilities and responsibilities within each line of defence are clearly defined and well understood;
3. The Risk Management Policy, Framework and governance structures are up to date and fit for purpose to effectively manage risk within the City's risk appetite;
4. Risk management activities are embedded across the organisation, using clearly defined processes and systems;
5. Strategic, operational and project risks are appropriately identified, assessed, monitored and reported to inform decision making by the Council and the administration; and
6. Risk culture and the maturity of the City's risk management capability is regularly evaluated and subject to continuous improvement.

While embedding a risk-focussed culture at the City will be a long-term and ongoing activity, Officers have identified a series of critical deliverables, which are to be implemented in phases over the next 18 months – 2 years, subject to the recommended resourcing being supported.

Phase 1: Design

Estimated time to complete: 3 – 6 months

The risk management model comprises of the Policy, Framework, governance structures, processes and systems the City uses to manage risk. It is critical that that the organisational risk management model is well defined, with consideration to integration across activity areas. The completion of the Design phase will see the following delivered:

1. Formalise the lines of defence model

Good corporate governance typically adopts a three lines of defence model to ensure effective management of risk:

1. The first line of defence is formed by managers and staff who are responsible for identifying assessing, evaluating and treating risk as part of their accountability for achieving objectives;
2. The second line of defence is formed by functions that oversee or who specialise in compliance or the management of risk. The second line owns the risk management framework and practices, and provide tools, support, oversight and monitoring; and
3. The third line of defence provides independent assurance, through functions such as internal and external audit, to ensure that risk management governance and internal control processes are adequate and effective.

The purpose of this model is to distribute responsibilities across different lines of defence, establish effective risk management and governance practices, and enhance the organisation's ability to identify, assess and mitigate risks.

Risk management has historically aligned to the three lines of defence model at the City. Officers, coordinators and managers are responsible for the management of risk within their activity area (line 1). Centralised work health and safety, and corporate risk officers provide frameworks, tools and support, and an internal Risk Management Committee provides monitoring and oversight (line 2). External audits are conducted annually by the Office of the Auditor General in line with section 7.9 of the *Local Government Act 1995* (the Act), and the Audit and Risk Committee has oversight of audit outcomes (line 3).

It is proposed that this model is formalised, with the roles, accountabilities and responsibilities of each line of defence clearly documented to ensure all officers have a consistent understanding of their specific role in managing risk.

2. Refresh the Risk Management Policy, Framework and Governance Structures

The City's existing Risk Management Policy and Framework were both last reviewed in 2021. They are due for review in 2024 as per the City's ongoing policy review cycle. Both the Risk Management Policy and Framework are aligned to the Australian Standard for Risk Management (AS ISO 31000:2018), however a review is required to ensure these are fit for purpose in the context of a formalised lines of defence model and the City's appetite for risk.

It is important that the Risk Management Policy and Framework are reviewed and adopted prior to the delivery of any subsequent implementation activities (including officer training, risk identification and reporting) as the Policy and Framework will define:

- The oversight role of the Council and the Audit and Risk Committee;
- The role of the CEO and officers to identify, assess, monitor and report on risk;
- The Line 1, 2 and 3 governance structure supporting effective risk management;
- Risk assessment metrics including risk cause and impact, likelihood and consequence;
- Risk tolerance and acceptance criteria; and
- Risk monitoring and reporting requirements.

Expected timelines for completion of the Design phase include time for review of the updated Risk Management Policy and Framework by the Audit and Risk Committee, and adoption of the Risk Management Policy by the Council.

3. *Develop risk reporting*

To achieve risk informed decision-making, and appropriate oversight of risk management, fit for purpose risk reporting is essential.

Requirements for risk reporting will be defined in the Design phase and will consider the different information needs of line management, the Executive Leadership Team, the Audit and Risk Committee and the Council. When requirements have been defined, the development of risk reporting will commence.

4. *Risk systems and processes reviewed and documented*

The City currently uses Tech1's risk management module which is generally aligned to the City's current Risk Management Framework.

Following completion of the review of the City's Risk Management Policy and Framework, and the definition of risk reporting requirements, officers will assess whether the Tech1 risk management module meets future requirements determine what further configuration is required.

Concurrently, officers will ensure processes for risk management are developed and documented in the centralised Process Manager system, in accordance with the City's Process Management Framework (adopted in 2023).

5. *Define implementation approach and supporting change management requirements*

A thoughtful and targeted approach to implementation is required to achieve cross-organisational support and uptake of the refreshed risk management model. In the Design phase, implementation and change management requirements will be assessed.

This will likely include basic communications and training around risk management expectations for all officers, and opportunities for additional targeted education for line management, the Executive Leadership Team, Risk Management Committee members and Elected Members to ensure they are equipped to undertake their specific roles in regard to the implementation and oversight of risk management practices.

Communications and the training plan and materials, including supporting induction and intranet content, will be developed in this phase, ahead of Implementation.

Phase 2: Implementation

Estimated time to complete: 3 months

In Implementation phase the deliverables defined in the Design phase will be rolled out to officers across the City. The Implementation phase will see the following delivered:

1. Refreshed Risk Management model implemented; Change management activities delivered

The refreshed Risk Management model (comprising the Policy and Framework, governance structures, systems and processes) will be implemented together. Taking an 'all at once' approach to the roll out of the risk management model has been assessed as most likely to deliver the best outcome in terms of officer understanding of the overarching model and the City's expectation that all officers are responsible for the management of risk. The 'all at once' approach is expected to deliver higher engagement and better utilisation of the Risk Management Framework and supporting systems, processes and reporting in day-to-day activities than a piecemeal approach to implementation.

2. Risk identification completed

Following the implementation of the risk management model, a comprehensive risk identification and assessment exercise will be undertaken with all directorates, to ensure that all strategic and operational risks have been adequately captured. This comprehensive process will include a review of existing risks documented in the City's risk register, and will ensure all risks have been assessed, treated, monitored and reported in accordance with the refreshed Risk Management Framework. The identification and assessment of strategic risks with the Council will be considered through the development of the City's Council Plan.

3. Risk reporting to the Audit and Risk Committee commences

Following the completion of risk identification, strategic risk reporting will be provided to the Audit and Risk Committee on an ongoing basis.

Acknowledging that the Council has requested regular risk reporting be provided to the Audit and Risk Committee (now reflected in the Audit and Risk Committee Terms of Reference), officers recommend the implementation of strategic risk profile reporting to the Audit and Risk Committee only after the completion of the review of the Risk Framework and risk identification.

Although risk data is currently captured in the City's risk register, this will require a review against the updated Risk Management Framework. It is unlikely that reporting on the data available today, which has been observed to be inconsistent as a result of the current decentralised approach, will provide meaningful insight to inform decision-making.

Officers recommend against a piecemeal approach to implementation. The roll out of a holistic risk management model prior to risk identification and reporting deliverables is expected to deliver the greatest success in terms of achieving the overall objective: improving the maturity of the risk management capability of the City over the long-term.

Phase 3: Embed

Estimated time to complete: 6 – 12 months

Following Implementation, the program enters an Embed phase where the changes introduced become current state. In this phase the refreshed Risk Management Policy and Framework are in force, and the risk management governance structures, systems, processes and reporting delivered in Implementation phase become day-to-day 'business as usual'.

To embed a risk-focussed culture across the organisation, a period of sustained leadership will be required to consistently communicate expectations and ensure risk management behaviours and processes are integrated into the day-to-day operations of the City.

In this phase, the City's line 2 risk functions will provide ongoing training and support for officers, and may adjust some processes and tools as 'pain points' are identified. Additionally, the requested risk resource will play a key role in championing and facilitating risk management.

Phase 4: Evaluate and Improve

Estimated time to complete: 3 months

To support the continuous improvement of the City's risk management model, consistent, timely, and holistic reviews are required to provide insights into where things are working well and where things could be improved.

Following the Embed phase, a review of the success of the operationalisation of the City's refreshed risk management model will be undertaken. The efficacy of the three lines of defence, application of the Risk Management Policy and Framework, and associated systems and processes will be evaluated. The outcomes of this review will identify ongoing opportunities for improvement.

Internal Audit function

Internal audit is a key component of the third line of defence in the lines of defence model. It is defined as an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

In the local government context, the role of the Audit and Risk Committee is to oversee and advise the Council on matters of internal audit, internal controls, risk management and legislative compliance.

To date, the City has not had a formal internal audit function. This report recommends that an internal audit function be introduced. The internal audit function should generally be independent of management and can be undertaken by an employee or externally by a consultant. To maintain this independence the internal auditor reports administratively to the CEO and functionally to the Audit and Risk Committee. The Audit and Risk Committee does not undertake audits themselves.

Due to the City's lower level of maturity in risk management and internal audit, officers are recommending that the internal audit function be provided by a consultant. This will ensure that the development and commencement of an appropriate internal audit plan can be expedited. This approach is widely used by other Western Australian local governments and will ensure independence. Once the organisation has matured it may be appropriate to consider employing an internal auditor.

It is recommended that the 2024/25 financial year budget include a consultancy allocation for the engagement of an internal auditor.

Officers have identified the critical deliverables, which are to be implemented in phases over the next 15 – 18 months as outlined below.

Phase 1 – Identify and Engage Consultant for Internal Audit Function

Estimated time to complete: 3 months

Officers will prepare a request for quotation for the provision of an internal audit function. Officers have undertaken research into other local government internal audit arrangements (using consultancy). In the first year this will include the development of an internal audit charter and internal audit plan (three-year plan) in addition to the requirement to undertake the internal audits. The internal audit function is not funded in the current budget. Officers therefore intend to engage the internal auditor early in the 2024/25 financial year.

Phase 2 – Develop Internal Audit Charter and Internal Audit Plan

Estimated time to complete: 1 month

The appointed internal auditor will, in conjunction with the Audit and Risk Committee, develop the internal audit charter and internal audit plan. The internal audit plan will be for a three-year period, with the internal audit priorities determined by the Council on recommendation by the Audit and Risk Committee.

Phase 3 – Embed

Estimated time to complete: 12 months

It is anticipated that early in the 2024/2025 financial year the City's internal auditor will be able to commence the internal audit function, undertaking internal audits in accordance with the internal audit plan. Once the individual audits are completed the internal auditor will report the outcomes to the Audit and Risk Committee, with any recommendations. Where there are recommendations, the CEO will provide a management comment and regular reporting to the Audit and Risk Committee on the implementation status.

Phase 4 – Evaluate and Improve

Estimated time to complete: 1 month

Following the embed phase, a review of the internal audit function will be undertaken. The outcomes of this review will identify any opportunities for improvement, which will be undertaken in line with the City's ongoing commitment to continuous improvement.

Statutory Environment

The Act requires that all local governments establish an audit committee. Audit committees play a key role in assisting the local government to fulfil its governance and oversight responsibilities in relation to financial reporting, risk management systems, legislative compliance and the internal and external audit functions. An external audit of the City's financial reporting is carried out annually by the OAG. The OAG also currently completes an annual information systems audit.

While an internal audit function is not a requirement under the Act, the Department of Local Government, Sport and Cultural Industries note that many local governments have recognised the value in implementing an internal audit function – either internally or by contracting out – to improve the effectiveness of risk management, control and governance processes.

The Audit Regulations require that the CEO review the appropriateness and effectiveness of a local government's systems and procedures in relation to risk management, internal control and legislative compliance not less than once in every 3 financial years.

The *Local Government (Financial Management) Regulations 1996* also require that the CEO undertake a review of the appropriateness and effectiveness of the financial management systems and procedures not less than once in every 3 financial years.

Relevant Plans and Policies

The officer recommendation aligns to the following adopted plan or policy:

Plan:

[Corporate Business Plan 2022-2026](#)

Policy:

[Risk Management](#)

Financial Implications

There are expected resource, consultant and technology costs associated with delivering improvements to the City's risk management maturity and establishing an internal audit function.

An additional full-time resource, a dedicated and experienced risk officer, is required to deliver the risk management program of works, with support from existing Governance resources. The City is currently dependent on the recruitment of this resource to commence and continue the work outlined.

Additionally, there are expected external consultant costs to support internal audit delivery. The risk officer may assist in coordinating delivery of the audit plan with the consultant and regular reporting on recommendations.

It is recommended that funding is allocated in the 2024/2025 budget for risk management and internal audit as follows:

- Risk Officer – 1 FTE - \$110,000
- Consultancy - \$35,000

External Stakeholder Consultation

Not Applicable

Risk Assessment

If the allocation of funding outlined above is not supported in the 2024/2025 budget, the City will be unable to mitigate the risks identified in the Regulation 17 Review pertaining to risk management and internal audit.

An assessment of the potential implications of implementing the officer recommendation has been undertaken using the City's risk management framework, no risks of a medium or greater level have been identified.

Options

As an alternative to the proposed recommendation the Council could:

1. Resolve not to support the proposed resourcing. This will impact on the ability of officers to mature the City's risk management approach.
2. Request the CEO include additional risk management or internal audit deliverables in the above program of works.

CONCLUSION

Further integration and embedding of risk management systems and processes, including an internal audit function, is required across the City's activity areas. Additional resourcing is required to achieve this.

TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

Further updates on the status of risk management and internal audit deliverables will be provided to the Audit and Risk Committee in regular reporting.

10.7 2023 Compliance Audit Return

Strategic Theme:	Key Theme 4: Leadership 4.2 Deliver governance systems that facilitate open, ethical and transparent decision making.
Directorate:	Corporate Strategy and Performance
Reporting Officer:	Manager Legal and Governance - Ben Whitehill
Authorised By:	Director Corporate Strategy and Performance - Sarah Pierson
Nature of Decision:	Executive: Substantial direction setting, including adopting budgets, strategies, plans and policies (excluding local planning policies); funding, donations and sponsorships; reviewing committee recommendations.
Voting Requirements:	Simple Majority
Disclosures of Interest:	No officers preparing this item have an interest to declare.
Attachments:	1. ATTACHMENT 1 City of Busselton Compliance Audit Return (1) [7.2.1 - 12 pages]

This item was considered by the Audit and Risk Committee at its meeting held 13 March 2024, the recommendations of which have been included in this report.

COMMITTEE RECOMMENDATION

That the Council adopts the Compliance Audit Return for the period 1 January 2023 to 31 December 2023, as per Attachment 1.

OFFICER RECOMMENDATION

That the Council adopts the Compliance Audit Return for the period 1 January 2023 to 31 December 2023, as per Attachment 1.

EXECUTIVE SUMMARY

The Compliance Audit Return is a statutory reporting tool that evaluates the City's compliance with specific sections of the *Local Government Act 1995* (the Act) during the period 1 January 2023 to 31 December 2023. The City has completed the 2023 Compliance Audit Return and the outcomes are attached to this report for the Council's consideration.

The Council is required to adopt the Compliance Audit Return, after which it is lodged with the Department of Local Government, Sport and Cultural Industries (the Department). Lodgement with the Department is required by 31 March 2024.

STRATEGIC CONTEXT

The 2023 Compliance Audit Return helps deliver governance systems that facilitate open, ethical and transparent decision making.

BACKGROUND

In accordance with Regulation 14 of the *Local Government (Audit) Regulations 1996* (Audit Regulations), the City is required to carry out an annual audit of statutory compliance in the form determined by the Department.

The 2023 Compliance Audit Return deals with the period 1 January 2023 to 31 December 2023 and evaluates the City’s compliance with specific sections of the Act and associated regulations.

Regulation 14 of the Audit Regulations, and the Audit and Risk Committee’s Terms of Reference specifies the Committee’s role to review the annual Compliance Audit Return, consider the report from the CEO and recommend to the Council the results of that review.

OFFICER COMMENT

The 2023 Compliance Audit Return contains 94 questions (including nine optional questions) relating to the prescribed statutory requirements in Regulation 13 of the Audit Regulations.

There were 6 areas of non-compliance identified in the 2023 Compliance Audit Return. Each non-compliance is set out below, with a management comment outlining remediation actions identified and additional controls to mitigate the risk of any future non-compliance.

Details of non-compliance	Management comment and action
<p>Delegations to some committees were not recorded in the register of delegations.</p> <p>Specifically, delegations for the Airport Advisory Committee, Finance Committee and Policy and Legislation Committee to either note or refer items back to the CEO for amendment, as stated in their terms of reference, were not recorded in the register of delegations.</p>	<p>The current Airport Advisory Committee and Finance Committee Terms of Reference refer to a ‘delegation’ to note items that do not require a recommendation to Council or further action of Council. The Policy and Legislation Committee Terms of Reference refers to a ‘delegation’ to refer items back to the CEO for further information or amendments.</p> <p>While the City’s delegation register does include other committee delegations, these specific delegations were not captured in the register, as they were not considered substantive delegations of authority or specific powers or functions of the local government. However, for completeness, this question is answered as no, with officers intending to both add all ‘delegations’ documented in Committee Terms of Reference documentation to the delegations register and complete a further review Committee Terms of Reference to consider removing reference to these functions as delegations.</p>

Details of non-compliance	Management comment and action
<p>Annual and primary returns were not removed from the register of financial interests when that person ceased to be a person required to lodge a return.</p> <p>The primary and annual returns records for some people who had ceased to be a person required to lodge a return under section 5.75 and 5.76 were retained in the redacted register published on the City's website.</p>	<p>Users who ceased to be a person required to lodge a return under sections 5.75 and 5.76 were marked as 'inactive' in the City's Attain system, however in some instances they were not excluded from the redacted list of primary and annual returns which is published on the City's website. This was a process failure, due to staff turnover and resourcing shortfalls in Governance over the course of the year. The register will be corrected, and a process for removing returns from the register will be developed and documented.</p>
<p>Records were not removed from the register of financial interests when that person ceased to be a person required to make a gift disclosure.</p> <p>There were 6 historical entries maintained on the City's gift register which should have been removed when that person ceased to be a person required to make a gift disclosure.</p>	<p>Users who ceased to be a person required to lodge a disclosure under sections 5.87A and 5.87B were marked as 'inactive' in the City's Attain system, however in some instances they were not excluded from gifts register published on the City's website. This was a process failure, due to staff turnover and resourcing shortfalls in Governance over the course of the year. The register will be corrected, and a process for removing relevant disclosures from the register will be developed and documented.</p>
<p>Records were not removed from the electoral gift register of a disclosure of gifts by an unsuccessful candidate, or a successful candidate that completed their term of office.</p> <p>One electoral gift from the 2019 ordinary election was not removed from the electoral gift register following the completion of that Elected Member's term.</p>	<p>The electoral gift register will be corrected to remove the record from the 2019 ordinary election. A task will be added to the compliance calendar following the next ordinary election to review the electoral gift register, to identify those records required to be removed.</p>
<p>Disclosures made under sections 5.87A or 5.87B of the Local Government Act 1995 were not made within 10 days after the receipt of the gift.</p> <p>Three gift disclosures by Elected Members were not made within 10 days after the receipt of the gift.</p>	<p>Officers acknowledge that a lack of familiarity with the online portal system for gift disclosures may have caused some delays to disclosures.</p> <p>Going forward, the Friday Fact Sheet will include a standing reminder to Elected Members to disclose gifts and provide a link to the online portal.</p>
<p>The local government did prepare a report on the training completed by council members in the 2022/2023 financial year but did not publish it on the local government's official website by 31 July 2023.</p> <p>The training report was published on the City's website in November 2023.</p>	<p>The Elected Member training report was published in November 2023, with the delay due to staff turnover and resourcing shortfalls in Governance around the end of financial year period. The City is implementing the compliance calendar function in Attain. The compliance calendar sends officers annual reminders prior to the due date for compliance tasks.</p>

Statutory Environment

In accordance with Regulation 14 of the Audit Regulations, the Audit Committee must review the completed 2023 Compliance Audit Return and report the results to Council. Following Council's adoption, the 2023 Compliance Audit Return must be submitted to the Department of Local Government, Sport and Cultural Industries by 31 March 2024.

Relevant Plans and Policies

The officer recommendation aligns to the following adopted plan or policy:

Plan:

Not applicable.

Policy:

Not applicable.

Financial Implications

Not Applicable

External Stakeholder Consultation

Not Applicable

Risk Assessment

An assessment of the potential implications of implementing the officer recommendation has been undertaken using the City's risk management framework, with risks assessed taking into account any controls already in place. No risks of a medium or greater level have been identified, with the reported non-compliances assessed as representing a low-level risk overall.

Options

As an alternative to the proposed recommendation the Council may choose not to adopt the 2023 Compliance Audit Return. It is however a statutory requirement that the 2023 Compliance Audit Return is adopted by Council and submitted to the Department prior to 31 March 2024.

CONCLUSION

The 2023 Compliance Audit Return is complete and is now required to be adopted by Council prior to being submitted to the Department of Local Government, Sport and Cultural Industries by 31 March 2024.

TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

The officer recommendation will be implemented in full, or in stages as per the following table:

Milestone	Completion Date
Compliance Audit Return submitted to the Department of Local Government, Sport and Cultural Industries	31 March 2024

10.8 CEO Review of Systems and Procedures Recommendations - Implementation status

Strategic Theme:	Key Theme 4: Leadership 4.2 Deliver governance systems that facilitate open, ethical and transparent decision making.
Directorate:	Corporate Strategy and Performance
Reporting Officer:	Manager Legal and Governance - Ben Whitehill
Authorised By:	Director Corporate Strategy and Performance - Sarah Pierson
Nature of Decision:	Noting: The item is simply for information purposes and noting.
Voting Requirements:	Simple Majority
Disclosures of Interest:	No officers preparing this item have an interest to declare.
Attachments:	<ol style="list-style-type: none"> 1. 2023 Reg 17 Review AMD report [7.3.1 - 23 pages] 2. Reg 17 Audit Recommendations Status March 23 [7.3.2 - 2 pages]

This items was considered by the Audit and Risk Committee at its meeting held 13 March 2024, the recommendations of which have been included in this report.

COMMITTEE RECOMMENDATION

That the Council acknowledge the status update in relation to the recommendations of the Regulation 17 Review (as at the end of February 2024) and note that the next update will be provided to the Audit and Risk Committee at the meeting on 24 July 2024.

OFFICER RECOMMENDATION

That the Council acknowledge the status update in relation to the recommendations of the Regulation 17 Review (as at the end of February 2024) and note that the next update will be provided to the Audit and Risk Committee at the meeting on 24 July 2024.

EXECUTIVE SUMMARY

Regulation 17 of the *Local Government (Audit) Regulations* (the Audit Regulations) requires the Chief Executive Officer to review the appropriateness and effectiveness of a local government’s systems and procedures in relation to risk management, internal control and legislative compliance.

The City engaged AMD Chartered Accountants (AMD) to undertake this review on behalf of the CEO, with findings and recommendations presented to the Audit and Risk Committee and then to Council on 21 June 2023. This report presents a status update in relation to the recommendations.

STRATEGIC CONTEXT

Appropriate and effective systems and procedures for risk management, internal control and legislative compliance provides for the good governance of the City and appropriate levels of risk and risk management activity.

BACKGROUND

In May 2023, the City engaged AMD, a local government audit, accounting and advisory firm in Western Australia, to undertake the Regulation 17 review on behalf of the CEO. The CEO presented a report on the findings of that review to the Audit and Risk Committee on 7 June 2023 (endorsed by Council on 21 June 2023), which included management comments in relation to the findings (Attachment 1).

Council resolved (C2306/111):

That the Council

- 1. Accept the CEO's Regulation 17 review of the appropriateness and effectiveness of the City of Busselton systems and procedures in relation to risk management, internal control and legislative compliance; and*
- 2. Request that the Chief Executive Officer provide quarterly updates to the Audit and Risk Committee on the progress of the recommendations for improvement identified as part of the review.*

An update on the status of the recommendations was last presented to the Audit and Risk Committee in September 2023.

OFFICER COMMENT

Of the twelve recommendations, two have been completed and the remainder are in progress. The completed items are items 2.2.5 (Tender Management) and 2.2.8 (Lease Management).

The three items concerning risk management and internal audit being Items 2.2.1 (Risk Management Framework and Risk Reporting), 4.2.2 (Audit and Risk Committee) and 4.2.3 (Internal Audit), are substantively dealt with in Item 6.1 of this Audit and Risk Committee agenda. As noted in that report, implementation of the recommendations is subject to additional resourcing.

Items 2.2.2 (Emergency Risks and Response Management), 2.2.7 (IT Strategic Plan and Business Continuity Plan Testing) and 4.2.1 (Compliance Calendar) have been partially implemented and are on track for implementation by the relevant target dates.

Item 2.2.4 (Contract Management) is partially implemented with further implementation contingent on resourcing to centralise the contract management function and systems. Officers are looking to quantify resourcing impacts and determine what can be implemented using existing resources. The target date for this item has therefore been revised.

Items 2.2.3 (Misconduct, Fraud and Corruption Policy) and 3.2.1 (BAS Activity Statement Lodgement Relief) are yet to be commenced but are expected to be implemented by the relevant target dates.

Further information on the implementation status for each of the recommendations is provided in Attachment 2.

Statutory Environment

Regulation 17 of the Audit Regulations requires the Chief Executive Officer to review the appropriateness and effectiveness of a local government's systems and procedures in relation to risk

management, internal control and legislative compliance once every 3 financial years and report the results of that review to the Audit and Risk Committee.

Relevant Plans and Policies

The officer recommendation aligns to the following adopted plan or policy:

Plan:

Not applicable.

Policy:

Not applicable.

Financial Implications

There are no financial implications associated with the officer recommendation. Progression of the recommendations in full, however, is likely to have financial implications, with additional resourcing required to improve overall coordination of risk management, and to implement an internal audit function.

Additionally, if the City was to further centralise coordination of its procurement and contract management functions, additional resourcing is likely to be required. Further information and proposals will be presented as part of the regular updates on the recommendations.

External Stakeholder Consultation

Not Applicable

Risk Assessment

An assessment of the potential implications of implementing the officer recommendation has been undertaken using the City's risk management framework, with risks assessed taking into account any controls already in place. No risks of a medium or greater level have been identified.

Options

The Council could choose not to accept the officer recommendation.

CONCLUSION

This report provides a status update in relation to the recommendations of the City's most recent Regulation 17 Review.

TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

The officer recommendation will be implemented in full or in stages as per the following table:

Milestone	Completion Date
Status report to Audit and Risk Committee	24 July 2024