



AUDIT RISK AND IMPROVEMENT COMMITTEE MEETING

24 June 2021

Meeting Notice

The Audit Risk and Improvement Committee Meeting of Central Coast Council will be held via Microsoft Teams on Thursday 24 June 2021, for the transaction of the business listed below:

Note: It was resolved at the 24 June 2021 meeting (please refer to the minutes) that items 4.1, 4.2, 5.1, 5.2, 5.4, 5.6 and 6.3 were not to be publicly released in accordance with the ARIC Charter. Whilst they are listed in the Table of Contents, the reports have been removed from the Business Paper.

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CONFIDENTIAL ITEMS (PROVIDED UNDER SEPARATE COVER)

4.1	Reports issued by the NSW Audit Office
4.2	Management Letter from NSW Audit Office - Information Technology General Controls Testing phase of Audit for year ended 30 June 2020
5.6	Update on Legal Matters

Please note item numbers correspond to items as they appear on the agenda (see pages 3-4)

David Farmer
Chief Executive Officer

1 Introduction – 2pm

1.1	Acknowledgement of Country, Apologies and Welcome to all and the newly appointed Independent External Member and CEO	Verbal	Interim ARIC Chairperson
1.2	Disclosures of Interest	Report	Interim ARIC Chairperson
1.3	Election of ARIC Chair (as per Clause 20 of the ARIC Charter)	Report	Returning Officer
1.4	Introduction of David Farmer	Verbal	Chief Executive Officer
1.5	Introduction Arthur Butler	Verbal	Arthur Butler
1.6	Confirmation of Previous ARIC Meeting Minutes	Report	ARIC Chairperson
1.7	Outstanding Action Items	Report	ARIC Chairperson
1.8	Council's current status	Verbal	Chief Executive Officer

2 Finance – 2.20pm

2.1	General Finance update (standing item)	Verbal	Director Corporate Affairs and Chief Financial Officer
2.2	2020-2021 Q3 Business Report	Report	Director Corporate Affairs and Chief Financial Officer
2.3	Administrator's Minute - Council's response to the Auditor General's Local Government Report	Report	Director Corporate Affairs and Chief Financial Officer
2.4	Update on IPART Pricing Review Process for Water	Report	Director Water and Sewer
2.5	General sale of Council assets	Report	Unit Manager Economic Development and Property
2.6	Sale of land for unpaid rates	Report	Director Corporate Affairs and Chief Financial Officer

3 Internal Audit – 3.05pm

3.1	CIA Quarterly Progress Report	Report	Chief Internal Auditor
3.2	Management Actions Arising from Third Line of Defence Reviews	Report	Chief Internal Auditor
3.3	IA Balanced Scorecard Report	Report	Chief Internal Auditor
3.4	Schedule of Internal Audits for 2021/22	Report	Chief Internal Auditor
3.5	Update on changes affecting IM&T	Verbal	Unit Manager Information and Technology

4 External Audit – 3.35pm

4.1	Reports issued by the NSW Audit Office	Confidential Report	NSW Audit Office
4.2	Management Letter from NSW Audit Office – Information Technology General Controls Testing Phase of Audit for year ended 30 June 2020	Confidential Report	NSW Audit Office

5 Governance and Risk – 4pm

5.1	SIO Quarterly progress report	Report	Senior Internal Ombudsman
5.2	Governance activities update (standing item)	Report	Unit Manager Governance and Risk
5.3	Update on Public Enquiry	Report	Unit Manager Governance and Risk
5.4	Risk activities update (standing item)	Report	Unit Manager Governance and Risk
5.5	Audit, Risk and Improvement Committee Charter update	Report	Unit Manager Governance and Risk
5.6	Update on legal matters (standing item)	Confidential Report	General Counsel

6 Performance – 4.30pm

6.1	Q3 Complaints and Compliments	Report	Director Corporate Affairs and Chief Financial Officer
6.2	Organisational Performance update	Verbal	Chief Executive Officer
6.3	Holiday Parks External Consultant Review – 14 recommendations made by staff (87/2020 ARIC)	Report	Unit Manager Economic Development and Property

7 General Business – 4.55pm

7.1	Potential information gaps of concern to ARIC members	Verbal	Unit Manager Governance and Risk
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Next Meeting

Tuesday 14 September 2021

9am – 12pm

Microsoft Teams / Wyong Committee Room

Item No: 1.2
Title: Disclosures of Interest
Department: Corporate Affairs

24 June 2021 Audit Risk and Improvement Committee Meeting

Reference: F2021/00030 - D14621279



Recommendation

- 1 *That the Committee now disclose any conflicts of interest in matters under consideration by the Committee at this meeting.*
- 2 *That the Committee make a recommendation that this report be made publicly available as the nature or content of the report do not fall within any listed exceptions pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

Report Purpose

Chapter 14 of the *Local Government Act 1993* ("LG Act") regulates the way in which the Councillors and relevant staff of Council conduct themselves to ensure that there is no conflict between their private interests and their public functions.

Section 451 of the LG Act states in part that:

- (1) *A councillor or a member of a council committee who has a pecuniary interest in any matter with which the council is concerned and who is present at a meeting of the council or committee at which the matter is being considered must disclose the nature of the interest to the meeting as soon as practicable.*
- (2) *The councillor or member must not be present at, or in sight of, the meeting of the council or committee:*
 - (a) *at any time during which the matter is being considered or discussed by the council or committee, or*
 - (b) *at any time during which the council or committee is voting on any question in relation to the matter.*
- (3) *For the removal of doubt, a councillor or a member of a council committee is not prevented by this section from being present at and taking part in a meeting at which a matter is being considered, or from voting on the matter, merely because the Councillor or member has an interest in the matter of a kind referred to in section 448.*

Further, the [Code of Conduct](#) adopted by Council applies to all Councillors and Staff. The Code relevantly provides that if a Councillor or Staff member has a non-pecuniary conflict of interest, the nature of the conflict must be disclosed as well as providing for a number of ways in which a non-pecuniary conflict of interests might be managed.

Attachments

Nil

Item No: 1.3
Title: Election of Audit, Risk and Improvement Committee Chairperson
Department: Corporate Affairs



24 June 2021 Audit Risk and Improvement Committee Meeting

Reference: F2021/00030 - D14566785
Author: James Taylor, Section Manager Governance
Manager: Shane Sullivan, Unit Manager, Governance and Risk
Executive: Natalia Cowley, Director Corporate Affairs and Chief Financial Officer

Recommendation

- 1 *That the Committee resolve to conduct the election of a Chairperson in accordance with the recommendations set out in this report.*
- 2 *That the Committee resolve to appoint (NAME) as Chairperson of the Committee for the period to (INSERT DATE).*
- 3 *That the Committee make a recommendation that this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

The information provided in this report is current as at 6/05/2021.

Summary

The purpose of this report is for the Audit, Risk and Improvement Committee to determine the appointment of a Chairperson.

Context

The initial three-year appointment of the three independent External ARIC members expired on 26 April 2020, and a formal review (as required under Clause 15 of the ARIC Charter) was undertaken and presented to Council for consideration at the [27 April 2020 Ordinary Meeting](#).

At that meeting, Council resolved, in part:

- 317/20 *That Council recognise the contribution of the three Independent External Members of Audit, Risk and Improvement Committee for their assistance and contribution over the past three years and make the following phased re-appointments:*
- a *Dr Colin Gellatly (AO) be re-appointed for a period of one year;*
 - b *John Gordon be re-appointed for a period of two years; and*

1.3 Election of Audit, Risk and Improvement Committee Chairperson (contd)

- c *Carl Millington be re-appointed for a period of three years.*

At the 17 June 2020 Audit, Risk and Improvement Committee Meeting, in regard to the Election of a Chairperson, the Committee resolved:

- 64/2020(ARIC) *That the Committee resolve to appoint Colin Gellatly as Chairperson of the Committee for the period of his reappointment, ceasing on 27 April 2021.*

Accordingly, there is now a need to appoint a new *Chairperson* of the Committee, noting that at the 10 March 2021 Audit, Risk and Improvement Committee Meeting, the Committee resolved:

- 29/2021(ARIC) *To appoint Carl Millington as Interim Chairperson of the Committee up until for the period 27 April 2021 up until the next Ordinary Meeting at which point the new Chairperson will be elected in accordance with the ARIC Charter.*

The [ARIC Charter](#) states:

The Chair

20. *The Chair will be elected by the majority of the Committee's voting members and must be one of the Independent External Members.*
21. *The Chair must be appointed for one term only for a period of at least three years, with a maximum period of five years. The term of appointment for the Chair can be extended but any extension must not cause the total term to exceed five years as a Chair of the Committee.*
22. *Whenever the voting on a motion put to a meeting of the Committee is equal, the Chair of the Committee is to have a casting vote as well as an original vote.*
23. *If the elected Chair is not present at a meeting of the Committee, the first business of that meeting is for the Committee's voting members to elect a Chair from the Independent external members present.*

Whilst undertaking this process it was identified that there are administrative inconsistencies in the Charter around the three year minimum requirement of Clause 21 given the reappointment resolution made at the [27 April 2020 Ordinary Meeting](#) and the appointment resolution made at the [27 April 2021 Ordinary Meeting](#).

1.3 Election of Audit, Risk and Improvement Committee Chairperson (contd)

It is noted that *John Gordon* has less than one year left on his period of re-appointment, that *Carl Millington* has less than two years left on his period of re-appointment and that *Arthur Butler* has less than three years left on his appointment.

There is a further report to this meeting recommending that an administrative change be made to the ARIC Charter to resolve this inconsistency and enable a Chair to be effectively appointed. In that report, it is recommended that Clause 21 of the ARIC Charter be amended to:

*21. The Chair ~~can must~~ be appointed for ~~one term only for a period of at least three years, with~~ **up to** a maximum period of five years. The term of appointment for the Chair can be extended but any extension must not cause the total term to exceed five years as a Chair of the Committee.*

While the [ARIC Charter](#) is silent on how the election of the Chair is to take place, it is recommended, that this be undertaken by the following:

1. Nominations from the three Independent External Members for the Chairs be called for by the Returning Officer at the start of the meeting.
2. Any Independent External Members interested in being appointed as the Chair will then need to indicate verbally to the Returning Officer if they would like to stand for the position of Chairperson.
3. Once all nominations are received, the Returning Officer will call for a vote of the whole Committee via presenting each Chair nominee to the Committee and asking each member individually how they cast their vote. If there is only one nominee, they will be determined to be Chair.
4. A majority of voting ARIC members attending the meeting will determine who is appointed as the Chair.
5. If there is a tie in the voting for the Chair, the Administrator has the casting vote.
6. If it is a tie and the Administrator is not present, the Returning Officer will write the names of each candidate on similar slips of paper, fold them and place them in a box. The name that the Returning Officer draws out of the box will be excluded from the voting moving forward. The two remaining candidates will be presented as nominations to be the Chair and a further vote will take place.
7. The Returning Officer will then announce that the Independent External Members with the majority of votes as being elected as the new Chairperson of the Committee.

1.3 Election of Audit, Risk and Improvement Committee Chairperson (contd)

The period of appointment of the Chair will also need to reflect the requirements in the proposed Clause 21 of the [ARIC Charter](#) and the length of the appointment of the relevant Independent External Members.

If John Gordon is elected Chair, then it is recommended that the proposed resolution should read:

The Committee resolve to appoint John Gordon as the Chairperson of the Committee for the period to 26 April 2022.

If Carl Millington is elected Chair, then it is recommended that the proposed resolution should read:

The Committee resolve to appoint Carl Millington as the Chairperson of the Committee for the period to 26 April 2023.

If Arthur Butler is elected Chair, then it is recommended that the proposed resolution should read:

The Committee resolve to appoint Arthur Butler as the Chairperson of the Committee for the period to 26 April 2024.

Attachments

Nil.

Item No: 1.6
Title: Confirmation of Minutes of Previous Meetings
Department: Corporate Affairs



24 June 2021 Audit Risk and Improvement Committee Meeting

Reference: F2021/00030 - D14605573
Author: Kelly Drover, Advisory Group Support Officer
Manager: James Taylor, Section Manager Governance

Recommendation

- 1 *That the Committee confirm the minutes of the previous meetings held on 10 March 2021 and 13 April 2021.*
- 2 *That the Committee make a recommendation that this report and the supporting papers to this report be made publicly available as the nature or content of the report do not fall within any listed exceptions, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

The information provided in this report is current as at 27/04/2021.

Summary

The purpose of this report is to confirm the minutes of the previous Audit, Risk and Improvement Committee meetings held on 10 March 2021 and 13 April 2021.

The minutes from 10 March 2021 were circulated to all Audit, Risk and Improvement Committee members by email on 18 March 2021 and reported to the 13 April 2021 Ordinary Council Meeting.

The minutes from 13 April 2021 were circulated to all Audit, Risk and Improvement Committee members by email on 27 April 2021 and will be reported to the 24 May 2021 Ordinary Council Meeting.

Council's *Audit Risk and Improvement Committee Charter* states that all supporting papers to the meeting agendas will be released to the public on Council's website, unless such release would be contrary to the public interest. It is considered that the nature or content of this report and attachments do not fall within any of the exceptions listed under Clause 78 of the Charter and release to the public be approved.

Attachments

- 1 ARIC Minutes 10 March 2021 D14547109

1.6 Confirmation of Minutes of Previous Meetings (contd)

2 ARIC Minutes 13 April 2021 D14585755



Central Coast Council

Minutes of the

Audit, Risk and Improvement Committee

Meeting of Council

Held via *Microsoft Teams/Wyong Committee Room* on 10 March 2021,
Commencing at 9.03am

Present

Dr Colin Gellatly (Chairperson)	Independent member
Carl Millington (arrived 9.36am)	Independent member
John Gordon	Independent member

In Attendance

Mr Rik Hart	Interim Chief Executive Officer
Malcolm Ryan	Chief Operating Officer (arrived 9:12am)
Boris Bolgoff	Director Infrastructure Services
Natalia Cowley	Director Corporate Affairs
Scott Cox	Director Environment and Planning
Tina Baker	Chief Internal Auditor
Jade Maskiewicz	Assistant Internal Ombudsman
Shane Sullivan	Unit Manager Governance and Risk
James Taylor	Section Manager Governance
Kelly Drover	Advisory Group Support Officer
David Daniels	Audit Office of NSW
Cassie Malone	Audit Office of NSW
Penelope Corkill	Account Manager, Centium, IA Co-Sourced Partner

Minutes of the Audit Risk and Improvement Committee Meeting of Council 10 March 2021
contd

1 INTRODUCTION

Welcome, Acknowledgement of Country and Apologies

The Chairperson, Dr Colin Gellatly, opened the meeting, welcomed attendees and completed an Acknowledgement of Country.

Apologies received:

Dick Persson AM – Administrator

Lilly Mojsin – Senior Internal Ombudsman

1.2 Disclosures of Interest

Resolution

1/2021(ARIC) *The Committee noted the report on Disclosures of Interest.*

2/2021(ARIC) *The Committee recommended that this report be made publicly available as the nature or content of the report do not fall within any listed exceptions, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

1.3 Confirmation of Minutes of Previous Meeting

The NSW Audit Office noted that some additional items were covered in Item 3.1 as part of their update at the 10 December 2020 ARIC Meeting, however these were not reflected in the 10 December 2020 ARIC Meeting minutes.

While there was no issue with the resolution (205/2020 (ARIC)), the original commentary record in the 10 December 2020 ARIC Minutes under *Item 3.1 Update on External Audit Activities* was phrased:

3.1 Update on External Audit Activities

David Daniels advised that the Audit commenced on 16 November 2020. There have been some data issues in regard to the payroll database.

This commentary was agreed to be replaced by the NSW Audit Office and the Committee with the following revised wording for *Item 3.1 Update on External Audit Activities*:

3.1 Update on External Audit Activities

David Daniels advised that the year-end audit phase commenced on 16 November 2020. There have been some challenges (notable in the submitted financial statements and the payroll space) in obtaining the required information which has impacted the progress of the audit, but the Audit Office is continuing to work with

Minutes of the Audit Risk and Improvement Committee Meeting of Council 10 March 2021 contd

management to obtain the audit evidence needed to support the balances presented in Council's financial statements.

David also noted that an area of risk is with the valuation of Roads & Drainage assets, noting the last full revaluation was in 2015. Management's initial position is that the replacement cost of these assets has not significantly changed since the date of the last full revaluation and management will be providing additional evidence to support this position.

John Gordon requested the wording of his Disclosure of Interest on page 9 to be revised as follows:

188/2020(ARIC) *John Gordon declared a perceived less than significant non pecuniary conflict of interest in regard to discussion around the accounts for the 2016 pre-merger because:*

- a. *He was a Partner with PriceWaterhouseCoopers (PwC) for a period of 22 years, retiring December 2008. PwC were the Auditors for the former Gosford and Wyong Councils in 2016. although he was not involved in any Audits of either the former Gosford and Wyong Councils at any time, either of the 2016 Council audits.*

Resolution

3/2021(ARIC) *The Committee confirmed the minutes of the previous meeting held on 10 December 2020 subject to the changes agreed to by the NSW Audit Office and John Gordon.*

4/2021(ARIC) *The Committee recommended that this report and the supporting papers to this report be made publicly available as the nature or content of the report do not fall within any listed exceptions, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

1.4 Outstanding Action Items

In regard to action 140/2020(ARIC), it was noted that the workshop has been postponed till 15 April 2021 to coincide with the commencement of the new CEO.

Resolution

5/2021(ARIC) *The Committee noted the report on Outstanding Action Items.*

6/2021(ARIC) *The Committee recommended that the supporting papers to this report be made publicly available as the nature or content of this report do not fall within any listed exceptions, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

Minutes of the Audit Risk and Improvement Committee Meeting of Council 10 March 2021
contd

2 INTERNAL AUDIT

2.1 Chief Internal Auditor's Quarterly Progress Report

Resolution

7/2021(ARIC) *The Committee noted the report on Chief Internal Auditor's Quarterly Progress Report.*

8/2021(ARIC) *The Committee recommended that this report and the supporting papers to this report be made publicly available as the nature or content of this report do not fall within any listed exceptions, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

2.2 Implementation of Management Actions Arising From Independent Reviews

Resolution

9/2021(ARIC) *The Committee noted the report on Implementation of Management Actions Arising From Independent Reviews.*

10/2021(ARIC) *The Committee recommended that this report be made publicly available as the nature or content of this report do not fall within any listed exceptions, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

2.3 Internal Audit Balanced Scorecard Report

Resolution

11/2021(ARIC) *The Committee noted the report on Internal Audit Balanced Scorecard.*

12/2021(ARIC) *The Committee recommended that this report and the supporting papers to this report be made publicly available as the nature or content of this report do not fall within any listed exceptions, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

3 EXTERNAL AUDIT

3.1 Update on External Audit Activities

The NSW Audit Office provided a confidential report on the Audit Progress Update, Roads and Drainage Valuation and Road to Recovery acquittal.

Minutes of the Audit Risk and Improvement Committee Meeting of Council 10 March 2021 contd

It was noted that the 2019/20 Audit of Financial Statements will most likely be completed Mid-April with an Extraordinary ARIC Financial Meeting to be held end of April 2021.

Resolution

- 13/2021(ARIC) *The Committee noted the report provided by the NSW Audit Office.*
- 14/2021(ARIC) *The Committee recommended that this report not be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter as:*
- a. it contains information that is determined by the Committee or the Chief Executive Officer (or their delegate) to be confidential or unsuitable to be published; and*
 - b. as on balance it would not be in the public interest to make this information available as Council does not disclose to the public any information from the NSW Audit Office to ensure the efficacy of its investigating, auditing or reporting functions.*
- 15/2021(ARIC) *The Committee requested that once the financial statements are ready to review, that they be provided with sufficient time to review them ahead of the Extraordinary ARIC Financial Meeting.*

4 GOVERNANCE

4.1 Report from the Office of the Internal Ombudsman

Resolution

- 16/2021(ARIC) *The Committee noted the report from the Office of the Internal Ombudsman.*
- 17/2021(ARIC) *The Committee recommended that the supporting papers to this report not be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter as they contain information that is personal information that could compromise the security of Council, its officers and its property.*

4.2 Governance and Risk activities update

Shane Sullivan provided an update on Governance Policies. At the 9 March 2021 Council Meeting the *Gifts and Benefits Policy* and *Lobbying Policy* were adopted. The *Revised Draft Code of Meeting Practice* was also adopted by Council for the purpose of public exhibition.

Minutes of the Audit Risk and Improvement Committee Meeting of Council 10 March 2021 contd

The *Councillor and Staff Interaction Policy* is also being reviewed and an *Oversight of the General Manager by the Mayor Policy* is being considered.

The Chair noted the appointment of new CEO David Farmer who commences 12 April 2021.

Resolution

18/2021(ARIC) *The Committee noted the report of Governance and Risk activities.*

19/2021(ARIC) *The Committee recommended that the supporting papers to this report not be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter as they contain information that is confidential and unsuitable to be published.*

4.3 Update on Legal Matters – CONFIDENTIAL

Natalia Cowley provided a verbal update on Legal Matters and noted the following:

- There are vacancies in the legal area and these vacancies are being addressed.
- In 2020/21, as at 15 February 2021, Legal has dealt with or is currently dealing with 130 litigation matters (including matters carried over from 2019/20).
- In 2020/21, as at 15 February 2021, Legal has dealt with or is currently dealing with 366 requests for legal advice/services/support (including matters carried over from 2019/20).
- There are a number of significant property matters being dealt with, however this is not too dissimilar with the matters dealt with previously.

Resolution

20/2021(ARIC) *The Committee noted the verbal update on Legal Matters.*

5 FINANCE

5.1 General Finance Update (Standing Item)

Natalia Cowley provided a General Finance verbal update noting the following:

- A restructure process is underway. Full details of this will be reported to the Consultative Committee meeting at the end of March to complete the final stage of the process.

Minutes of the Audit Risk and Improvement Committee Meeting of Council 10 March 2021 contd

- 138 Voluntary Redundancies have been accepted and hundreds of discussions held with significantly affected staff.
- A Long term financial plan is being presented to Council for consideration.
- This plan is dependent on the 15% SRV application that Council has made to IPART.
- Resource impacts in Finance with a significantly reduced team being required to focus on restructuring, audits and the long term financial plan.

Resolution

21/2021(ARIC) *The Committee noted the General Finance verbal update.*

22/2021(ARIC) *The Committee requested they be provided with copies of Council's monthly Financial Reporting to the Office of Local Government.*

5.2 Update on Forensic Audit Report (198/2020ARIC)

Natalia Cowley advised that Council requested Clayton Utz to provide a Legal and Forensic Analysis. As part of this analysis they engaged KPMG.

The Committee discussed proactively released emails between the former CEO/CFO.

As the GIPA application is still being determined, Shane Sullivan and James Taylor left the room and were not present for this discussion.

Resolution

23/2021(ARIC) *The Committee noted the report on Outcome of the Forensic Audit.*

24/2021(ARIC) *The Committee recommended that this report and its attachments be made publicly available as the nature or content of this report do not fall within any listed exceptions, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

5.3 SRV Application Update

Resolution

25/2021(ARIC) *The Committee noted the report on SRV Application Update.*

26/2021(ARIC) *The Committee recommended that this report be made publicly available as the nature or content of the report do not fall within any listed exceptions, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

Minutes of the Audit Risk and Improvement Committee Meeting of Council 10 March 2021
contd

6 PERFORMANCE

6.1 Complaints and Compliments Report Q1 and Q2 2020-2021

Resolution

27/2021(ARIC) *The Committee noted the report on Complaints and Compliments for Q1 and Q2 2020 – 2021.*

28/2021(ARIC) *The Committee recommended that this report and the supporting papers to this report be made publicly available as the nature or content of the report do not fall within any listed exceptions, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

6.2 Organisational Performance Update

Malcolm Ryan presented the Committee with an example of the monthly financial report which will be published on the internet in the near future. He also demonstrated the draft dashboard reporting which will highlight detailed compliance and performance metrics to the Executive.

7 GENERAL BUSINESS

7.1 2020 Annual Report

The 2020 ARIC Annual Report has been completed and will be reported to Council then placed on the website.

7.2 Progress re ARIC recruitment

Shane Sullivan advised that Interviews for an Independent ARIC Member are being held over the next week with the shortlisted candidates. A report will go to Council by end of April 2021.

7.3 Appointment of Interim Chair

At the 17 June 2020 Audit, Risk and Improvement Committee Meeting, in regard to the Election of a Chairperson, the Committee resolved:

64/2020(ARIC) *That the Committee resolve to appoint Colin Gellatly as Chairperson of the Committee for the period of his reappointment, ceasing on 27 April 2021.*

Minutes of the Audit Risk and Improvement Committee Meeting of Council 10 March 2021 contd

As this meeting was the last for the current Chairperson, Colin Gellatly nominated Carl Millington to perform the role of Interim Chair between 27 April 2021 and the 15 June 2021 Ordinary Meeting when the new Chairperson will be elected. This nomination was seconded by John Gordon.

As outgoing Chairperson, Colin Gellatly took the opportunity to thank staff for their assistance during his time of Chair of the Committee and paid special mention to Natalia Cowley and Rik Hart for their work during the recent financial situation.

Mr Hart also thanked Mr Gellatly for his service.

Resolution

29/2021(ARIC) *The Committee resolved to appoint Carl Millington as Interim Chairperson of the Committee for the period 27 April 2021 up until the next Ordinary Meeting at which point the new Chairperson will be elected in accordance with the ARIC Charter.*

The Meeting closed at 11.24am.

Next Meeting Extraordinary Financial Meeting

Wednesday 5 May 2021

9am – 12pm

Microsoft Teams Meeting

Ordinary Meeting

Tuesday 15 June 2021

2pm – 5pm

Microsoft Teams Meeting

**Central Coast Council**

Minutes of the
**Extraordinary Audit, Risk and Improvement
Committee Meeting**

Held via *Microsoft Teams* on 13 April 2021,

Commencing at 3.32pm

Present

Dick Persson AM
Carl Millington (Interim Chair)
John Gordon

Central Coast Council Administrator
Independent member
Independent member

In Attendance

David Farmer
Rik Hart
Natalia Cowley
Tina Baker
Peter Correy
Shane Sullivan
James Taylor
Zoie Magann

Chief Executive Officer
Interim Chief Executive Officer (Former)
Director Corporate Affairs and Chief Financial Officer
Chief Internal Auditor
Unit Manager Finance
Unit Manager Governance and Risk
Section Manager Governance
Meeting Support Officer

1 INTRODUCTION

1.1 Welcome, Acknowledgement of Country and Apologies

The Chairperson, Carl Millington, opened the meeting.

Apologies received:

Dr Colin Gellatly

Natalia Cowley (Director Corporate Affairs and Chief Financial Officer) thanked members for convening on short notice and noted the meeting is to provide an update on progress of the 2019/20 Financial Statements.

1.2 Disclosures of Interest

Resolution

30/2021(ARIC) *John Gordon declared a perceived less than significant non-pecuniary conflict of interest as done so previously, in regard to discussion around audit of Council's Financial Statements as:*

- a. *he was a Partner with PricewaterhouseCoopers (PwC) for a period of 22 years, retiring December 2008. PwC were the Auditors for the former Gosford and Wyong Councils in 2016. John was not involved in either of the 2016 Council audits; and*
- b. *he is an independent member of the NSW Audit Office Audit, Risk and Improvement Committee who are the Auditors of Central Coast Council. The Committee does not discuss client business.*

John indicated he would leave the meeting as required.

2 FINANCE

2.1 Presentation of Financial Statements and related Auditor's Reports for Central Coast Council and Central Coast Council Water Supply Authority for the period 1 July 2019 to 30 June 2020

Natalia Cowley (Director Corporate Affairs and Chief Financial Officer) provided an update on the progress of the 2019/20 Financial Statements and related Audit for the period 1 July 2019 to 30 June 2020. The Audit is not yet finalised as some reporting details still need confirmation.

Resolution

- 31/2021(ARIC) *The Committee noted the verbal update provided by the Director Corporate Affairs and Chief Financial Officer regarding the prior period error, going concern, and limitation of scope for the 2019/20 Financial Statements.*
- 32/2021(ARIC) *The Committee is satisfied with the processes being undertaken by Council to finalise the 2019/20 Financial Statements and support the approach in principle, pending further review of the statements and comments to be submitted to the Director Corporate Affairs and Chief Financial Officer by Thursday 15 April 2021.*
- 33/2021(ARIC) *The Committee is comfortable with the pragmatic approach to this complex situation, and agrees with the intent to progress to finalisation of the 2019/20 Financial Statements.*

3 GENERAL BUSINESS

3.1 Central Coast Council Chief Executive Officer ---

It was noted that Rik Hart's term as Council's Interim Chief Executive Officer concludes as of Monday, 12 April 2021. David Farmer commenced as Chief Executive Officer following appointment at the 25 February 2021 Ordinary Council Meeting.

The Committee thanked Rik for his input and welcomed David.

3.2 Revised ARIC Charter ---

The Administrator, Dick Persson AM, noted a report is coming to Council at the 13 April 2021 Ordinary Council meeting that proposes a revised ARIC Charter. The proposed changes include amendment to Councillor representation on ARIC. Mr Persson sought feedback from the Committee.

The meeting closed at 4.52pm.

Next Meeting Ordinary Meeting
Wednesday 16 June 2021
2pm – 5pm
Microsoft Teams/Wyong Committee Room

Item No: 1.7
Title: Outstanding Action Items
Department: Corporate Affairs



24 June 2021 Audit Risk and Improvement Committee Meeting

Reference: F2021/00030 - D14666892
Author: Kelly Drover, Meeting Support Officer
Manager: James Taylor, Section Manager Governance

Recommendation

- 1 *That the Committee note the report on Outstanding Action Items.*
- 2 *That the Committee make a recommendation that this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter as the nature or content of this report do not fall within any listed exceptions.*

The information provided in this report is current as at 2/06/2021.

Summary

A review of the Outstanding Action Items from previous meetings.

Key

Green = completed items;

Blue = on agenda for 24 June 2021 meeting;

White = still pending (not overdue); and

Red = overdue

In summary there are:

13 Actions

- 7 Actions have been completed
- 3 Actions are not yet completed and are not overdue
- 1 Action is not completed and is overdue
- 2 Actions will be completed as a result of being on the agenda for this meeting

Item	Meeting Date	Action	Responsible Officer	Status
8.4	1/10/2019	A tour of Council's Water and Sewer Assets for the independent committee members to be scheduled for the week commencing 9 December 2019.	Director Water and Sewer / Advisory Group Support Officer	Tour was scheduled for 5 June 2020 however due to the situation with COVID-19, this has been postponed. On hold until further notice
87/2020 (ARIC)	17/06/2020	That the Committee request an update in 12 months' time on the implementation of the 14 recommendations supported by staff.	Unit Manager Economic Development and Property / Advisory Group Support Officer	To be included on agenda for June 2021 meeting
137/2020 (ARIC)	6/11/2020	The Committee agreed that an audit of IT Assets should feature in this year's audit program, replacing the original cybersecurity audit. The Committee requested a copy of the Terms of Reference for this review.	Chief Internal Auditor	IT Assets Review may not proceed. It has been pushed to the end of the FY due to budget with Centium being taken up with other reviews. Action can be closed.
140/2020 (ARIC)	6/11/2020	The Committee suggested a workshop be held with the Interim CEO, ELT and IA to determine and prioritise outstanding management actions and discuss management processes for improving internal controls. It was acknowledged that the workshop should only progress once the immediate priority of securing and stabilising Council's financial position has been resolved.	Acting Chief Executive Officer / Chief Internal Auditor	Workshop held 15 April 2021. Action considered complete.

Item	Meeting Date	Action	Responsible Officer	Status
178/2020 (ARIC)	6/11/2020	The Committee requests that the Senior Internal Ombudsman provide an update on investigations regarding contingency workforce engagement at the next applicable meeting.	Senior Internal Ombudsman	Item deferred to September 2021 meeting as discussions are ongoing with Senior Internal Ombudsman and CEO.
198/2020 (ARIC)	10/12/2020	The Committee requested to be kept updated on the status of the KPMG's Forensic Audit Report and the Fraud Report.	Director Corporate Affairs	Update provided by Director Corporate Affairs at 10 March 2021 Meeting. Action considered complete.
200/2020 (ARIC)	10/12/2020	The Committee recommended that Council adopt the 2019-20 Consolidated Financial Statements for Central Coast Council that includes General Purpose Financial Statements, Special Purpose Financial Statements and Special Schedules.	Director Corporate Affairs	The financial statements for Central Coast Council were adopted at the Ordinary Council meeting held 11 May 2021. Action considered complete.
201/2020 (ARIC)	10/12/2020	The Committee recommended that Council adopt the 2019-20 Central Coast Council Water Supply Authority General Purpose Financial Statements.	Director Corporate Affairs	The financial statements for Central Coast Council Water Supply Authority were adopted at the Ordinary Council meeting held 11 May 2021. Action considered complete.

Item	Meeting Date	Action	Responsible Officer	Status
228/2020 (ARIC)	10/12/2020	The Committee supported the draft Works-In-Kind policies and supporting guidelines (for works under the Environmental Planning and Assessment Act 1979 and the Water Management Act 2000) being reported to Council to seek authorisation to publicly exhibit the documents.	Director Environment and Planning	Resolved at the 8 February 2021 Council Meeting that the policy and supporting guidelines be publicly exhibited for a period of 28 days and that a further report be prepared for consideration by Council following the exhibition of the draft policies and supporting guidelines which details the outcomes of the exhibition. 28/4 Submissions on the draft Works-In-Kind policies are currently being reviewed and a report should be going to Council on the outcomes of the exhibition in July.
15/2021 (ARIC)	10/03/2021	The Committee requested that one the financial statements are ready to review, that they be provided with sufficient time to review them ahead of the Extraordinary ARIC Financial Meeting.	Director Corporate Affairs	Extraordinary Meeting to discuss the progress of the 2019/20 Financial Statements held 13 April 2021. Action considered complete.

Item	Meeting Date	Action	Responsible Officer	Status
22/2021 (ARIC)	10/03/2021	The Committee requested they be provided with copies of Council's monthly Financial reporting to the Office of Local Government.	Director Corporate Affairs	February Monthly Accounts and Cashflow reports emailed to ARIC Members 30/3 March Monthly Accounts and Cashflow reports emailed to ARIC Members 13/5
29/2021 (ARIC)	10/03/2021	The Committee resolved to appoint Carl Millington as Interim Chairperson of the Committee for the period 27 April 2021 up until the next Ordinary Meeting at which point the new Chairperson will be elected in accordance with the ARIC Charter.	The Committee	Action considered complete.
32/2021 (ARIC)	13/04/2021	The Committee is satisfied with the processes being undertaken by Council to finalise the 2019/20 Financial Statements and support the approach in principle, pending further review of the statements and comments to be submitted to the Director Corporate Affairs and Chief Financial Officer by Thursday 15 April 2021.	The Committee / Director Corporate Affairs	Engagement Closing Report for year ended 30 June 2020 for Central Coast Council and the Water Supply Authority financial statements included in the Audit Office report for 24 June 2021 meeting.

Attachments

Nil.

Item No: 2.2
Title: 2020-2021 Q3 Business Report
Department: Corporate Affairs



24 June 2021 Audit Risk and Improvement Committee Meeting

Reference: F2021/00030 - D14677289
Author: Kelly Drover, Meeting Support Officer
Manager: James Taylor, Section Manager Governance

Recommendation

- 1 *That the Committee note the report on 2020-2021 Q3 Business Report.*
- 2 *That the Committee make a recommendation that this report and the supporting papers to this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter as the nature or content of this report do not fall within any listed exceptions.*

The information provided in this report is current as at 25/05/2021.

Summary

This report provides details of Central Coast Council's performance progress as measured against the organisation's Operational Plan for 2020-2021 to 31 March 2021 (Q3). The report covers the progress on the operational plan activities and financial performance for the period 1 July 2020 to 31 March 2021.

The 2020-2021 Q3 Business Report was reported to Council at the 25 May 2021 Ordinary Council meeting. At that meeting, Council resolved:

- 1 *That Council adopt Central Coast Council's Q3 Business Report for 2020-2021 including the proposed budget amendments.*
- 2 *That Council note that it is the opinion of the Responsible Accounting Officer that the Quarterly Budget Review Statement for Central Coast Council for the quarter ended 31 March 2021 indicates that Council's projected financial position at 30 June 2021 will be unsatisfactory at year end because the forecast year-end consolidated operating result before capital amounts for Council is a loss of \$103.3M. With the cooperation of the Council's bankers, Council is undertaking the following remedial actions: structural reduction in operating expenditure, obtaining special rate variation approval from the Independent Pricing and Regulatory Tribunal, reducing capital expenditure, secured bank loans, generating additional income and selling underperforming assets.*

The information is now reported to the Audit, Risk and Improvement Committee for noting.

Executive Summary

[Clause 203 of the Local Government \(General\) Regulation 2005](#) requires a Council's *Responsible Accounting Officer* to prepare and submit a quarterly budget review statement to the governing body of Council. The quarterly budget review statement must show, by reference to the estimated income and expenditure that is set out in the Operational Plan adopted by Council for the relevant year, a revised estimate of income and expenditure for that year.

It also requires the budget review statement to include a report by the *Responsible Accounting Officer* as to whether or not they consider the statement indicates Council to be in a satisfactory financial position and if not, to include recommendations for remedial action. Council's Operational Plan sets out the achievements, goals and revenue policy, including estimates of income and expenditure. The quarterly budget review statement plays an important role in monitoring Council's progress against the plan.

Operational Plan Action and Target Progress

At the end of Quarter 3 the overall performance against the Operational Plan actions and targets shows that out of the 108 actions / targets:

- four have been Completed,
- 68 are on Track,
- one has Not Commenced, and
- 35 are either Delayed, On Hold or have been Closed - the majority of which have been impacted by the financial situation.

Financial Performance

- The year to date (YTD) operating result (excluding capital grants and contributions) is showing a favourable variance of \$52.8M, consisting of an actual surplus of \$34.3M compared to a budget deficit of \$18.5M.
- The year to date (YTD) operating result (including capital grants and contributions) is showing a favourable variance of \$59.7M, consisting of an actual surplus of \$71.1M compared to a budget surplus of \$11.4M.
- The proposed Q3 adjustments will move the adopted 2020-2021 budget from an operating deficit (excluding capital grants and contributions) of \$107.4M to an operating deficit of \$103.3M.
- The proposed Q3 adjustments will move the adopted 2020-2021 budget from an operating deficit (including capital grants and contributions) of \$60.2M to an operating deficit of \$46.7M.

- The year to date (YTD) capital expenditure is \$115.0M compared to a year to date budget of \$131.7M.
- The proposed Q3 capex budget adjustment is a decrease of \$7.1M that will result in a revised 2020-2021 full year capital works program of \$163.2M from \$170.3M.

For more information and details of progress and financial performance please refer to the *2020-2021 Q3 Business Report* which is Attachment 1 to this report.

Context

The *2020-2021 Q3 Business Report* for Central Coast Council, which is Attachment 1 to this report, incorporates reporting on the progress of actions and targets against the objectives of the Operational Plan and a Quarterly Budget Review Statement.

[Clause 203 of the Local Government \(General\) Regulation 2005](#) requires that no later than two months after the end of each quarter (except the June quarter), the Responsible Accounting Officer of Council must prepare and submit to Council a Quarterly Budget Review Statement that shows a revised estimate of the income and expenditure for that year.

[Sub-section 404\(5\) of the Local Government Act 1993](#) requires that Council report as to its progress with respect to its actions and targets against the objectives of the Operational Plan, at least every six months. This report contains progress information for Quarter 3 and is prepared to coincide with the Quarterly Budget Review Statement.

This quarterly report is presented in the necessary format and is considered to satisfy the legislative requirements.

Current Status

The *2020-2021 Q3 Business Report* is included as Attachment 1 and reports on progress for the year to 31 March 2021 (Q3 YTD), against the Operational Plan 2020-2021, including budget.

Operational Plan Actions and Targets

The table below is a summary of the overall progress on the actions, measures and projects for Q3. The information contained in the Q3 Business Report includes specific details of progress.

Theme:	Belonging	Smart	Green	Responsible	Liveable	Total
Completed	0	0	2	0	2	4
On Track	15	9	5	25	14	68
Delayed	2	3	4	2	0	11
Not Commenced	0	0	0	0	1	1

2.2 2020-2021 Q3 Business Report (contd)

On Hold	1	7	4	8	3	23
Closed	0	1	0	0	0	1
Total	18	20	15	35	20	108

Financial Performance

The year to date (YTD) operating result (excluding capital grants and contributions) is showing a favourable, variance of \$52.8M, consisting of an actual surplus of \$34.3M compared to a budget deficit of \$18.5M. For more information please refer to sections 1.1 and 2.2 of Attachment 1.

The year to date (YTD) operating result (including capital grants and contributions) is showing a favourable variance of \$59.7M, consisting of an actual surplus of \$71.1M compared to a budget surplus of \$11.4M. For more information please refer to sections 1.1 and 2.2 of Attachment 1.

These results are reported in accordance with the [Local Government Code of Accounting Practice and Financial Reporting \(Guidelines\)](#) which requires Council to recognise rates income at the beginning of the financial year when levied. The impact of this on Council's operating results is a large surplus at the beginning of the financial year which will reduce as the year progresses as Council incurs expenditure from delivering services to the community.

Q3 YTD capital expenditure is \$115.0M compared to a year to date budget of \$131.7M.

Consultation

All Units of Council were consulted during the development of this Report and contributed to the information contained in the Report.

Options

Quarterly reporting of Council's financial performance is mandatory under the *Local Government (General) Regulation 2005*.

Financial Impact

Budget adjustments are proposed in this report and are detailed in the *2020-2021 Q3 Business Report* which is Attachment 1 to this report.

The proposed Q3 adjustments will move the adopted 2020-2021 budget from an operating deficit (excluding capital grants and contributions) of \$107.4M to an operating deficit of \$103.3M.

The proposed Q3 adjustments will move the adopted 2020-2021 budget from an operating deficit (including capital grants and contributions) of \$60.2M to an operating deficit of \$46.7M.

Adjustments proposed to be adopted as part of the Q3 budget review include:

Operating Budget

- Reduction of \$4.2M in operating income budgets
 - (\$6.0M) reduction in Environmental Management Bio-certification scheme where forecast revenue will not be received in 2020-2021.
 - (\$0.4M) reduction in tipping fee income due to reduced tonnages being received at Waste facilities.
 - (\$0.2M) reduction in Theatre income forecasts as Council's theatres have only recently returned to full capacity following COVID restrictions.
 - \$1.0M increase in user fees and charges at Leisure Centres, Pools and Holiday Parks where usage and occupancy rates have continued to outperform budget expectations.
 - \$0.6M increase in several minor Other Revenue sources across Council.
 - \$0.4M increase waste services annual charges.
 - \$0.3M increase in pavement remediation funding.
- Increase of \$9.4M in capital income budgets
 - \$16.2M increase in capital grant income largely in Infrastructure Services for road, bridges, shared pathway, drainage and traffic facility programs.
 - \$0.1M additional funding from other minor capital contribution programs.
 - (\$3.9M) reduction in non cash contribution forecast income.
 - (\$3.0M) reduction in S64 developer contribution forecast income.
- Reduction of \$8.3M in operational expenditure budgets
 - \$9.7M reallocation of budget for restructuring costs to other lines of the operating statement to mitigate the impact of unexpected and unplanned impacts such as unfunded storm event and flooding costs from February/March 2021, external loan restructuring costs, reduced recovery of internal costs such as plant and fleet and tipping expenses due to reduced capital works program and non-receipt of biocertification income.
 - \$1.7M reduction in materials and contracts as a result of continued expenditure control.
 - \$1.6M reduction in other expenses as a result of continued expenditure control.
 - (\$2.1M) reduced recovery of internal costs from capital works, including plant and fleet and tipping expenses due to the reduced capital works program which has an unfavourable impact on the operating result.
 - (\$1.5M) storm recovery costs from the flooding event in February this year.
 - (\$1.1M) increase in borrowing costs to recognise break costs and adjustment to interest budgets due to the early repayment of 3 sewer fund loans with a capital value of \$15.5M as approved by Council on 13 April 2021. Repayment funded by unrestricted funds in the sewer fund.

Council's focus continues to be on reducing expenditure, raising additional income, monitoring incoming cash flow, performing cashflow forecasts and ensuring a more sustainable cash preservation. Council's Business Recovery Plan is a multi-faceted approach to address the current liquidity issues and introduce structural changes aimed at ensuring the longer-term financial sustainability of Council operations. For more information on the proposed budget adjustments please refer to section 3.1 and 3.2 of Attachment 1.

Capital Works Program

Council's capital works program was reviewed in Q1 and Q2, resulting in a revised 2020-2021 full year capital works program of \$170.3M.

The proposed Q3 budget adjustment is a decrease of \$7.1M, resulting in a revised 2020-2021 full year capital works program of \$163.2M.

For a full list of proposed changes to the capital works program please refer to section 3.3 of Attachment 1.

Critical Dates or Timeframes

[Sub-clause 203\(1\) of the *Local Government \(General\) Regulation 2005*](#) requires a Council's Responsible Accounting Officer to prepare and submit a quarterly budget review statement to the Council within two months of the end of each quarter (excluding June).

Social Impacts

The Operational Plan 2020-2021 Q3 Business Report is a key method for Council to maintain accountability and transparency with the community. The Plan focuses on the delivery of key projects along with essential services and the maintenance of the assets Council utilised to deliver services to the community. It reflects the Community Strategic Plan Themes of *Belonging, Smart, Green, Responsible* and *Liveable*.

Environmental Considerations

The section 'Operational Plan 2020-2021 Performance' reflects the Community Strategic Plan Themes of *Belonging, Smart, Green, Responsible* and *Liveable*. It includes progress reporting and achievements around the environment under the Theme of *Green*.

Summary

Councils are required to prepare Quarterly Budget Review Statements, which present a summary of Council's financial position at the end of each quarter.

It is the mechanism whereby the community are informed of Council's progress against the Operational Plan and the budget along with recommended changes and reasons for major variances.

Financial Considerations

At its meeting held 19 October 2020, Council resolved the following:

1036/20 That any motions put before Council for the remainder of this term of Council that have financial implications require the Chief Executive Officer to provide a report on how those additional costs will be met.

The following statement is provided in response to this resolution of Council.

Council's 2020-2021 budget to be updated as detailed above, including:

- An operating deficit (excluding capital income) of \$103.3M.
- A revised capital works budget of \$163.2M.

Ongoing review of costs and opportunities for additional revenue will continue to be implemented.

Attachments

1 2020-21 Q3 Business Report - V3 D14634010

Central
Coast
Council

OPERATIONAL PLAN 2020-21

Quarter 3 Business Report (January to March)



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About this Report

The information contained in this report details Council's performance against the Operational Plan 2020-2021 and covers the period from 1 July 2020 to 31 March 2021 as required under sub-section 404(5) of the *Local Government Act 1993*.

Included in this report is the Quarterly Budget Review Statement that shows a revised estimate of income and expenditure from the Responsible Accounting Officer of Council as required under clause 203 of the *Local Government (General) Regulations 2005*. The Quarter Three (Q3) budget review statement covers the period from 1 July 2020 to 31 March 2021 and presents a summary of Council's financial position at the end of the quarter.

Council's performance against the Delivery Program and annual Operational Plan will be reported quarterly within two months after the end of the quarter to coincide with the Quarterly Budget Review Statement (with the exception of Q4, covered by the Annual Report).

Quarterly Reporting Periods are as follows:

- Quarter 1 (Q1) – 1 July 2020 to 30 September 2020
- Quarter 2 (Q2) – 1 October 2020 to 31 December 2020
- Quarter 3 (Q3) – 1 January 2021 to 31 March 2021
- Quarter 4 (Q4) – 1 April 2021 to 30 June 2021

Operational Plan 2020-2021 Performance

The Community Strategic Plan (CSP), titled *One – Central Coast*, sets the direction for the next 10 years and provides a roadmap to guide future plans, activities and services. *One – Central Coast* reflects the voice and values of the Central Coast community and corresponds to key NSW Government plans.

It includes the following five Themes, with Focus Areas and Objectives under each of these Themes:

- **Belonging**
- **Smart**
- **Green**
- **Responsible**
- **Liveable**

The Operational Plan 2020-2021 (year 3 of the Delivery Program) is aligned to the five CSP Themes, detailing the actions Council will take (through projects, plans and actions) to deliver *One – Central Coast*. This report provides an update on Council's progress against the Operational Plan 2020-2021.

Performance Summary

Council's progress in delivering the actions, measure and projects against the Operational Plan for 2020-2021 are assessed and measured using the following status definitions:

Completed	Work or action is completed / target achieved
On Track	Work or action is on track as planned / target on track to date
Delayed	Work or action is delayed / target has not been met or is off track to date
On Hold	Work or action is on hold until further notice
Closed	Work or action will no longer be reported on

The category of *On Hold* refers to actions that due a change in priorities or prolonged delays are not progressing but will likely recommence in the near future. The category of *Closed* refers to actions that are not progressing due to a change in priorities.

The table below is a summary of the overall progress on the actions, measures and projects for Q3.

Theme:	Belonging	Smart	Green	Responsible	Liveable	Total
Completed	0	0	2	0	2	4
On Track	15	9	5	25	14	68
Delayed	2	3	4	2	0	11
Not Commenced	0	0	0	0	1	1
On Hold	1	7	4	8	3	23
Closed	0	1	0	0	0	1
Total	18	20	15	35	20	108

Belonging

Buildings make a Town, but people make a community – which is why **belonging** sits at the heart of our strategic plan.

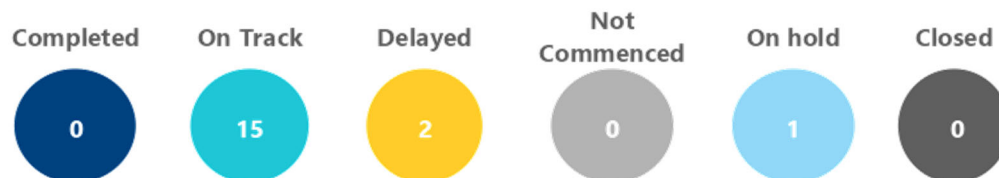
We are committed to strengthening our diverse population by creating new opportunities for connection, creativity, and inclusion, and by opening the door to local sporting, community and cultural initiatives that strengthen our collective sense of self.

We will work together to solve pressing social issues, to support those in need and to enhance community safety – and we will continue to acknowledge the Aboriginal and Torres Strait Islander culture that shapes this corner of the world.

Focus Area	
 <p>Our community spirit is our strength</p>	A1 Work within our communities to connect people, build capacity and create local solutions and initiatives
	A2 Celebrate and continue to create opportunities for inclusion where all people feel welcome and participate in community life
	A3 Work together to solve a range of social and health issues that may impact community wellbeing and vulnerable people
	A4 Enhance community safety within neighbourhoods, public spaces and places
 <p>Creativity, connection and local identity</p>	B1 Support reconciliation through the celebration of Aboriginal and Torres Strait Islander cultures
	B2 Promote and provide more sporting, community and cultural events and festivals, day and night, throughout the year
	B3 Foster creative and performing arts through theatres, galleries and creative spaces, by integrating art and performance into public life
	B4 Activate spaces and places to complement activity around town centres, foreshores, lakes and green spaces for families, community and visitors

Belonging



18 Actions / Measures / Projects





Operational Plan 2020-21 Performance

Delivery Program	Reference	Operational Plan Action / Measure / Project	Timeline / Target	Status	Comment
Community and Culture					
Increased opportunities for community capacity building projects, strengthening community organisations and infrastructure / amenity improvements	A.01.2020-21	Manage Central Coast Council Community Grants program	30/06/21		<p>Community Support Program (CSP): The CSP Program has been suspended due to the current financial situation and will be reassessed for delivery in 2021-2022.</p> <p>Community Grants Program: The community grants program has been suspended due to the current financial situation and will be reassessed for delivery in 2021-2022. A report to Council has been prepared recommending that a modified and reduced grants program be delivered in 2021-2022. Minor changes have been made to the Policy for Grants and Funding Guidelines.</p> <p>Working Together Staying Strong: A report on the applications submitted and assessed in September and final outcomes was reported</p>



Belonging

Delivery Program	Reference	Operational Plan Action / Measure / Project	Timeline / Target	Status	Comment
					to Council on 3 February.
					Colliery Grants Program: A report on the applications submitted and assessed for the program was reported to Council on 3 February.
Improve Council's commitment and approach to designing inclusive and liveable communities	A.02.2020-21	Develop a new Disability Inclusion Action Plan (DIAP)	30/06/21		During this quarter a Draft Disability Inclusion Action Plan has been developed.
					With assistance and input from the Disability Inclusion Officer a co-design planning workshop was held with members of the Access and Inclusion Reference Group in January including an Aboriginal community representative. The workshop provided detailed ideas and proposed actions. The AIRG was updated on project progress in March and revised the DIAP vision.
					A photographic brief was revised, and work completed to capture appropriate images and stories for use. Five case study stories have been prepared for inclusion in the document.
	A.03.2020-21	DIAP LC.024: Identify opportunities to promote existing information portals/apps such as WheelEasy, finder website	30/06/21		Commenced development of public-facing maps to promote the accessible attributes of 5 Town Centres (The Entrance, Umina, Budgewoi, Gosford and Umina).



Belonging

Delivery Program	Reference	Operational Plan Action / Measure / Project	Timeline / Target	Status	Comment
					Developed and promoted the Inclusive Sports Resource Booklet which was added to the new Sports Hub as a resource for local clubs and recreation providers on how to make their sport more accessible.
Increase positive community attitudes and behaviours towards people with disability	A.04.2020-21	DIAP AB.002: Develop and implement 2 disability awareness and education activities for CCC staff	30/06/21		Video Interviews completed with the Access and Inclusion Reference Group to promote the role of the group.
					Universal Design guidelines promoted internally to staff. Guidelines will provide a framework to inform Council staff of best practice approach to inclusion.
					Virtual Reality awareness raising project scoped and request for proposal circulated. This project will provide a platform for people without a disability to understand the lived experiences of people with a disability.
	A.05.2020-21	DIAP AB.003: 6 items on disability access and inclusion included in various Council internal communication mediums	30/06/21		Photo shoot conducted to source contemporary images of people with lived experience of disability for various upcoming publications including new 4-year DIAP and Inclusive Sports Resource Booklet, as well as for general Council database.


Belonging

Delivery Program	Reference	Operational Plan Action / Measure / Project	Timeline / Target	Status	Comment
					Access and Inclusion Reference Group video completed and will be promoted internally and externally.
	A.06.2020-21	DIAP SP.005: Ensure Central Coast Council Website has a dedicated area that contains accurate and relevant information for people with a disability - encompassing residents, tourists and businesses	30/06/21		<p>Continuous review of website and responding to requests for information on website to be more accessible.</p> <p>Ongoing work to ensure that all images on website have relevant descriptions.</p> <p>Updated Council website to include additional information on beach matting installation</p> <p>Mobility Maps currently in development and will include interactive maps and static maps on Council website.</p> <p>Online version of Accessible Sport and Active Recreation booklet ready to be uploaded onto Council website and Sports Hub with link on the Access and Inclusion landing page</p>
	A.07.2020-21	DIAP SP.011: Promote the role and function of the Disability Inclusion Officer (DIO) within Central Coast Council and the broader community - with information available through various mediums (e.g. website, interagency, media,	30/06/21		<p>Presentation of inclusive sports Resource at sports NSW conference. Role of DIO and DIAP was outlined at conference.</p> <p>Role of Disability Inclusion Officer referenced in the AIRG video story</p>


Belonging

Delivery Program	Reference	Operational Plan Action / Measure / Project	Timeline / Target	Status	Comment
		written information etc)			Representation at the Disability Interagency Meeting hosted by Connect ability Support and representation at Deaf Group AGM and Gig Buddies.
	A.08.2020-21	DIAP AB.010: Develop and implement a disability awareness and education campaign for the broader Central Coast community in partnership with relevant external organisations	30/06/21		Disability Inclusion and Sports Activation Officers invited to present at Sports NSW Council Conference in Sydney on Inclusive Sports project resource. Collaboration on Inclusive Sport education to local sport and active recreation providers and a resource booklet as part Sports Hub developed by Sport Activation Office in partnership with Office of Sport and Sports NSW. Beach matting promoted to community with great results Facebook - 260 likes, 36 comments; Instagram - 240 likes, 15 comments.
Develop, support and promote initiatives to address domestic violence	A.09.2020-21	Develop and deliver 3 projects with internal and external stakeholders designed to reduce the local impact of domestic and family violence.	30/06/21		A variety of projects were rolled out in partnership with the Police, Central Coast Domestic Violence Committee, Liquor Accord to education about the signs of violence, how to stop it, how to support someone going through it and what a positive relationship is.


Belonging

Delivery Program	Reference	Operational Plan Action / Measure / Project	Timeline / Target	Status	Comment
					<p>Domestic Violence Bystander video finalised and released to the public with coverage on ACA, E-News, every Police Facebook page in NSW, and reaching 55,000 people on Social Media.</p> <p>Distributed bottle shop bags with campaign slogan to bottle shops across Central Coast. The intent of this project is to raise aware of domestic and family violence and the links with alcohol consumption.</p> <p>Preparation for <i>Man:Kind</i> Season 3 has begun with engagement with local stakeholders to develop the theme, topics and interviewees. <i>Man:Kind</i> is an ongoing podcast series with series 3 focussing on men's mental health.</p>
Improve safety and amenity of the region	A.10.2020-21	Implement actions from the Graffiti Management Strategy	30/06/21		<p>Undertook stocktake of graffiti removal kits and re-stocked supply.</p> <p>Partnered with the Lions Club of Toukley and Department of Juvenile Justice for Graffiti Removal Day. 'Paint up' held on Saturday 27th March in Toukley.</p> <p>Jubilee Park Mural continuing. Artist engaged and final designs circulated to stakeholders for comment.</p>





Belonging

Delivery Program	Reference	Operational Plan Action / Measure / Project	Timeline / Target	Status	Comment
					<p>Responses to CX enquiries for local incidences of graffiti.</p> <p>Ongoing partnership with Juvenile Justice for the removal of graffiti on private property.</p>
Assist external event organisers to deliver events built on a sustainable financial model that provide either economic or social return for the Central Coast.	B.01.2020-21	Support 15 Central Coast community events	15 events		<p>Supported 37 community events YTD, with those in the last quarter including:</p> <ul style="list-style-type: none"> • Small Business Van Jams – Kibble Park • Bouddi Coastal Run • Terrigal and Shelly Beach Markets • Californian Cruisin Inc car club – ChromeFest • Harvest Hubs – assisted the following locations with Harvest activities on site: <ul style="list-style-type: none"> - Fanelli Organic Stonewall Equestrian - Gale Citrus Wholesale Nursery - PA & JH Smith T/A Smithsfruit - Meliora Farm - Somersby Hall of Arts - Iris Lodge Alpacas - Tree Tops Adventure Park - Paradise Botanical Royal Orchids - Think Water - Sustainable Natives • SPIRAL Coast – Roundabout Circus • Toukley Neighbourhood centre event • Gosford Erina and Coastal Chamber of Commerce

Belonging

Delivery Program	Reference	Operational Plan Action / Measure / Project	Timeline / Target	Status	Comment
					<ul style="list-style-type: none"> Gosford Beats – Kibble Pak Purple Santa Event Mariners NYE fireworks Tuggerah Lakes Showband Carols - Kibble Park Outreach 5 Lands Walk / Girrakol Alive Festival – Kibble Park Vegan NSW Hot Rod Show Toukley Markets Springtime Festival Chinese Festival, The Entrance Rotary Social Impact Network Fundraising Event
Increase tourism and economic development opportunities	B.02.2020-21	Deliver 15 Central Coast Council Major Events to 170,000 participants	15 events to 170,000 participants		<p>Eight major Events delivered YTD are;</p> <ul style="list-style-type: none"> Winter School Holidays (online) Live Well (online) Harvest Festival (online) ChromeFest, Online Spring School Holidays, Adapted Format Christmas across the Coast Adapted Format Summer School Holidays delivered across 3 town centres Australia Day Awards <ul style="list-style-type: none"> Total YTD economic impact is \$440,182 (noting this is for physical events only) Total YTD sponsorship procured is \$1,500

Belonging

Delivery Program	Reference	Operational Plan Action / Measure / Project	Timeline / Target	Status	Comment
					<ul style="list-style-type: none"> Total YTD social media reach is 1,058,045
Leisure Beach Safety and Community Facilities					
Provide beach lifeguard services to patrolled beaches from September to April each year.	A.11.2020-21	Council to safely patrol 15 beach locations and beach safety, education and messaging programs provided (in partnership with Surf Life Saving Central Coast)	15 locations		Beach safety lifeguard patrols commenced from Monday 28 September at 15 beach locations. Swim between the Flags messaging completed through Council's communication channels. Central Coast's COVID Summer-safe Plan completed and implemented throughout Quarter 2. Patrols to conclude for the season on 25 April 2021.
Providing an outstanding quality and cultural experience at Gosford Regional Art Gallery through programs and exhibitions	B.03.2020-21	Number of visitors attending the Gosford Regional Art Gallery	85,000 visitors		Gosford Regional Art Gallery visitation for Quarter 3 was 32,678 which includes the exhibiting of Antarctica and Sojourn. YTD attendance for the Gallery is 93,674
Laycock Street Community Theatre hold a large range of cultural productions meeting the varied demographics and interests of the community	B.04.2020-21	Number of performances and events at Laycock Street Community Theatre that have been provided for the community	120 performances		Laycock Street Theatre hosted a number of diverse performances and events including Tim Freedman, Karen Knowles and Sydney Comedy Showcase. A total of 18 performances and events were conducted in Quarter 3, with a YTD total of 130 performances and events held.
Economic Development and Property					
Increase tourism and economic development opportunities	B.05.2020-21	Develop an events strategy for Central Coast Stadium (pending approval)	30/06/21		The Stadium Implementation plan has been adopted and the events strategy will

Belonging

Delivery Program	Reference	Operational Plan Action / Measure / Project	Timeline / Target	Status	Comment
		of the Stadium Strategy)			now be developed with a revised delivery date of November 2021
Provide a premier venue for sports and entertainment on the Central Coast community	B.06.2020-21	Average attendance at events at the Central Coast Stadium	5,500 visitors		Due to COVID-19 the average attendance at events has been affected. Mariners and Warriors games are averaging 4,000 to 4,500. As COVID-19 restrictions are lifted the seating occupancy should lift
Provide a premier venue for sports and entertainment on the Central Coast community	B.07.2020-21	Number of events held at the Central Coast Stadium	30 events		Central Coast Stadium have hosted 9 events this quarter that included 7 Mariners games and 2 NRL games for the New Zealand Warriors who have again relocated to the Central Coast due to COVID-19. The stadium also hosted a school holiday clinic with the South Sydney Rabbitohs. The stadium continues to adhere to all NSW Health guidelines and public orders providing safe events for our community.

Smart

We are a growing region with an expanding sense of opportunity, and we want to capitalise on those possibilities for the benefit of all.

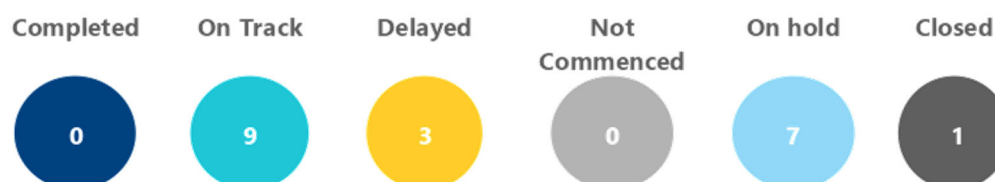
Strategic economic development, revitalising key urban locations, establishing new industry partnerships and renewing our commitment to education and employment for young people are just the starting point for a **smart** Central Coast.

These initiatives – and others like them – will create new opportunities for local employment, new social enterprises and a culture of innovation that will bring new talent to the region. They will also drive a boom in tourism that we will shape to be accessible, sustainable and kind to the environment.

Focus Area	
 <p>A growing and competitive region</p>	C1 Target economic development in growth areas and major centres and provide incentives to attract businesses to the Central Coast
	C2 Revitalise Gosford City Centre, Gosford Waterfront and town centres as key destinations and attractors for businesses, local residents, visitors and tourists
	C3 Facilitate economic development to increase local employment opportunities and provide a range of jobs for all residents
	C4 Promote and grow tourism that celebrates the natural and cultural assets of the Central Coast in a way that is accessible, sustainable and eco-friendly
 <p>A place of opportunity for people</p>	D1 Foster innovation and partnerships to develop local entrepreneurs and support start-ups
	D2 Support local business growth by providing incentives, streamlining processes and encouraging social enterprises
	D3 Invest in broadening local education and learning pathways linking industry with Universities, TAFE and other training providers
	D4 Support businesses and local leaders to mentor young people in skills development through traineeships, apprenticeships and volunteering

Smart



20 Actions / Measures / Projects



Operational Plan 2020-21 Performance

Delivery Program	Reference	Operational Plan Action / Measure / Project	Timeline / Target	Status	Comment
Communications Marketing and Customer Engagement					
Promote and grow tourism through the implementation of the Central Coast Destination Management Plan	C.01.2020-21	Tourism Opportunity Plan: Launch and year 1 execution of "1000 Little Things We Could Do" campaign	30/06/21	●	Budget allocated identified in Q2 savings. Project will not commence until 2021-2022.
Promote and grow tourism through the implementation of the Central Coast Destination Management Plan	C.02.2020-21	Destination Brand Strategy - Launch and year 1 execution of Destination Marketing campaign and Industry services	30/06/21	●	In region out of home advertising campaign in market. National rollout continues via an editorial and digital campaign with Australian Traveller, a paid content and influencer campaign developed in conjunction with Destination NSW, developed an internally managed influencer campaign and the Blank Canvas makers and creators pop up for April.
Community and Culture					
Increase tourism and economic development opportunities	C.03.2020-21	DIAP LC.026: In partnership with relevant organisations / entities (e.g. Central Coast Tourism) explore accessible tourism opportunities through infrastructure improvements, marketing and promotion to	30/06/21	●	Accessible Places and Spaces Access Audits Report finalised. Work undertaken with Brimetrix to ensure data sets from the master-map for each of the accessible places and spaces areas is in the format required for use internally to inform upgrade priorities.







Smart

Delivery Program	Reference	Operational Plan Action / Measure / Project	Timeline / Target	Status	Comment
		develop the Central Coast as a highly attractive tourist destination for people with disabilities, friends and families			
Increase the sustainability of enterprises on the Central Coast	D.01.2020-21	Deliver 3 programs, activities and events to 15,000 people within the Principle Town Centres and the Gosford Smart Work Hub to support the development of Central Coast social entrepreneurs and enterprises	30/06/21		<p>The Smart Work Hub remains closed to the public.</p> <p>The Social Enterprise LaunchPad Program Information session was delivered online during March. Workshops series to be delivered online, April to June 2021.</p> <p>Business Development Support - NSW Government launched Dine and Discover in March and a business update support email was sent to the town centre databases advising how they can be involved with the program.</p> <p>Partnership established with Events team for local business involvement in Bright Nights and Flavours by the Sea.</p> <p>Liaison with Gosford Business Chamber t for <i>Gosford Beats</i> a music initiative to increase footfall and community engagement in the Gosford CBD</p>
Strategic Planning					
Planning controls that enable the development of active and liveable Town Centres	C.04.2020-21	Prepare Wyong Town Centre Structure Plan	31/12/20		<p>Project is being rescoped to determine if plan can be completed in house. Finalisation of the scope is likely to be impacted by the asset sales project.</p>


Smart

Delivery Program	Reference	Operational Plan Action / Measure / Project	Timeline / Target	Status	Comment
Provide a clear approach to the planning and development of key growth regions	C.05.2020-21	Finalise Lake Munmorah Structure Plan	30/06/21		Amendment made to the draft Plan for consideration at Council before the end of the financial year.
Provide a clear approach to the planning and development of key growth regions	C.06.2020-21	Prepare a draft Structure Plan for the Greater Wamervale Area	30/06/21		Amendments being made. Proposed to be rolled into 2021-2022.
Provide a clear approach to the planning and development of key growth regions	C.07.2020-21	Prepare the Woy Woy Structure Plan	30/06/21		Focus is to finalise the Traffic and Transport Study. Project has been deferred to the 2022-2023 financial year as a result of Council's financial recovery process.
Provide a clear approach to the planning and development of key growth regions	C.08.2020-21	Commence development of character statements	30/06/21		As part of the 2021-2022 Operational Plan a review of existing information and Character Statements developed in Gosford (South) and Wyong (North) will be undertaken. This will be a phased approach conducted over two years.
Provide a clear approach to the planning and development of key growth regions\	C.09.2020-21	Finalise the Ourimbah Land Use Strategy and Masterplan	30/12/20		As part of Council's financial recovery process funding this project was deferred. Staff are investigating feasibility to undertake project in house.
Integrated approach to the funding of infrastructure to meet the needs of the Central Coast population	C.10.2020-21	Prepare a new 7.11 Contribution Plans for the Central Coast region	31/12/21		A staged approach is being undertaken. The first of the 7.11 plans, (Wamervale District Contribution Plan), has been exhibited and submission are now being reviewed. The consolidation of remaining 7.11 plans will form the next stage and scoping of this project has been undertaken.
Implementation of the Somersby to	C.11.2020-21	Prepare East Gosford Structure Plan	30/06/21		Project has been deferred to the 2022-2023 financial year as a result of

Smart

Delivery Program	Reference	Operational Plan Action / Measure / Project	Timeline / Target	Status	Comment
Erina Corridor Strategy					Council's financial recovery process.
Support revitalisation of the southern growth corridor	C.12.2020-21	Prepare Erina Structure Plan	30/06/21		Focus is to finalise the Traffic and Transport Study. Project has been deferred to the 2022-2023 financial year as a result of Council's financial recovery process.
Support revitalisation of the southern growth corridor	C.13.2020-21	Commence development of a West Gosford Structure Plan	30/06/21		Project has been deferred to the 2022-2023 financial year as a result of Council's financial recovery process.
Economic Development and Property					
Grow tourism and profitability of the Holiday Parks To attract visitors to holiday on the Central Coast	C.14.2020-21	Develop a Holiday Parks business strategy and masterplans	30/06/21		The draft Holiday Parks business strategy and masterplans have been placed on hold due to Council current financial position.
	C.15.2020-21	Number of nights stayed by tourists stayed in sites or cabins annually at Budgewoi Holiday Park	19,500 nights		Based on third quarter figures, Budgewoi Holiday Park has now exceeded its annual targeted number of 19,500 nights stayed by tourists on sites or in cabins. Total number of nights is currently 21,918. The occupancy for Quarter 3 is up around 8.32% from the same period in 2019-2020.
	C.16.2020-21	Number of nights stayed by tourists stayed in sites or cabins annually at Canton Beach Holiday Park	15,000 nights		Based on third quarter figures, Canton Beach Holiday Park has now exceeded its annual targeted number of 15,000 nights stayed by tourists on sites or in cabins. Total number of nights is currently 15,232. The occupancy for Quarter 3 is up around 1.74% from the same period in 2019-2020.
	C.17.2020-21	Number of nights stayed by tourists stayed in sites or cabins annually at	19,500 nights		Based on third quarter figures, Norah Head Holiday Park has now exceeded its annual

Smart



Delivery Program	Reference	Operational Plan Action / Measure / Project	Timeline / Target	Status	Comment
		Norah Head Holiday Park			targeted number of 19,500 nights stayed by tourists on sites or in cabins. Total number of nights is currently 29,424. The occupancy for Quarter 3 is up around 11.37% from the same period in 2019-2020.
	C.18.2020-21	Number of nights stayed by tourists stayed in sites or cabins annually at Toowoomba Bay Holiday Park	31,500 nights		Based on third quarter figures, Toowoomba Bay Holiday Park has now exceeded its annual targeted number of 31,500 nights stayed by tourists on sites or in cabins. Total number of nights is currently 42,853. The occupancy for Quarter 3 is up around 10.48% from the same period in 2019-2020.
	C.19.2020-21	Number of nights stayed by tourists stayed in sites or cabins annually at Patonga Camp Ground Holiday Park	15,000 nights		Based on the third quarter numbers, Patonga Camp Ground is on track to meet its annual targeted number of nights stayed by tourists on sites or in cabins. Total number of nights is currently 13,884. The Quarter 3 is up around 5.45% for the same period in 2019/20

Green

The Central Coast is known for its natural beauty; maintaining our natural assets is a critical component of what we value as a community.

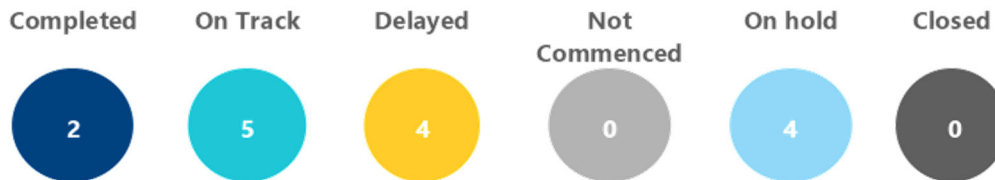
Ongoing education is key to our **green** approach, as is inviting the community to take a hands-on role in conservation, protection and remediation of our environment.

Reducing litter, minimising waste, and championing renewable energy in our future design and planning will minimise the impacts of climate change in our region, and will enable the preservation of our beaches, waterways, wildlife corridors and inland areas for the variety of species that inhabit them.

Focus Area	
 <p>Environmental resources for the future</p>	<p>E1 Educate the community on the value and importance of natural areas and biodiversity, and encourage community involvement in caring for our natural environment</p> <p>E2 Improve water quality for beaches, lakes, and waterways including minimising pollutants and preventing litter entering our waterways</p> <p>E3 Reduce littering, minimise waste to landfill and educate to strengthen positive environmental behaviours</p> <p>E4 Incorporate renewable energy and energy efficiency in future design and planning, and ensure responsible use of water and other resources</p>
 <p>Cherished and protected natural beauty</p>	<p>F1 Protect our rich environmental heritage by conserving beaches, waterways, bushland, wildlife corridors and inland areas, and the diversity of local native species</p> <p>F2 Promote greening and ensure the wellbeing of communities through the protection of local bushland, urban trees, tree canopies and expansion of the Coastal Open Space System (COSS)</p> <p>F3 Improve enforcement for all types of environmental non-compliance including littering and illegal dumping, and encourage excellence in industry practices to protect and enhance environmental health</p> <p>F4 Address climate change and its impacts through collaborative strategic planning and responsible land management and consider targets and actions</p>

Green





15 Actions / Measures / Projects





Operational Plan 2020-21 Performance

Delivery Program	Reference	Operational Plan Action / Measure / Project	Timeline / Target	Status	Comment
Waste and Resource Recovery					
Increased waste avoidance and diversion of domestic waste from landfill	E.01.2020-21	Implementation of actions from the Central Coast Waste Strategy, focused on waste avoidance and resource recovery strategies	30/06/30		Key activities for the quarter include development of the contract plan and contract specifications for Food Organics Garden Organics, commenced the internal waste review to reduce waste and create efficiencies in Councils operations, completed the community recycling centre at Buttenderry Waste Facility to deal with problem waste, and implemented a pilot trial for kerbside soft plastics collection.
Expand the diversion of domestic waste from landfill through increased resource recovery resulting in environmentally responsible waste collection services	E.02.2020-21	Percentage of household waste diverted from landfill	>40% diversion		YTD diversion rate of 41%. Key activities for the quarter include 6T of soft plastics diverted from landfill as part of the kerbside soft plastics pilot project, 1000T of seaweed and seagrass undergoing composting, and over 600T of scrap metal sold.
Libraries and Education					
Environmental education programs to increase knowledge of (issues impacting) coastal areas, lakes, catchment area and conservation	E.03.2020-21	Number of Environmental Education programs (estuary, resilience, sustainability, general environmental education) delivered	10 programs		A total of 10 environmental education programs have been delivered across the subjects of biodiversity, resilience, and water conservation. These programs have reached businesses, early childhood education, schools, general community and internal attendees. They will continue to be delivered throughout






Green

Delivery Program	Reference	Operational Plan Action / Measure / Project	Timeline / Target	Status	Comment
					the rest of the financial year to provide further learning opportunities to the community.
Community Education programs focused on increasing community awareness and instilling behaviour change around sustainable living including, waste avoidance and reduction and re-use / recycle concepts	E.04.2020-21	Number of new community education programs specifically targeting litter, up-cycling and green living delivered	4 programs		KPI completed with four new education programs developed and delivered specifically targeting litter, up cycling and green living. These included webinars, Plastic free July, YouTube videos on up-cycling, booklets for Keep the Coast Clean. These will continue to be rolled out over the remainder of the year
Education Programs focused on increasing community awareness and instilling behaviour change around sustainable living including, waste avoidance and reduction and re-use/ recycle concepts	E.05.2020-21	Number of attendees at environmental education programmed activity	3,125 attendees		YTD there have been 2,602 people participate in environmental education programmed activities. On track to meet target.
Environmental Management					
Regular operation wrack and algae collection (and other equipment under contract) in near-shore zones of Tuggerah Lakes	E.06.2020-21	8,000m3 of floating wrack and macro algae removed from the Tuggerah Lakes Estuary annually	100% collection		1,478m3 of wrack and algae were collected in Quarter 3. YTD tracking at 5,817m3 which is slightly below the KPI target.
Identify future opportunities to increase participation in Landcare	E.07.2020-21	Commence implementation of actions from the adopted Landcare Program	30/06/21		Implementation of Action Items from adopted strategy have commenced, with completion of actions 1-4: 1. Change Council's environmental volunteering program title to the Central Coast Council Environmental Volunteer Program. 2. Provide 4 sub-programs, in order of priority being: i. Conservation program ii. Technical program

Green

Delivery Program	Reference	Operational Plan Action / Measure / Project	Timeline / Target	Status	Comment
					iii. Short-term volunteer program iv. Amenity program. 3. Continue to develop, and periodically review, procedures to support the program. 4. Ensure the Site Strategy or Plan for each group is compliant with current policy, legislation, and is reviewed at least every 2 years. The completion of the remaining actions may be delayed as they are linked to staff and budget resourcing, which have been impacted by Council's financial recovery process.
To identify high priority conservation value lands within the CCC LGA to: a) preserve and enhance local and regional biodiversity b) invest in generating biodiversity credits on Council land that: i. serve as a valuable financial commodity for Council ii. enable progression of priority Council projects under the Biodiversity Offset Scheme c) expand and strengthen the COSS network	F.01.2020-21	Commence implementation of actions from adopted Biodiversity Strategy	30/06/21		The implementation of actions from the adopted Biodiversity Strategy has progressed by prioritising actions that can be delivered by Council through existing staff resources. Elements of the strategy have been required to be temporarily delayed.
Review existing Coastal Zone and Estuary Management Plans as required by new Coastal Management Act	F.02.2020-21	Complete scoping studies and commence development of new Coastal Management Programs (CMPs) – as required by new Coastal Management Act	30/06/21		Hawkesbury-Nepean River CMP Stage 2 grant application submitted and 2:1 funding approved. Stage 2 studies to commence in Q4. Open Coast and Coastal Lagoons CMP Stage 1 Scoping Study complete.

Green

Delivery Program	Reference	Operational Plan Action / Measure / Project	Timeline / Target	Status	Comment
					<p>Stage 2 grant application under development.</p> <p>Tuggerah Lakes CMP Stage 1 Scoping Study nearing completion. Stage 2 grant application to follow in Q4 2020-21 / Q1 2021-2022.</p> <p>The first phase of stakeholder and community consultation including a region wide survey on Central Coast's waterways and CMPs has been launched on the Your Voice Our Coast page. This consultation closes on Tuesday 25 May 2021.</p>
Strategic Planning					
Climate Change Adaptation	E.08.2020-21	Develop the Climate Change Action Plan	30/06/21		Due Council's financial recovery process this project has been put on hold.
Enable sustainable urban development that values energy efficiency, heritage, local character, the environment, transport, safety and liveability	F.03.2020-21	Adopt and commence implementation of the Sustainability Strategy	30/06/21		Due Council's financial recovery process this project will be deferred to future years.
Mitigate the impacts of climate change on the regions, coastal ecosystems, infrastructure, health, agriculture, and biodiversity	F.04.2020-21	Adopt and commence the implementation of the Greener Places Strategy	30/06/21		Due Council's financial recovery process this project has been put on hold.
Facilities Asset and Energy Management					
Reducing Council's energy cost, improve energy productivity and reduce Council's greenhouse gas emissions	E.09.2020-21	Installation of solar power systems on Council assets	30/06/21		Slightly delayed, but completion likely to be end of May 2021.
Reducing energy cost, improve energy productivity and reduce	E.10.2020-21	Percentage of greenhouse gas emissions	65% reduction by 31/12/22		Significantly impacted by proposed organisational structure, lack of resources and financial situation

Green

Delivery Program	Reference	Operational Plan Action / Measure / Project	Timeline / Target	Status	Comment
Council's greenhouse gas emissions	E.11.2020-21	Develop a set of guidelines to ensure the design and operation of Council assets is energy efficient	30/06/21		Resource constraints have impacted the release of an EOI for energy procurement. The EOI is scheduled to be released in April 2021

Responsible

We are a **responsible** council and community, committed to building strong relationships and delivering a great customer experience in all our interactions.

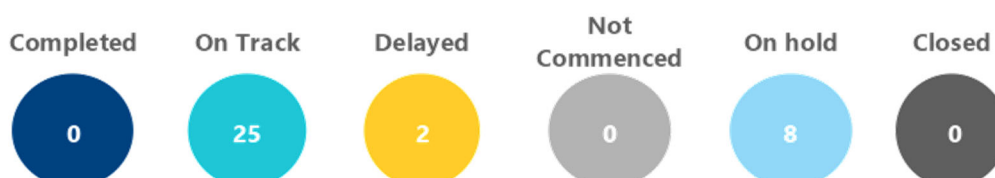
We value transparent and meaningful communication and use community feedback to drive strategic decision making and expenditure, particularly around the delivery of essential infrastructure projects that increase the safety, liveability and sustainability of our region.

We are taking a strategic approach to ensure our planning and development processes are sustainable and accessible and are designed to preserve the unique character of the coast.

Focus Area	
 <p>Good governance and great partnerships</p>	<p>G1 Build strong relationships and ensure our partners and community share the responsibilities and benefits of putting plans into practice</p> <p>G2 Communicate openly and honestly with the community to build a relationship based on transparency, understanding, trust and respect</p> <p>G3 Engage with the community in meaningful dialogue and demonstrate how community participation is being used to inform decisions</p> <p>G4 Serve the community by providing great customer experience, value for money and quality services</p>
 <p>Delivering essential infrastructure</p>	<p>H1 Solve road and drainage problem areas and partner with the State Government to improve road conditions across the region</p> <p>H2 Improve pedestrian movement safety, speed and vehicle congestion around schools, town centres, neighbourhoods, and community facilities</p> <p>H3 Create parking options and solutions that address the needs of residents, visitors and businesses</p> <p>H4 Plan for adequate and sustainable infrastructure to meet future demand for transport, energy, telecommunications and a secure supply of drinking water</p>
 <p>Balanced and sustainable development</p>	<p>I1 Preserve local character and protect our drinking water catchments, heritage and rural areas by concentrating development along transport corridors and town centres east of the M1</p> <p>I2 Ensure all new developments are well planned with good access to public transport, green space and community facilities and support active transport</p> <p>I3 Ensure land use planning and development is sustainable and environmentally sound and considers the importance of local habitat, green corridors, energy efficiency and stormwater management</p> <p>I4 Provide a range of housing options to meet the diverse and changing needs of the community and there is adequate affordable housing</p>

Responsible


35 Actions / Measures / Projects









Operational Plan 2020-21 Performance

Delivery Program	Reference	Operational Plan Action / Measure / Project	Timeline / Target	Status	Comment
Waste and Resource Recovery					
Provide a reliable, safe, cost effective and environmentally responsible domestic waste collection to the Central Coast region	G.01.2020-21	Percentage of waste bins collected on the scheduled date	>99% collected		>99% of domestic waste collection services completed on the scheduled days for the quarter. Challenges for the quarter included service delivery on public holidays and road closures during the March floods.
Leisure Beach Safety and Community Facilities					
Develop a coordinated approach towards implementation and ongoing management of security measures across Council's facilities / assets	G.02.2020-21	Implement Year 1 recommendations from the CCTV strategy	30/06/21		CCTV strategy finalised and Year 1 recommendations being implemented.
Maintain good governance practice for Council's leasing and licensing portfolio.	G.03.2020-21	Percentage of all leases and licences commencing due diligence process within a week of the original request	100% completed		100% of target being met. Community leases progressing and due diligence completed within the one-week target timeframe.
Strategic Planning					
Build Council and community capacity to manage disaster	G.04.2020-21	Adopt and Implement of the Disaster Resilience Strategy	30/12/21		Due to Council's financial recovery process this project has been put on hold.
Comprehensive Local Environment Plan	I.02.2020-21	Prepare a draft Central Coast Housing Strategy	30/06/21		Appointment of HillPDA to undertake Stage 1 (Discussion Paper) due to be completed by 30 June





Responsible

Delivery Program	Reference	Operational Plan Action / Measure / Project	Timeline / Target	Status	Comment
					2021. Strategy work proposed to roll over into 2022.
	I.03.2020-21	Prepare a Central Coast Employment Land Audit and Strategy	30/6/21		Draft Study and Strategy received from consultant (HillPDA) and being internally review. Proposed to roll over into 2022.
	I.04.2020-21	Develop a Heritage Strategy by December 2020	30/06/21		Relates to I.05.2020-21 and I.06.2020-21 Completion of final Heritage Strategy and Action Plan deferred to 2022 or 2023.
	I.05.2020-21	Develop a Heritage Action Plan by December 2020	30/06/21		Draft gap analysis received and referred to Heritage NSW to comply with grant requirements. Recommendations will form part of I.04.2020-21.
	I.06.2020-21	Commence Heritage Review including new heritage nominations for the Comprehensive Local Environmental Plan	31/12/21		Draft nomination, conservation and landscape framework received and referred to Heritage NSW to comply with grant requirements. Recommendations will form part of I.04.2020-21.
Improved social and economic opportunities in the rural areas of the central coast	I.07.2020-21	Prepare and deliver a draft Rural Lands Audit and Strategy to Council for the Central Coast Region	30/06/21		Deferred for completion in 2022 or 2023. Pending available staff resources and budget.
Enable sustainable urban development that values energy efficiency, heritage, local character, the environment, transport, safety and liveability	I.08.2020-21	Commence development of a Landscape Design Guideline	30/06/21		Draft discussion paper has been completed and circulated to internal stakeholders for feedback. Preparation of the draft document has commenced.

Responsible

Delivery Program	Reference	Operational Plan Action / Measure / Project	Timeline / Target	Status	Comment
Meet legislative and business requirements	G.14.2020-21	Complete Council's Integrated Planning and Reporting (IP&R) requirements including; quarterly reporting against the Operational Plan 2020-21, development of the Operational Plan 2021-2022, development of the Annual Report 2019-2020	30/06/21		IP&R activities are underway with quarterly reporting for Q3 commenced, the Annual Report 2019-2020 completed and available on Council's website, drafting of the draft Operational Plan 2021-2022 has commenced and will be going to the 27 April Council meeting for adoption to exhibit.
Economic Development and Property					
Provide beautiful well-tended places of rest available for the community and families	G.05.2020-21	Number of ash interments in Council's Cemeteries	109 ash interments		Council operated cemeteries conducted 10 ash interments this quarter and the Leased cemeteries conducted 18. This target is still on track to be achieved by the end of the financial year.
	G.06.2020-21	Number of burials in Council's Cemeteries	260 burials		Council operated cemeteries received 21 burials this quarter with the leased cemeteries receiving 37. This target is still on track to be achieved by the end of financial year.
Structural remediation plan	H.07.2020-21	Undertake structural remediation plans for Gosford City Carpark	30/06/21		On hold due to Council's financial recovery process.
	H.08.2020-21	Undertake Structural remediation plans for Terrigal Wilson Carpark	30/06/21		On hold due to Council's financial recovery process.
Increased utilisation of parking station	H.09.2020-21	Implement pricing strategy for Gosford City Carpark	30/06/21		The pricing strategy for Gosford City Carpark has been implemented and loaded into the draft fees and charges for 2021-2022.







Responsible

Delivery Program	Reference	Operational Plan Action / Measure / Project	Timeline / Target	Status	Comment
Better visibility of parking availability in Gosford	H.10.2020-21	Integrate the available spaces at Gosford City Carpark into the ParkSpot App	30/06/21		The integration of available spaces at Gosford City Carpark is considered integral in improving the visibility of parking in Gosford. Work is underway to develop platforms to enable the use of a Parking App to achieve this strategy. This strategy however has been placed on hold due to Council's financial recovery process.
Better visibility of parking availability in Terrigal	H.11.2020-21	Integrate the available spaces at Terrigal, Wilson Road Carpark into the ParkSpot App	30/06/21		The installation of the vehicle counting system at Wilson Street, Terrigal Carpark is nearing completion. This will also provide a programming solution for integration into the Parking App to inform users of available spaces, which is currently being tested.
Optimise the usage of the Baker Street Car Park for visitors to the Gosford City Centre	H.12.2020-21	Average Occupancy rates for business hours - Monday to Friday	60% occupancy		The average occupancy rates for business hours - Monday to Friday at Gosford City Carpark has been significantly impacted by COVID-19 restrictions, resulting in reduced utilisation. Staff will be developing a communications plan to advertise availability and attract new customers. Council's financial position has temporarily delayed this strategy.
Create car park options and solutions for the Central Coast	H.13.2020-21	Continue implementation of Central Coast Carpark Study	30/06/21		Final Council report with results of the public exhibition of the Central Coast



Responsible

Delivery Program	Reference	Operational Plan Action / Measure / Project	Timeline / Target	Status	Comment
					Carpark study and implementation plan going to Council on 13 April 2021 for adoption.
Governance and Risk					
An Enterprise Risk Management Framework (ERMF) for Central Coast Council that is consistent with ISO 31000 - 2009 Risk management – principles and Office of Local Government guidelines	G.07.2020-21	Maintain and improve the Enterprise Risk Management framework	30/06/21		An Enterprise Risk Management Framework consistent with AS ISO 31000 2018 is in place. A supporting work program is also in place and is being followed. The risk register has been updated to reflect the new organisational structure.
Community confidence that Central Coast Council is managed in the community's best interests	G.08.2020-21	Provide a professional development program for the Mayor and Councillors as required by the Local Government Act	30/06/21		This is currently on hold due to the suspension of Central Coast Councillors
Ensure compliance with the statutory requirement and promote transparency and accountability	G.10.2020-21	Number of non-compliances with legislative compliance requirements	0 non-compliances		There was a total of 5 items due in Quarter 3 and all were completed on time.
Support Councillors in effective decision making and promote transparency and accountability	G.12.2020-21	Percentage of Council resolutions actioned within agreed timeframes	90%		8% of actions were open and overdue at the end of the quarter.
	G.13.2020-21	Percentage of Council matters considered in confidential session	< 5% considered		No items were considered in confidential session this quarter.
Environmental Compliance and Systems					
An Environmental Management System (EMS) for Central Coast Council that is consistent with AS/NZ ISO 14001:2016	G.09.2020-21	An Environmental Management System for Central Coast Council that is consistent with AS/NZ ISO 14001:2016	30/06/21		EMS System development continues in line with Operational Plan target. It is noted that a number of amendments to the 2020-22 EMS Audit Plan have been made

Responsible

Delivery Program	Reference	Operational Plan Action / Measure / Project	Timeline / Target	Status	Comment
					in response to Council's financial recovery process.
Ensure compliance with the statutory requirement and promote transparency and accountability	G.11.2020-21	Number of Environment Protection License non-compliances	Reduction in Number		Quarter 3 saw the 95% target reached, with 96% of EPA reports submitted within the 7day required timeframe. This was 1.5% down on Quarter 2.
Roads and Drainage Infrastructure					
Expansion and upgrade of the drainage network across the Central Coast to reduce flooding, improve stormwater management, and maintain accessibility around the Central Coast	H.01.2020-21	Kilometres of drainage infrastructure constructed each year (subject to historic funding levels)	2.7 kilometres		Council has constructed 2.0 kilometres of drainage infrastructure. The drainage program remains on track to meet the corporate target by 30 June 2021.
Region wide improvement to road pavement condition to ensure long term sustainability of the road network and to support economic growth	H.02.2020-21	Kilometres of road pavement to be renewed each year	15 kilometres		Council has renewed 9.6 kilometres of road pavement. The road renewal program remains on track to meet the corporate target by 30 June 2021.
	H.03.2020-21	Kilometres of road resurfacing to be renewed each year	20 kilometres		Council has resurfaced 14.8 kilometres of the road network. The road resurfacing program remains on track to meet the corporate target by 30 June 2021.
Region wide improvements to bus stop infrastructure to improve access to public transport and ensure legislative compliance	H.04.2020-21	Number of bus stops upgraded to meet Disability Discrimination Act (DDA) compliance each year	23 bus stops		Council has upgraded 13 bus stops. The bus stop capital works program remains on track to meet the corporate target by 30 June 2021.
Region wide improvements to	H.05.2020-21	Kilometres of kerb and gutter	5.5 kilometres		Council has constructed 5.3

Responsible

Delivery Program	Reference	Operational Plan Action / Measure / Project	Timeline / Target	Status	Comment
kerb and gutter infrastructure to improve access to public transport and ensure legislative compliance		constructed each year			kilometres of kerb and gutter. The kerb and gutter capital works program remain on track to meet the corporate target by 30 June 2021.
Engineering Services					
Capital expenditure projects are completed as planned	H.06.2020-21	Percentage of Roads Transport Drainage and Waste capital expenditure projects completed within scope and budget annually	90% completed		313 projects were originally planned for construction in the 2020-21. However, the total number of projects has been reduced due to a significant reduction in budget to support the financial recovery. Based on the reduced budget, 145 projects are now forecast for completion this financial year with the remainder deferred to future financial years. Of the remaining projects, 103 projects have been completed and a further 20 projects have commenced. The current program is on track for completion by 30 June 2021.
Environmental Management					
Complete Flood Studies and Floodplain Risk Management Plans in consultation with the community	I.01.2020-21	Complete and revise the following flood studies and floodplain risk management plans (in accordance with priorities and approved budget allocations): Lake Macquarie Overland Flood Study (OFS), Wallarah Creek floodplain risk management study and plan (FRMSP), Ourimbah Creek floodplain risk management study	30/06/21		Killamey Vale / Long Jetty Floodplain Risk Management Study and Plan was adopted by Council. Lake Macquarie Overland Flow Study is being finalised by Consultant. Northern Lakes Public Exhibition is complete. There may be a requirement for another run of the model, which may delay the project. Flood Gauging Network Audit for the

Responsible

Delivery Program	Reference	Operational Plan Action / Measure / Project	Timeline / Target	Status	Comment
		and plan (FRMSP), Wyang River floodplain risk management study and plan (FRMSP), Coastal Lagoons Overland Flood Study (OFS), Killarney Vale / Long Jetty floodplain risk management study and plan (FRMSP), Brisbane Water Catchment Overland Flood Study (OFS)			North is complete. Davistown Empire Bay Floodplain Risk Management Study and Plan project is on track. The Public Exhibition resulted in some comments from the residents which may require further consultation prior to finalising the report and adoption by Council.

Liveable

Creating a **liveable** community means striking a balance between projects that support infrastructure development and others that enhance our quality of life.

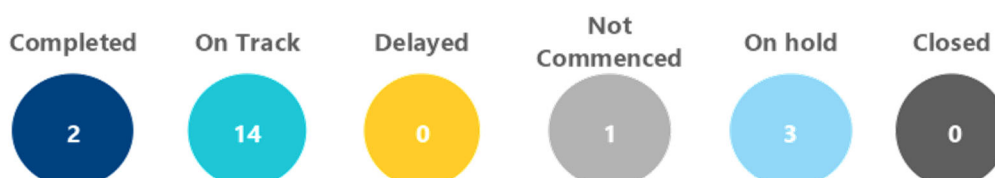
We are activating public spaces, increasing access to beaches and green spaces, and delivering a range of amenities – like walking and cycling routes, playgrounds and sports facilities – that promote healthy living and enjoyment of the natural world.

Reliable public transport is key to keeping our growing population mobile, so we are focused on enhancing train, bus and ferry networks, as well as improving the commuter experience.

Focus Area	
 <p>Reliable public transport and connections</p>	<p>J1 Create adequate, reliable and accessible train services and facilities to accommodate current and future passengers</p> <p>J2 Address commuter parking, drop-off zones, access and movement around transport hubs to support and increase use of public transport</p> <p>J3 Improve bus and ferry frequency and ensure networks link with train services to minimise journey times</p> <p>J4 Design long-term, innovative and sustainable transport management options for population growth and expansion</p>
 <p>Out and about in the fresh air</p>	<p>K1 Create a regional network of interconnected shared pathways and cycle ways to maximise access to key destinations and facilities</p> <p>K2 Design and deliver pathways, walking trails and other pedestrian movement infrastructure to maximise access, inclusion and mobility to meet the needs of all community members</p> <p>K3 Provide signage, public facilities, amenities and playgrounds to encourage usage and enjoyment of public areas</p> <p>K4 Repair and maintain wharves, jetties, boat ramps and ocean baths to increase ease of access and enjoyment of natural waterways and foreshores</p>
 <p>Healthy lifestyle for a growing community</p>	<p>L1 Promote healthy living and ensure sport, leisure, recreation and aquatic facilities and open spaces are well maintained and activated</p> <p>L2 Invest in health care solutions including infrastructure, services and preventative programs to keep people well for longer</p> <p>L3 Cultivate a love of learning and knowledge by providing facilities to support lifelong learning</p> <p>L4 Provide equitable, affordable, flexible and co-located community facilities based on community needs</p>

Liveable






20 Actions / Measures / Projects









Operational Plan 2020-21 Performance

Delivery Program	Reference	Operational Plan Action / Measure / Project	Timeline / Target	Status	Comment
Roads and Drainage Infrastructure					
Expansion and upgrade of the shared path and footpath network to improve public safety and provide access to city centres, transport hubs, commercial precincts and other priority areas	K.01.2020-21	Kilometres of shared path and footpath constructed each year	5 kilometres		Council has constructed 4.9 kilometres of shared path and footpath. The pathway capital works program remains on track to meet the corporate target by 30 June 2021.
Community and Culture					
Improve Council's commitment and approach to designing inclusive and liveable communities	L.01.2020-21	DIAP LC.006: Promote CCC community funding programs to assist local organisations to access funding to increase opportunities for inclusion and infrastructure enhancements	30/06/21		Council's Community Grants Program remains suspended for 2020-21 and a modified program will reopen in 2021-2022.
Leisure Beach Safety and Community Facilities					
To increase transparency on Council's decision making for leasing and licensing of facilities, contributions to community groups through subsidised rent and building outgoings	L.02.2020-21	Implement Year 1 recommendations from the Community Facilities Review, including the Facilities Leasing and Licensing Policy	30/06/21		New lease template developed and aligned to the now completed Facilities Leasing and Licensing Policy. Draft Portfolio Plan completed, which plans for new facilities linked to population growth and the potential to rationalise existing community facilities that may be at the





Liveable

Delivery Program	Reference	Operational Plan Action / Measure / Project	Timeline / Target	Status	Comment
					end of their asset lifecycle.
To increase utilisation of community facilities by providing quality assets at affordable rates	L.03.2020-21	Percentage of assets inspected post booking and bond refunds are processed by bookings staff within one week, post event date	95% inspected		No casual or new bookings were taken in Quarter 3 for community halls due to COVID-19 and the necessary additional cleaning requirements. It is planned for casual bookings to begin 1 July 2021 in a phased approach.
	L.04.2020-21	Percentage of actions implemented from the Marketing Plan (Year 1) to improve the utilisation of community halls	95% implemented		Marketing Plan implementation on hold due to COVID-19 and casual bookings not yet being taken. It is planned for casual bookings to begin 1 July 2021 in a phased approach.
	L.05.2020-21	Number of annual bookings for community halls managed and administered	7,500 bookings		A total of 6,057 regular bookings of community halls were managed and administered in Quarter 3, with a total of 17,414 bookings YTD.
Efficient delivery of community facilities that meets the community needs	L.06.2020-21	Number of visitors attending the Gosford Olympic Pool	62,000 visitors		A total of 71,003 attendances during Quarter 3 and YTD attendance of 164,549 at Gosford Olympic Pool in lap swimming, learn to swim and squad programs.
	L.07.2020-21	Number of visitors attending the Wyong Olympic Pool	20,000 visitors		A total of 22,888 attendances during Quarter 3 and YTD attendance of 36,278 at Wyong Olympic Pool in lap swimming, learn to swim and squad programs. The Pool closes for the winter season from 31 March 2021.



Liveable

Delivery Program	Reference	Operational Plan Action / Measure / Project	Timeline / Target	Status	Comment
	L.08.2020-21	Number of visitors attending the Toukley Aquatic Centre	42,000 visitors		A total of 34,475 attendances during Quarter 3 and YTD attendance of 93,366 at Toukley Aquatic Centre in lap swimming, learn to swim and squad programs.
	L.09.2020-21	Number of visitors attending the Peninsula Leisure Centre	165,000 visitors		A total of 135,131 attendances during Quarter 3 and YTD 346,733 at Peninsula Leisure Centre in swimming, sports programs and health and fitness.
	L.10.2020-21	Number of visitors attending the Lake Haven Recreation Centre	42,000 visitors		A total of 29,377 attendances during Quarter 3 and YTD 92,637 at Lake Haven Recreation Centre in sports programs and health and fitness.
	L.11.2020-21	Number of visitors attending the Niagara Park Stadium	45,000 visitors		A total of 31,708 attendances during Quarter 3 and YTD 82,521 at Niagara Park Stadium in sports programs, dance classes and first aid course.
Libraries and Education					
Road Safety programs increase road safety awareness and planned behaviour change	L.12.2020-21	Number of Road Safety Education programs relating to road safety awareness delivered	8 programs		YTD there have been 7 projects delivered to the community. This quarter the final project has commenced which focuses on speed. This includes a traffic analysis of speed behaviour on an identified road and is a collaboration with RMS and the police. This is on track to be completed by June 2021.
Programs focused on increasing Community Safety,	L.13.2020-21	Number of Community Safety Education	5 programs		KPI completed with 5 Community Safety Education programs

Liveable

Delivery Program	Reference	Operational Plan Action / Measure / Project	Timeline / Target	Status	Comment
improving awareness and instilling behaviour change for responsible citizenship		programs delivered in topics such as responsible pet ownership, parking, personal and family safety, household safety, compliance			delivered covering topics such as responsible pet ownership, parking, personal and family safety, household safety and compliance. These programs will continue to be delivered throughout the year to increase learning opportunities for the community.
Provision of 8 education and care services for children aged 6 weeks to 6 years	L.14.2020-21	Number of families receiving education and care services	540 families		Centres have exceeded the target, with YTD 656 families in the community who have received education and care services.
	L.15.2020-21	Number of vulnerable children who receive inclusive opportunities to maximise their learning, development and wellbeing	60 children		Inclusive care provided to a total of 90 children who have high support needs and are classed as vulnerable. This exceeds the KPI target by 30.
Education Programs focused on increasing Community Safety, improving awareness and instilling behaviour change for responsible citizenship	L.16.2020-21	Number of attendees at community safety education program activities	1,000 attendees		YTD there have been a total of 697 attendees. These programs covered topics such as responsible pet ownership, parking, personal and family safety, household safety and compliance. On track to achieve target.
Road Safety programs increase road safety awareness and planned behaviour change	L.17.2020-21	Number of attendees at road safety education program activities	500 attendees		YTD there have been 409 attendees. These programs included Graduated Licensing Scheme, Child restraints, Zali Preschool Road Safety education, Hold My Hand, Road Safety for Seniors, Plan B, Road Safety

Liveable

Delivery Program	Reference	Operational Plan Action / Measure / Project	Timeline / Target	Status	Comment
					for Businesses and Speed. This is on track to achieve target.
Increased learning opportunities across all life stages through partnerships and provision of information	L.18.2020-21	Number of children aged 3-5 years receiving preschool program that attract start strong funding	405 children		At the end of Quarter 3 there were 538 children aged 3-5 years enrolled in care. This exceeds the target of 405.
Economic Development and Property					
Provide a premier venue for sports and entertainment on the Central Coast community	L.19.2020-21	Percentage of surveyed respondents that are either satisfied or very satisfied with the Central Coast Stadium overall in Customer Surveys.	67% satisfied		Due to COVID-19 regulations around the limited capacity of fans at the venue, the survey has not commenced.

Financial Overview

Financial Overview

This financial overview reports on Central Coast Council's performance as measured against its Operational Plan for 2020-2021 and covers the period from 1 July 2020 to 31 March 2021 (Q3).

Note that there may be some small rounding differences throughout this report as whole dollars are rounded to nearest thousand.

1.1 Operating Result

The year to date (YTD) operating result (excluding capital grants and contributions) is showing a favourable variance of \$52.8M, consisting of an actual surplus of \$34.3M compared to a budget deficit of \$18.5M.

The year to date (YTD) operating result (including capital grants and contributions) is showing a favourable variance of \$59.8M, consisting of an actual surplus of \$71.1M compared to a budget surplus of \$11.4M.

Financial Performance 2020-2021	YTD Actual \$'000	YTD Budget \$'000	YTD Variance \$'000	YTD Variance %	Original Budget \$'000	Q1 Annual Budget \$'000	Q2 Annual Budget \$'000	Q3 Proposed Adjustments \$'000	Proposed Full Year Annual Budget \$'000
Income (excluding capital income)	456,692	451,605	5,087	1.1%	551,037	542,890	546,181	(4,221)	541,960
Expenses	422,406	470,124	47,718	10.2%	564,434	657,991	653,572	(8,266)	645,306
Net operating result (excluding capital income)	34,286	(18,520)	52,806		(13,397)	(115,101)	(107,391)	4,045	(103,346)
Income from capital grants and contributions	36,856	29,895	6,961	23.3%	39,287	47,532	47,234	9,374	56,608
Net operating result (including capital income)	71,141	11,375	59,766		25,890	(67,569)	(60,157)	13,419	(46,738)

The above table is prepared in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) which requires Council to recognise the full year rates and annual charges for waste management when levied in July.

The YTD variances are explained in *Section 2.2 Operating Result* of this report.

1.2 Financial Situation

Council has started a number of measures to manage costs and increase income to address the situation and long-term financial sustainability including:

- Obtaining \$150M in bank loans – completed in December 2020.
- Major reduction in operating expenses.
- Reducing staff back to pre-amalgamation numbers from over 2,500 to under 2,000 – cost savings of \$31M.
- Reducing materials and contracts by \$22M.
- Ensuring infrastructure spending budget is capped at \$170M per year.
- Selling \$40-\$60M in underperforming assets.
- Raise rates through a Special Variation application to IPART.
- Reviewing current fees and charges.

Further adjustments to Council's 2020-2021 operating and capital budgets have been included in this Q3 budget review to address the financial situation.

Financial Overview

Conclusion of Forensic Audit

Council will continue to focus on implementing improvements in financial management and reporting following the conclusion of the legal and financial forensic analysis conducted by Clayton Utz.

The legal and financial analysis review did not identify any evidence that the Council's current liquidity issues or use of restricted funds in breach of the Local Government Act was the result of corrupt conduct.

Council engaged Clayton Utz on 26 October 2020, and Clayton Utz engaged KPMG to undertake a targeted forensic review of a sample fund to gain understanding of Council's financial accounting practices and adherence to the Office of Local Government Guidelines. Council's Domestic Waste Fund was selected as a sample fund.

Clayton Utz's findings did not identify any transactions that were not consistent with guidance provided by the Office of Local Government.

Clayton Utz further stated that having regard to the reviews completed it would be reasonable for Council to conclude that further investigation would be unlikely to disclose any new or additional reasons for its current financial circumstances. For this reason, no further forensic audit reports were recommended.

Summary of proposed Q3 budget amendments

Budget adjustments proposed to be adopted as part of the Q3 budget review include:

- Reduction of \$4.2M in operating income
 - (\$6.0M) reduction in Environmental Management Bio-certification scheme where forecast revenue will not be received in 2020-2021.
 - (\$0.4M) reduction in tipping fee income due to reduced tonnages being received at Waste facilities.
 - (\$0.2M) reduction in Theatre income forecasts as Council's theatres have only recently returned to full capacity following COVID restrictions.
 - \$1.0M increase in user fees and charges at Leisure Centres, Pools and Holiday Parks where usage and occupancy rates have continued to outperform budget expectations.
 - \$0.6M increase in a number of minor other revenue sources across Council.
 - \$0.4M increase waste services annual charges.
 - \$0.3M increase in pavement remediation funding.
- Increase of \$9.4M in capital income
 - \$16.2M increase in capital grant income largely in Infrastructure Services for road, bridges, shared pathway, drainage and traffic facility programs.
 - \$0.1M additional funding from other minor capital contribution programs.
 - (\$3.9M) reduction in non cash contribution forecast income.
 - (\$3.0M) reduction in S64 developer contribution forecast income.
- Reduction of \$8.3M in operational expenditure
 - \$9.7M reallocation of budget for restructuring costs to other lines of operating statement to mitigate the impact of unexpected and unplanned impacts such as unfunded storm event and flooding costs from February /March 2021, external loan restructuring costs, reduced recovery of internal costs such as plant and fleet and tipping expenses due to reduced capital works program and non-receipt of biocertification income.
 - \$1.7M reduction in materials and contracts as a result of continued expenditure control.
 - \$1.6M reduction in other expenses as a result of continued expenditure control.
 - (\$2.1M) reduced recovery of internal costs from capital works, including plant and fleet and tipping expenses due to the reduced capital works program which has an unfavourable impact on the operating result.
 - (\$1.5M) storm recovery costs from the flooding event in February this year.

Financial Overview

- (\$1.1M) increase in borrowing costs to recognise break costs and adjustment to interest budgets due to the early repayment of 3 sewer fund loans with a capital value of \$15.5M as approved by Council on 13 April 2021. Repayment funded by unrestricted funds in the sewer fund.

The proposed Q3 adjustments will move the Q3 approved operating deficit (excluding capital grants and contributions) from \$107.4M to an operating deficit (excluding capital grants and contributions) of \$103.3M.

Section 3.2 Proposed Operating Budget Amendments provides a detailed listing of proposed Q3 budget adjustments.

1.3 Capital Works

Council's capital works program adopted as part of the 2020-2021 Operational Plan totalled \$225.0M. The capital works program was reduced to \$170.3M as part of the Q1 and Q2 budget reviews.

Actual Q3 YTD capital expenditure is \$115.0M against the Q3 YTD budget of \$131.7M. The proposed Q3 capital works program decrease is \$7.1M.

For further details on the capital works program adjustments please refer to Section 3.3 Proposed Capital Budget Amendments.

The proposed Q3 capital works program of \$163.2M includes \$3.2M in Special Rate Variation (SRV) funded works in the former Wyong Local Government Area to address the infrastructure backlog and improve asset conditions.

1.4 Developer Contributions

The following section provides an update of Council's Developer Contributions levied under the *Environment Planning and Assessment Act 1979* (EPA) and the *Local Government Act 1993* (LGA) from 1 July 2020 to 31 March 2021. In the table below S7.4 refers to Planning Agreement income, s7.11 formerly referred to as s94 Developers Contributions and s7.12 formerly referred to as s94A Developer Contributions.

Summary of Cash Contributions

Contribution Type	YTD Budget	7.4 Planning Agreement YTD Income	Developer Contribution YTD Income	Total YTD Income	Variance to YTD Budget
	\$'000	\$'000	\$'000	\$'000	\$'000 + = Favourable - = Unfavourable
s7.4 and s7.11 income (exc drainage) - General Fund	5,471	-	6,702	6,702	1,231
s7.4 and s7.11 Drainage Income	1,102	-	767	767	(334)
s7.12 income	1,010	-	441	441	(569)
Total EPA Developer Contributions	7,583	-	7,910	7,910	327
s64 Water Income - Water Fund	2,665	-	2,067	2,067	(598)
s64 Sewer Income - Sewer Fund	3,269	-	2,263	2,263	(1,006)
Total LGA Developer Contributions	5,934	-	4,330	4,330	(1,604)
Total Non Cash Contributions	2,644	-	640	640	(2,004)
Total	16,160	-	12,880	12,880	(3,280)

Financial Overview

A proposed budget reduction of \$3.0M is included in this Q3 budget review for s64 water and sewer developer contributions, where actual income received is trending below budget forecasts. It is difficult to forecast development activity and as the contributions are capital income they do not impact the operating result of Council.

Non-Cash Contributions

Council allows developers under Works-In-Kind Agreements to dedicate assets (works or land that has been identified in a contribution plan) in lieu of making cash contributions. Where the value of the assets dedicated exceeds the developer contributions owed, a developer credit is recognised. The developer credits are available to offset future developer contributions.

Restricted Asset Developer Contributions

Council currently has a restricted asset totalling \$181.2M, which represents the developer contributions received with interest income that has not yet been spent as at 31 March 2021. The movements from 1 July 2020 to 31 March 2021 are as follows:

Contribution Type	Opening Restricted Asset Value 1 July 2020	YTD Income	YTD Expenditure	YTD Interest Allocation	Current Restricted Asset Value 31 March 2021
	\$'000	\$'000	\$'000	\$'000	\$'000
s7.11 General Fund	93,434	6,702	(656)	914	100,394
s7.11 Drainage Fund	34,583	767	(443)	275	35,182
s7.12 Contributions	17,526	441	(1,008)	151	17,111
Total	145,543	7,910	(2,107)	1,341	152,687
7.4 Planning Agreement Total	5,574	-	-	45	5,619
s64 Water	27,529	2,067	(26,170)	186	3,612
s64 Sewer	20,032	2,263	(3,251)	227	19,270
S64 Total	47,560	4,330	(29,421)	413	22,882
Total	198,677	12,240	(31,528)	1,799	181,188

Developer Credits – Non-Cash Contributions

Council's current unfunded liabilities (non cash contributions) total \$5.7M as at 31 March 2021. This includes s7.11 credits totalling \$5.3M and s64 credits totalling \$0.4M.

A summary of the movement in non cash contributions from 1 July 2020 to 31 March 2021 is provided below.

Summary of Developer Credits	
	\$'000
Opening Balance 1 July 2020	6,314
Contributed Assets	-
Non Cash Contributions Utilised	(640)
Indexation	8
Refunds	-
Closing Balance 31 March 2021	5,682

Quarterly Budget Review

Quarterly Budget Review

2.1 Responsible Accounting Officer's Statement

Report by Responsible Accounting Officer

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

It is my opinion that the Quarterly Budget Review Statement for Central Coast Council for the quarter ended 31 March 2021 indicates that Council's projected financial position at 30 June 2021 will be unsatisfactory at year end because the forecast year-end consolidated operating result before capital amounts for Council is a loss of \$103.3M. The loss of \$103.3M includes one-off structural costs. Council is undertaking the following remedial actions: structural reduction in operating expenditure, seeking special rate variation approval from the Independent Pricing and Regulatory Tribunal, reducing capital expenditure, generating additional income and selling underperforming assets.

Natalia Cowley
Responsible Accounting Officer
13 May 2021

Quarterly Budget Review

2.2 Operating Result

The year to date (YTD) operating result (excluding capital grants and contributions) is showing a favourable, variance of \$52.8M, consisting of an actual surplus of \$34.3M compared to a budget deficit of \$18.5M.

The year to date (YTD) operating result (including capital grants and contributions) is showing a favourable variance of \$59.8M, consisting of an actual surplus of \$71.1M compared to a budget surplus of \$11.4M.

Council's focus continues to be on reducing expenditure, raising additional income, monitoring incoming cash flow, performing cashflow forecasts and ensuring more sustainable cash preservation. The recent adoption of a Long Term Financial Plan (LTFP) provides a model of future income and expenditure to give greater insights as to the trends affecting Council's financial future. The LTFP is a multi-faceted approach to address the liquidity issues and introduce structural changes aimed at ensuring the longer-term financial sustainability of Council operations.

The Annual Budget below is the original budget adopted by Council in July 2020, plus Q1 and Q2 adopted adjustments and is before proposed Q3 budget adjustments outlined in *Section 3.2 Proposed Operating Budget Amendments*.

Financial Performance 2020-2021	YTD Actual	YTD Budget	YTD Variance	YTD Variance	Q2 Annual Budget
	\$'000	\$'000	\$'000	%	\$'000
Income (excluding capital income)	456,692	451,605	5,087	1.1%	546,181
Expenses	422,406	470,124	47,718	10.2%	653,572
Net operating result (excluding capital income)	34,286	(18,520)	52,806		(107,391)
Income from capital grants and contributions	36,856	29,895	6,961	23.3%	47,234
Net operating result (including capital income)	71,141	11,375	59,766		(60,157)

The following sections provide more detail of the year to date results.

Income Analysis

Income (excluding capital income) as at 31 March 2021 is favourable to budget by \$5.1M (1.1%).

Income (including capital income) as at 31 March 2021 is favourable to budget by \$12.0M (2.5%).

Quarterly Budget Review

Income from Continuing Operations	YTD Actual	YTD Budget	YTD Variance	YTD Variance	Q2 Annual Budget
	\$'000	\$'000	\$'000	%	\$'000
Rates and Annual Charges	311,316	311,805	(489)	(0.2%)	332,242
User Charges and Fees	107,150	105,083	2,067	2.0%	143,420
Interest and Investment Revenue	4,367	3,308	1,060	32.0%	4,420
Other Revenues	10,887	9,840	1,046	10.6%	15,205
Grants and Contributions Provided for Operating Purposes	21,475	20,647	828	4.0%	49,972
Net Gains from the Disposal of Assets	1,497	922	575	62.4%	922
Income from continuing operations (excluding capital income)	456,692	451,605	5,087	1.1%	546,181
Grants and Contributions Provided for Capital Purposes	36,856	29,895	6,961	23.3%	47,234
Income from continuing operations (including capital income)	493,547	481,499	12,048	2.5%	593,415

Income variations compared to YTD budgets are explained below:

- Rates and Annual Charges – on track, with a minor variance of \$0.5M (or 0.2% of YTD budget). The variation primarily relates to a successful objection to a land valuation in the mining category that resulted in a reduction in rates income this financial year. This will be recovered via the Statement of Claim later in 2021.

A proposed favourable budget adjustment of \$0.4M is included in this Q3 budget review to align actual income in Waste Services to budget.

- User Charges and Fees – the favourable operating income variance of \$2.1M (or 2.0% of YTD budget) relates to the following areas of the business:
 - \$1.7M favourable variance in user charges and fees at Leisure Centres and Pools where usage has continued to exceed budget forecast.
 - \$0.7M favourable variance Development and Compliance related fees.
 - \$0.6M favourable Holiday Park Fees where occupancy has continued to exceed budget forecast.
 - \$0.4M favourable in Water and Sewer miscellaneous fees.
 - \$0.1M favourable in conveyancing certificate fee income.
 - \$0.1M favourable in environmental management miscellaneous fees.

The following income streams are trending unfavourable, with small year date variances :

- \$0.6M unfavourable in water usage charges as demand has been slightly below forecast year to date.
- \$0.2M unfavourable Childcare Fees.
- \$0.3M unfavourable tipping fee income due to a decrease in commercial waste volumes being received at waste facilities and an increase in the number of kerbside pick-ups and the use of skip bins.
- \$0.3M in trade waste user charges.
- \$0.2M unfavourable timing difference onsite sewer management fees.
- \$0.2M unfavourable theatre income
- \$0.1M unfavourable parking fee income at Baker Street car park Gosford.

Budget adjustments have been proposed as part of this Q3 budget review for the permanent variations to income, including Leisure Centre and Pools, Holiday Parks, Waste tipping fee income, Onsite Sewer Management fees and Theatres.

- Interest and Investment Revenue – is currently favourable to budget by \$1.1M (or 32.0% of YTD budget) and relates predominantly to unrealised gains on investments of \$0.9M. No budget adjustments are proposed to interest budgets in Q3 as the unrealised gains may not be a permanent variation. Please refer to section 2.4 Cash and Investments for further information on Council's cash management outcomes.

Quarterly Budget Review

- Other Revenues – the favourable operating income variance of \$1.1M (or 10.6% of YTD budget) YTD favourable variance relates to the following areas of the business:
 - \$0.4M favourable legal fees recovery on rates and annual charges. Recovery actions have recommenced post COVID.
 - \$0.3M favourable timing difference in diesel fuel rebates.
 - \$0.1M favourable insurance recoveries.
 - \$0.1M favourable event revenue at Central Coast Stadium.
 - \$0.1M favourable sales income at Leisure and Pool facilities.

Budget adjustments have been proposed as part of this Q3 budget review for the permanent variations to income, including legal costs recovered, event revenues and insurance recoveries.

- Grants and Contributions Provided for Operating Purposes – the favourable operating income variance of \$0.8M (or 4.0% of YTD budget) relates to a favourable timing difference for Environmental Management grant funding projects. A proposed budget reduction of \$6.0M is proposed in relation to Environmental Management Bio-certification scheme income that will not be received in 2020-2021. This has been offset by a budget reduction of the same amount in employee costs (transfer from restructuring costs budget).
- Gain on asset disposal - the YTD favourable variance of \$0.6M (or 62.4% of YTD budget) in gains on disposal are from the disposal of Plant and Equipment (P&E) items.
- Grants and Contributions Provided for Capital Purposes – the favourable capital income variance of \$7.0M (or 23.3% of YTD budget) relates to favourable variances in capital grants of \$11.0M partially offset by an unfavourable variance in capital contributions of \$4.1M. The capital grants variation relates to Woy Woy Town Centre Wharf Upgrade and Infrastructure Services projects; road rehabilitation and road upgrade works. A proposed budget adjustment of \$16.2M to recognise the movement in capital grant income is included in this Q3 budget review.

The unfavourable variance of \$4.1M in developer contributions is made up of \$1.9M s64 Water and Sewer contributions, \$0.2M s7.11 contributions and variation in miscellaneous capital contributions of \$2.0M. Developer contributions are difficult to predict as contributions received are based on external development activity. A \$3.0M reduction to developer contribution income and \$3.9M reduction in non cash contribution income are proposed in this Q3 review. As these are capital income they do not impact Council's operating result.

Budget amendments are proposed in sections 3.1 Income and Expense Budget Review Statement and 3.2 Proposed Operating Budget Amendments.

Expenditure Analysis

Operating expenditure as at 31 March 2021 is favourable to budget by \$47.7M (or 10.2% of YTD budget). This is as a result of targeted reductions in spending on materials and contracts and other expenses during Q2 and Q3 and the continuation of restructuring within Employee Costs that are scheduled to be finalised by 30 June 2021.

Expenses from Continuing Operations	YTD Actual	YTD Budget	YTD Variance	YTD Variance	Q2 Annual Budget
	\$'000	\$'000	\$'000	%	\$'000
Employee Benefits and On-costs	153,426	172,380	18,954	11.0%	252,087
Borrowing Costs	10,553	10,934	381	3.5%	16,572
Materials and Contracts {1}	68,053	82,983	14,931	18.0%	111,539
Depreciation and Amortisation	121,745	127,597	5,852	4.6%	171,606
Other Expenses	67,868	75,595	7,727	10.2%	101,132
Net Losses from the Disposal of Assets	761	635	(126)	(19.8%)	635
Total expenses from continuing operations	422,406	470,124	47,718	10.2%	653,572
{1} - Includes Internal Charges / Expenses					

Quarterly Budget Review

Operating expenditure variations compared to YTD budgets are explained below:

- **Employee Costs** – the favourable operating expenditure variance of \$19.0M (or 11.0% of YTD budget) in employee costs relates to a favourable YTD variation in restructuring costs of \$17.1M. \$45M was allocated in Q1 for organisational restructuring costs and this process will continue through to 30 June 2021. There is also a \$3.8M favourable variance in salaries and wages costs due to a reduction in employee numbers, that in turn creates a \$0.4M favourable variance in other employee expenses such as superannuation, payroll tax and medical costs. Overtime is unfavourable \$0.3M YTD and employee costs recovered from capital project unfavourable are \$2.1M due to the reduction in the capital works program.

A net budget reduction in Employee Costs of \$9.7M is proposed in this Q3 review to mitigate the impact of unexpected and unplanned events. \$3.6M is proposed to transfer to Materials and Contracts, \$1.1M to borrowing costs and \$6.0M to offset reduction in operating contribution income. (\$0.8M) has also been identified across the organisation in minor employee cost unfavourable adjustments.

- **Borrowing Costs** – currently on track, with a minor timing variance of \$0.4M (or 3.5% of YTD budget). On 13 April 2021 Council approved the early repayment of three Sewer fund loans with a capital value of \$15.5M. The repayments have now been completed (late April).

A proposed budget adjustment of \$1.1M to recognise the revised interest costs and break costs for the loans being repaid is included in this Q3 budget review, offset by a transfer of budget from employee costs and funded by unrestricted funds in the sewer fund.

- **Materials and Contracts** – the \$14.9M (or 18.0% of YTD budget) favourable operating expenditure variance is due to restraint on spending while maintaining delivery of essential services. All departments of Council have favourable YTD variances particularly in materials, contracts and consultants as spending at this time has been restricted to priority works.

Proposed budget reductions of \$1.7M in materials and contracts are included in this Q3 review as a result of continued expenditure control across the organisation. This is offset by a budget transfer from employee costs of \$3.6M in relation to reduced recovery of internal costs from capital works \$2.1M and unforeseen costs from the February / March storm and flooding event of \$1.5M. This results in a net proposed increase in Materials and Contract of \$1.9M in this Q3 budget review. Continued close scrutiny of all expenditure on Materials and Contracts will continue through to the end of the financial year.

- **Depreciation** – the \$5.9M (or 4.6% of YTD budget) favourable year to date variance is expected to be absorbed when the capitalisation of assets from WIP and review of asset useful lives continues up to 30 June 2021. A transfer of \$3.7M is proposed in this Q3 budget review from Depreciation expense to Loss on Asset Disposal to offset the impact of the write down of existing assets due to the completion and capitalisation of upgrade and renewal capital works.
- **Other Expenses** – the \$7.7M (or 10.2% of YTD budget) favourable operating expenditure variance is due to restraint on spending while maintaining delivery of essential services. Expenditure in this category includes information technology and communication costs, promotions and events, staff training and development costs, advertising, donations and contributions, insurances, electricity and street lighting, office consumables, postage, printing and subscriptions and memberships. Favourable YTD positions have been achieved in all of these items of expenditure. Proposed budget reductions of \$1.6M in Other Expense are included as part of this Q3 budget review. Continued close scrutiny of all expenditure on Other Expenses will continue.
- **Loss on asset disposal** – minor variation of \$0.1M that relates to water and sewer assets. A proposed budget adjustment of \$3.7M is included in this Q3 budget review which represents the book value write down of existing assets that have been upgraded and renewed that will be recognised prior to 30 June 2021, transferred from depreciation budget category.

Details of the proposed budget amendments are in *Sections 3.1 Income and Expense Budget Review Statement and 3.2 Proposed Operating Budget Amendments*.

Quarterly Budget Review

2.3 Capital Expenditure

Capital expenditure as at 31 March 2021 is favourable to budget by \$16.7M or 12.6% of YTD budget.

Council department	Original Budget	Adopted changes for Q1 and Q2	Proposed changes for Q3	Proposed Full Year budget	Actuals YTD- Mar 2021	Budget YTD - Mar 2021
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Chief Financial Officer	5,500	(2,245)	-	3,255	1,709	1,693
Chief Information Officer	21,750	(10,496)	-	11,254	9,393	10,587
Connected Communities	16,638	(9,326)	(1,031)	6,280	3,794	5,197
Environment and Planning	22,738	(1,769)	(2,786)	18,183	9,972	11,769
Innovation and Futures	6,313	(374)	43	5,982	5,608	5,939
Roads Transport Drainage and Waste	71,263	(10,479)	(3,315)	57,469	35,294	42,664
Water and Sewer	80,788	(20,032)	10	60,766	49,258	53,882
TOTAL	224,990	(54,721)	(7,080)	163,190	115,027	131,733

The proposed Q3 budget adjustment is a decrease of \$7.1M, resulting in a revised 2020-2021 full year capital works program of \$163.2M.

Significant changes to the capital works program include:

Reductions

- Sewer Pump Station upgrade – Tuggerawong - \$0.2M – project savings have been identified
- Installation of anti-terrorism vehicle mitigation at The Entrance - \$0.2M – project delayed due to availability of specialist product

Increases

- Implementation of a consolidated property and rating system - \$0.5M – program previously delayed and now proceeding with a revised timeline
- Critical sewer main rehabilitation program - \$1.5M – additional expenditure to increase scope, offset by other reductions within the sewer capital works program
- Shared pathway construction at Pacific Highway Lake Munmorah - \$0.4M – new project funded under the Active Transport Grant program.

Details of proposed capex adjustments for 2020-2021 can be found at *Section 3.3 Proposed Capital Budget Adjustments*.

Council has not purchased any assets for the quarter ended 31 March 2021 that are not already included in the current budget.

Stronger Communities Fund

The Stronger Communities Fund was established by the NSW Government to provide amalgamated councils with funding to kick start the delivery of projects that improve community infrastructure and services.

Council received \$10M of funding under the Stronger Communities Fund, including \$1.0M that was allocated in grants of between \$10,000 and \$50,000 to incorporated not-for-profit community groups, for projects that build more vibrant, sustainable and inclusive local communities.

Council has completed the majority of the projects funded under this grant program.

Quarterly Budget Review

Project	Funding from Stronger Communities Grants \$'000	Actual Spend \$'000	Balance remaining \$'000
Completed Projects			
Austin Butler Oval and Woy Woy Tennis Amenities Redevelopment	900	1,354	-
Children's Services - Playground Renovation/Upgrade - Umina	68	68	-
Children's Services - Playground Renovation/Upgrade - Niagara Park	55	70	-
Peninsula Leisure Centre – Starting Blocks and Electronic Timing System	135	181	-
Alan Davidson Oval Drainage and Irrigation System Installation	349	299	-
Terrigal CBD Traffic Flow Improvements	2,209	2,507	-
Avoca Beach Foreshore Protection Works Stage 1	2,808	2,864	-
Elfin Hill Road Foreshore Stabilisation	470	535	-
Augmentation of San Remo BMX facility	640	804	-
Community Grant Program	1,000	1,064	-
Total completed projects	8,633	9,746	-
Projects in progress			
Disability Matters	800	398	402
Access and Inclusion Upgrades to Community Facilities	580	577	3
Total projects in progress	1,380	974	406
Total Stronger Communities Fund projects	10,013	10,720	406

Quarterly Budget Review

Special Rate Variation (SRV) projects former Wyong Local Government Area

In June 2013, the former Wyong Shire Council was successful in gaining approval from the Independent Pricing and Regulatory Tribunal (IPART) for an SRV to address Council's infrastructure asset backlog within the former Wyong local government area.

When IPART approved the SRV one of the requirements was for Council to report on the results achieved from the use of these funds. The works undertaken will improve the condition of roads, bridges, footpaths, buildings, sports facilities and information management and technology assets to ensure they are 'satisfactory' in terms of being safe and fit for community and staff use.

Council determines a list of works to be undertaken on an annual basis with the SRV funds in accordance with its Asset Management Strategy. These works may change during the year due to factors such as changes in asset deterioration rates, weather conditions and alternate funding sources becoming available. In such cases other SRV projects may be brought forward from future years or alternate SRV projects may be completed. All changes are reported to Council and the community so there is full transparency to ensure the funds are being spent for the purpose they were raised.

Council originally adopted an SRV capital works program of \$6.2M for 2020-2021. After the proposed Q3 budget adjustment the SRV capital works program is \$3.2M.

Actual capital expenditure on SRV projects is \$2.8M as at 31 March 2021.

The table below details the progress of the 2020-2021 SRV projects for this quarter.

* for proposed budget change information please refer to *Section 3.3 Proposed Capital Budget Adjustments*.

Quarterly Budget Review

CSP Ref	Project	YTD Actual Spend \$'000	Approved Budget \$'000	Proposed Q3 Budget \$'000	Status
Green		5	108	5	
G034.2020-21	Upgrade of Asset Protection Zone at Watanobbi	5	108	5	Unable to deliver due to resource constraints
Responsible		2,601	2,917	2,738	
R15.2020-21	Lakedge Ave - Drainage Upgrade Stage 1	498	574	524	Scope reduced
Q1	Design and upgrade Nirvana Street and Stella Street intersection	3	6	6	Complete
R289.2020-21	Murrawal Road Road Upgrade with Drainage - Design	122	160	160	Partially deferred
R114.2020-21	Eloora Rd - Road Upgrade Stage 3	77	77	77	Project no longer proceeding at this time.
Q1	Evans Rd and Oleander Rd - Intersection Upgrade	15	15	15	Project complete
R312.2020-21	Fowlers Bridge - Timber Bridge Replacement	59	103	103	On Target
R78.2020-21	Kala Ave and Walu Ave - Road Upgrade Stage 1 and 2	654	825	680	Partially deferred
R16.2020-21	Lakedge Ave - Road Upgrade Stage 1	768	764	768	On Target
R113.2020-21	Eloora Rd - Drainage Upgrade Stage 3	13	13	13	Project no longer proceeding at this time.
R315.2020-21	Ocean Pde - Drainage Outlet Upgrade	392	380	392	Complete
Liveable		159	545	461	
L218.2020-21	Bill Sohler Ourimbah Tennis Facility resurfacing	34	100	34	Project completed under budget
Q1	Play space 20 year Renewal Program - design and construction of District Play Space at Wallarah Point Peace Park	1	1	1	Complete
Q1	EDSACC Masterplan. Program of rolling works projects to renew and upgrade the existing asset	20	21	21	Complete
Q1	Lake Munmorah District Skate Park Investigation and Design - Incl Carpark	103	200	200	On Target
Q2	Toukley Neighbourhood Centre - Roof replacement	-	150	150	On Target
Q2	East Gosford Potters - roof replacement	-	73	55	On Target
Total		2,764	3,570	3,204	

Quarterly Budget Review

2.4 Cash and Investments

Cash flows during the quarter were managed through maturities and investments in new term deposits and cash at call account, investments for the quarter recorded an increase of \$99.4M, and Council's transaction account recorded net cash outflow of \$95.3M.

Council's transactional bank accounts are reconciled daily whilst cash management and investment holdings are reconciled monthly. All accounts have been fully reconciled as at 31 March 2021.

Balances as at 31 March 2021 are shown below.

Cash and Investment Balances as at 31 March 2021	\$'000
Total cash on Hand (Transactional)	24,610
Cash at call – cash management	50,190
Investments in term deposits and floating rate notes	420,356
Total Investment Portfolio	470,546
Closing cash and investments	495,157

Council operates in accordance with approved investment policies that comply with s. 625 of the *Local Government Act 1993*, and cl. 212 of the *Local Government (General) Regulation 2005*. Investments are placed and managed in accordance with this policy and having particular regard to the Ministerial Investment Order issued February 2011 and Division of Local Government (as it was then known) Investment Policy Guidelines published in May 2010.

Council's investments (comprised of deposit accounts, floating rate notes and term deposits) continue to be conservatively managed to ensure that value is added to the fixed interest portfolio. The value of investment securities and call deposit accounts *excluding* transactional accounts, at 31 March 2021 was \$470.5M. YTD returns were 0.97%, which is above the BBSW benchmark of 0.93%. Total net return for the quarter ending March 2021 was \$1.14M consisting of interest earnings.

The investment portfolio is concentrated in AA above (35.47%), A (32.16%) and BBB (32.37%). The investments in AA are of a higher credit rating and BBB represented the best returns at the time of investment within Policy guidelines. Financial institutions issuing fixed income investments and bonds are considered investment grade (IG) if its Long-Term credit rating is BBB or higher by Standard and Poor (S&P).

Council continues to monitor the portfolio and manage investments taking into consideration credit ratings of financial institutions, interest rates offered for the maturity dates required and the amount of our investment portfolio already held with each financial institution.

Breakdown of the investment portfolio by investment class as at 31 March 2021:

Investment Class	Balance at 31 Mar 2021 \$'000
Cash at Call	50,190
Term Deposits including Floating Rate Notes (FRN)	420,356
Closing investment portfolio	470,546
YTD Returns	1,144
YTD Returns %	0.97%
Benchmark BBSW	0.93%

Quarterly Budget Review

Cash Flow Statement

Central Coast Council

Statement of Cash Flows

for the Quarter ended 31 March 2021

	Actual Q3 2020-21
\$'000	
Cash flows from operating activities	
<u>Receipts</u>	
Rates and Annual Charges	78,644
User Charges and Fees	24,771
Interest and Investment Income	813
Grants and contributions	14,955
Bonds& Deposit Amount Received	516
Other Revenues	39,635
<u>Payments</u>	
Employee Benefits and On cost	-66,960
Materials and Contracts	-15,701
Borrowing Costs	-3,169
Bonds& Deposit Amount Paid	-673
Other expenses	-39,160
Net cash provided (or used in) operating activities	33,673
Cash flows from Investing activities	
<u>Receipts</u>	
Sale of Investment Securities	88,705
Sale of Infrastructure, Property, Plant and Equipment	-24,569
<u>Payments</u>	
Purchase of Investment Securities	-188,120
Purchase of Infrastructure, Property, Plant and Equipment	1,099
Net cash provided (or used in) Investing activities	-122,885
Cash flows from Financing activities	
<u>Receipts</u>	
Proceeds from borrowing and advances	0
<u>Payments</u>	
Repayment of borrowing and advances	-6,087
Net cash provided (or used in) Financing activities	-6,087
Net increase/(decrease) in cash and cash equivalents	-95,299
Plus: cash and cash equivalents – beginning of period	119,910
Cash and cash equivalents – end of the Period	24,611
plus: Investments on hand – end of Period	470,546
Total cash, cash equivalents and investments	495,157

Quarterly Budget Review

2.5 Contracts and Other Expenses

Major Contracts

The following significant contracts were entered during Q3:

Contractor	Contract Detail and Purpose	Contract Value	Commencement Date	Duration of Contract	Budgeted (Y/N)
VDG Services	CPA/3260 - Town Centre Cleaning and General Services	\$3,365,545.52	1/02/2021	24 months	Y
Fulton Hogan	CPA/3554 - State Roads Resurfacing Projects 2020-2021 - LGP213-2	\$1,465,242.54	28/01/2021	5 months	Y
GCM Enviro Pty Ltd	CPA/3698 - Supply and Delivery one Landfill Compactor LGP419	\$1,163,865.00	29/01/2021	5 months	Y
Hunter H2O Pty Ltd	CPA/2904 - Bateau Bay Waste Water Treatment Plan Process Optimisation - Design - LGP1208-3	\$820,598.00	15/02/2021	24 months	Y
Concrete Skateparks Pty Ltd	CPA/3384 - Design and Construction Narara Skatepark	\$750,000.00	10/12/2020	7 months	Y
Barker Ryan Stewart Pty Ltd	CPA/3570 - Design for Intersection Upgrade - Ocean Beach Road and Rawson Road Woy Woy LGP1208-3	\$453,060.00	19/01/2021	12 months	Y
Precast Civil Industries Pty Ltd T/as BCP Precast	CPA/3295 - Road Drainage Reconstruction - Pre-cast Concrete Culverts - Louisiana Road, Hamlyn Terrace	\$281,385.00	26/03/2021	15 months	Y
ASCO Group (Aust) Pty Ltd	CPA/3242 - Design and installation of prefabricated amenities building - Sun Valley Park, Green Point - LGP308-3	\$277,885.50	20/01/2021	4 months	Y
SMEC Australia Pty Ltd	CPA/3429 - Closed Landfill Investigations - Garnet, Adcock, Memorial Park, Hylton Moore Oval and Frost Reserve - LGP1208-3	\$273,280.00	17/03/2021	7 months	Y
Mott MacDonald Australia Pty Ltd	CPA/3565 - Sewer Flow Gauging of Northern STP Catchments	\$243,150.00	15/01/2021	4 months	Y
Austek Constructions (trading as Austek Play)	CPA/3432 - Playspace Upgrade - John Peter Howard Reserve San Remo - LGP308.3	\$238,915.90	15/03/2021	3 months	Y

Quarterly Budget Review

Contractor	Contract Detail and Purpose	Contract Value	Commencement Date	Duration of Contract	Budgeted (Y/N)
GHD Pty Ltd	CPA/3624 - Water and Sewer Asset Revaluation 2020	\$229,929.00	28/01/2021	3 months	Y
ECS International Security and Investigations **	CPA/3310 - Town Centre Security Services at Terrigal and Woy Woy	\$228,607.75	21/12/2020	12 months	Y
Delcare Constructions Pty Ltd	CPA/3658 - Reinforced Concrete Base Slab for Culvert Installation - Louisiana Road Hamlyn Terrace	\$212,800.00	17/03/2021	3 months	Y
Gongues Constructions Pty Ltd	CPA/3061 - Filter Valve Replacement and Outlet Works, Mangrove Creek Dam	\$192,200.00	1/02/2021	4 months	Y
Kerroc Constructions Pty Ltd	CPA/2787 - Tuggerah 1 Reservoir Vale Pit Refurbishment	\$176,541.00	4/01/2021	6 months	Y
Jacobs Group (Australia) Pty Ltd	CPA/3693 - Central Coast Council IPART Proposal, Water and Sewer	\$150,000.00	4/03/2021	4 months	Y

** Note CPA/3310 was inadvertently omitted from Q2 reporting.

2.6 Consultancy and Legal Expenses

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

The following table shows operating expenditure year to date (YTD) for consultants and external legal fees.

Operating Expense	YTD Actual \$'000	Budgeted Yes/No
Consultants	6,232	Yes
Legal Fees	618	Yes

Quarterly Budget Review

Financial Schedules and Proposed Adjustments

3.1 Income and Expense Budget Review Statement

The table below outlines the impact of the proposed operating budget amendments and the projected year end result for the 2020-2021 financial year.

Consolidated Income Statement	March Year To Date				Proposed Q3 Position				
	Actuals \$'000	Budget \$'000	Variance \$'000	Variance %	Original Budget \$'000	Q1 Full Year Annual Budget \$'000	Q2 Full Year Annual Budget \$'000	Q3 Proposed Adjustments \$'000	Q3 Proposed Full Year Annual Budget \$'000
Operating Income									
Rates and Annual Charges	311,316	311,805	(489)	(0.2%)	335,480	332,242	332,242	440	332,682
User Charges and Fees	107,150	105,083	2,067	2.0%	142,812	141,803	143,420	432	143,852
Interest & Investment Revenue	4,367	3,308	1,060	32.0%	10,340	4,420	4,420	-	4,420
Other Revenue	10,887	9,840	1,046	10.6%	14,893	14,934	15,205	590	15,795
Operating Grants and Contributions	21,475	20,647	828	4.0%	47,512	49,491	49,972	(5,683)	44,289
Gain on Disposal	1,497	922	575	62.4%	-	-	922	-	922
Total Income Attributable to Operations	456,692	451,605	5,087	1.1%	551,037	542,890	546,181	(4,221)	541,960
Operating Expenses									
Employee Costs	153,426	172,380	18,954	11.0%	200,870	251,861	252,087	(9,668)	242,419
Borrowing Costs	10,553	10,934	381	3.5%	15,038	16,572	16,572	1,104	17,676
Materials & Contracts	68,053	82,983	14,931	18.0%	107,037	117,130	111,539	1,914	113,453
Depreciation and Amortisation	121,745	127,597	5,852	4.6%	141,732	171,606	171,606	(3,682)	167,924
Other Expenses	67,868	75,595	7,727	10.2%	99,756	100,821	101,132	(1,615)	99,517
Loss on Disposal	761	635	(126)	(19.8%)	-	-	635	3,682	4,317
Total Expenses Attributable to Operations	422,406	470,124	47,718	10.2%	564,434	657,991	653,572	(8,265)	645,307
Operating Result before Capital Amounts	34,286	(18,520)	52,806	(285.1%)	(13,397)	(115,101)	(107,391)	4,044	(103,346)
Capital Grants and Contributions	36,856	29,895	6,961	23.3%	39,287	47,532	47,234	9,374	56,608
Grants and Contributions Capital Received	36,856	29,895	6,961	23.3%	39,287	47,532	47,234	9,374	56,608
Net Operating Result	71,141	11,375	59,766	525.4%	25,890	(67,569)	(60,157)	13,418	(46,739)

This table forms part of Central Coast Council's quarterly budget review for the quarter ended 31 March 2021 and should be read in conjunction with sections 2.1 to 2.6 of this report.

Quarterly Budget Review

3.2 Proposed Operating Statement Budget Amendments

The following budget amendments are proposed as part of this Q3 budget review.

Proposed Operating Statement Budget Amendments	Impact by Major Account Category			
	Capital Revenue	Operating Revenue	Operating Expense	Operating Movement
	+ve Incr. (-ve) Decr. \$'000	+ve Incr. (-ve) Decr. \$'000	+ve Incr. (-ve) Decr. \$'000	Excluding Capital \$'000
Original budget	39,287	551,037	564,434	(13,397)
Q1 annual budget	47,532	542,890	657,991	(115,101)
Q2 annual budget	47,234	546,182	653,573	(107,391)
Proposed Adjustments Q3 Budget Review				
Annual Charges \$0.4M favourable Waste Services minor income adjustment of \$0.4M to align budget with actual income.		440		440
User Charges and Fees \$0.4M favourable Holiday Parks additional revenue to align to current occupancy rates - \$0.6M Leisure Centres and Pools additional revenue to align to current usage of the facilities - \$0.4M		432		432
Waste Services reduced income from tipping fees due to reduced tonnages being received at Waste facilities - (\$0.4M) Theatre income reduced as a result of COVID restrictions. Council's Theatres have only recently returned to operating at full capacity, so a reduction to forecast income has been proposed (\$0.2M)				
Other Revenue \$0.6M favourable Finance Unit increase to budget for legal costs recovered - offset by debt recovery costs. Credit management activities have recommenced post COVID \$0.5M Environment and Planning additional parking fine revenue \$0.2M Insurance recoveries increased \$0.1M		590		590
Partially offset by a small decrease in commercial property rent agreed to due to the impact of COVID (\$0.2M)				
Operating Grants and Contributions \$5.7M unfavourable Environmental Management Bio-certification scheme - revenue will not be received in 2020-2021. (\$6.0M) Partially offset by a small increase in pavement remediation funding \$0.3M		(5,683)		(5,683)

Quarterly Budget Review

Proposed Operating Statement Budget Amendments	Impact by Major Account Category			
	Capital Revenue	Operating Revenue	Operating Expense	Operating Movement
	+ve Incr. (-ve) Decr. \$'000	+ve Incr. (-ve) Decr. \$'000	+ve Incr. (-ve) Decr. \$'000	Excluding Capital \$'000
Original budget	39,287	551,037	564,434	(13,397)
Q1 annual budget	47,532	542,890	657,991	(115,101)
Q2 annual budget	47,234	546,182	653,573	(107,391)
Proposed Adjustments Q3 Budget Review				
Employee Costs \$9.7M favourable Reallocation of budget for restructuring costs to other lines of operating statement to cover unexpected and unplanned impacts such as unfunded storm event and flooding costs from February / March 2021 \$1.5M, external loan restructuring costs \$1.1M, reduced recovery of internal costs such as plant and fleet and tipping expenses due to reduced capital works program \$2.1M and non-receipt of biocertification income \$6.0M.			(9,668)	9,668
Borrowing Costs \$1.1M unfavourable To recognise break costs and adjustment to interest budgets due to the early repayment of 3 sewer fund loans with a capital value of \$15.5M as approved by Council on 13 April 2021. Repayment funded by unrestricted funds in the sewer fund.			1,104	(1,104)
Materials and Contracts \$1.9M unfavourable Reduced recovery of internal costs such as plant and fleet and tipping expenses due to reduced capital works program unfavourable impact (\$2.1M) Unplanned storm / flooding event costs (\$1.5M) Further reductions in material and contract expenditure across the organisation of \$1.7M, this is in addition to \$8M identified in Q2.			1,914	(1,914)
Depreciation \$3.7M favourable Realignment of forecast depreciation costs in 2020-2021 and transfer of \$3.7M to loss on disposal as a result of write down of existing assets that have been upgraded and renewed.			(3,682)	3,682
Gain/Loss on Disposal \$3.7M unfavourable Roads and Drainage - \$3.2M write down of existing asset values as a result of completion and capitalisation of upgrade and renewal capital works. Offset by a corresponding reduction in depreciation budget. Water and Sewer - \$0.5M write down of existing asset values as a result of completion and capitalisation of upgrade and renewal capital works. Offset by a corresponding reduction in depreciation budget.			3,682	(3,682)

Quarterly Budget Review

Proposed Operating Statement Budget Amendments	Impact by Major Account Category			
	Capital Revenue	Operating Revenue	Operating Expense	Operating Movement
	+ve Incr. (-ve) Decr. \$'000	+ve Incr. (-ve) Decr. \$'000	+ve Incr. (-ve) Decr. \$'000	Excluding Capital \$'000
Original budget	39,287	551,037	564,434	(13,397)
Q1 annual budget	47,532	542,890	657,991	(115,101)
Q2 annual budget	47,234	546,182	653,573	(107,391)
Proposed Adjustments Q3 Budget Review				
Other Expenses \$1.4M favourable				
Reduction in forecast budget due to reduced waste tonnages received at Waste facilities \$0.7M				
Reduction in event and promotional expenses \$0.6M				
Reduction in insurance expenses \$0.3M				
Reduction in street lighting costs \$0.3M				
Reduction in advertising of \$0.2M			(1,383)	1,383
Reallocation of budget from materials and contracts to other expenses in Information Technology Unit for software licence costs net (\$0.5M)				
Increase in Holiday Park commission and admin expenses due to increased occupancy rates (\$0.2M)				
Increase in bad and doubtful debt expense (\$0.1M)				
Capital Grants and Contributions \$9.4M favourable				
Increase in capital grant income largely in Infrastructure Services for road, bridges, shared pathway, drainage and traffic facility programs.				
Capital grants are not included in the budget until the grant agreement has been approved \$16.2M				
Additional funding from other minor capital contribution programs \$0.1M	9,374			
Reduction in non cash contribution forecast budget for 2020-21 (\$3.9M)				
Reduction in S64 developer contribution forecast income for 2020-21 (\$3.0M)				
Q3 proposed budget adjustments	9,374	(4,221)	(8,266)	4,044
Q3 proposed full year annual budget	56,608	541,961	645,307	(103,346)

This table forms part of Central Coast Council's quarterly budget review for the quarter ended 31 March 2021 and should be read in conjunction with sections 2.1 to 2.6 of this report.

3.3 Proposed Capital Budget Amendments

The table below lists the projects which have had budget changes requested as part of the Q3 budget review.

Project Number	Project Description	Approved Full Year Budget	Proposed change	Proposed Full Year Budget	Reason for change	Grants	Contributions	Restrictions	General Revenue
Budget reallocation between projects									
25804	Tramway Road, Elgata Ave and View St - Road Upgrade Design	650	(450)	200	This grant funded project was originally budgeted across two projects but is now being delivered under one project	(450)			
25805	Elgata Avenue - Road upgrade - North Avoca Grant	10	450	460		450			
20041	G - Truck	230	140	370	Reallocation between plant and fleet projects to meet business needs				140
20042	B - Earthmoving Plant	1,209	2	1,210					2
20045	A - Ancillary Equipment	1,000	(177)	823					(177)
20046	D - Ground Care and Equipment	309	35	344					35
Total budget reallocations		3,408	-	3,408		-	-	-	-
Increase in capital works budget									
18929	EDSACC Amenities - Insurance	75	12	87	Additional costs incurred				12
19296	Sewer Pump Station - Narara7 and Narara7A	767	10	776	Minor additional costs at project completion				10
20759	Sewage Treatment Plant Major Augmentation Works - Charmhaven	112	11	122	Realignment of capital program		11		-

Project Number	Project Description	Approved Full Year Budget	Proposed change	Proposed Full Year Budget	Reason for change	Grants	Contributions	Restrictions	General Revenue
20763	Sewer Siphon System Refurbishment - Springfield Rd Erina	94	2	96	Minor additional costs at project completion		2		-
20772	Sewer Pump Station Upgrade - Lakeside Dr MacMasters Beach	35	2	37	Minor additional costs after project placed on hold				2
20794	Water Infrastructure Reinforcements - Gosford CBD	2,250	122	2,372	Realignment of capital program				122
20799	Water Treatment Plant Major Upgrade - Mardi	1,381	48	1,429	Realignment of capital program				48
20804	Mangrove Mountain - Mangrove Creek Dam - Upgrade Fire Trails	15	(5)	10	Realignment of capital program				(5)
20819	Reservoir Generator Purchase and Installation - Region Wide	23	2	25	Realignment of capital program				2
20823	Water Pump Station Refurbishment - Central Coast Hwy Forresters Beach	1,549	205	1,755	Increased scope				205
20943	Construct Austin Butler Oval Amenities and Woy Woy Tennis Clubhouse Upgrade	-	1	1	Project complete with minor over expenditure				1
21835	Water Service Connection -South 2	860	184	1,044	Realignment of capital program				184
22358	Elfin Hill Road Foreshore Stabilisation	-	3	3	Project complete with minor over expenditure				3
22485	Upgrade South Tacoma boat ramp, jetty and carpark	89	2	91	Additional minor costs incurred				2
22574	Upgrade Correa Bay boat ramp	124	5	129	Additional minor costs incurred				5
22656	Dam Spillway and Upgrades - Mangrove Creek Dam Kulnura	489	22	511	Realignment of capital program				22
22683	Sewer Pump Station Pump Replacement - McDonagh Rd Tacoma (WS29)	28	18	47	Realignment of capital program				18

Project Number	Project Description	Approved Full Year Budget	Proposed change	Proposed Full Year Budget	Reason for change	Grants	Contributions	Restrictions	General Revenue
22693	Sewer Pump Station Renewal - Crystal St Forrester's Beach (FB1)	47	10	57	Realignment of capital program				10
22705	Implement a business intelligence reporting tool	44	8	51	Additional budget for labour costs not originally included in forecast				8
22706	Implement a consolidated asset management system	2,080	69	2,149	Additional budget for labour costs not originally included in forecast				69
22712	Implement a consolidated payroll and time and attendance system	694	23	717	Additional budget for labour costs not originally included in forecast				23
22713	Implement a consolidated property and rating system	3,655	437	4,093	Additional budget required to allow for project complexities				437
23593	Design new public toilets at Wiles Ave Wamberal	-	2	2	Consultants and Project Management costs incurred prior to project being deferred				2
23629	Upgrade administration buildings	15	65	80	Increase in budget to install lockers to admin space as well as cover additional expenditure				65
23667	Upgrade telemetry equipment	43	20	63	Additional budget to cover telemetry expenditure				20
23774	Sewage Treatment Plant Clarifier 3 Refurbishment - Bateau Bay	45	138	183	Project recommenced after initial delays due to COVID travel restrictions				138
23788	Water Reactive and Program Planning - Region Wide	183	4	187	Realignment of capital program				4
23827	Anita Ave - Road Safety Facilities	19	1	20	This project has been completed as planned with minor additional expenditure.				1
23831	Coonanga Ave - Road Upgrade Design	13	4	17	This project has been completed as planned with minor additional expenditure.				4
24128	Peninsular Leisure Centre - Water Play Park	30	5	35	Project completed with additional expenditure				5

Project Number	Project Description	Approved Full Year Budget	Proposed change	Proposed Full Year Budget	Reason for change	Grants	Contributions	Restrictions	General Revenue
24182	Replace public toilets Macmasters Beach	-	9	9	Consultants and Project Management costs incurred prior to project being deferred				9
24189	Design and construction of District Playspace at Empire Bay	88	3	91	Additional minor costs incurred				3
24256	Woy Woy Waste Management Facility Stormwater management works	405	30	435	Realignment to allow for cost of outstanding works				30
24260	Sewer Pump Station Civil Remediation - Daley Ave Daleys point (DP3)	24	42	66	Realignment of capital program				42
24264	Design and Construct District Play Space at Susan Fahey Park	446	25	471	Increase in scope due to design impacted by onsite variances				25
24437	Resurface of stadium pitch at Central Coast Stadium	723	13	736	Additional expenses due to contract variation				13
24449	Asset Protection Zone and Fire Trail establishment and upgrade to standard - Wyong Ward	75	33	108	Increase in scope				33
24476	EA Practice - IoT initiative	-	1	1	Additional minor costs incurred				1
24522	Open Space and Recreation Fencing Renewal Program	-	4	4	Additional minor costs incurred				4
24528	Play space 20 year Renewal Program - District Play Space at Swadling Reserve	245	15	260	Additional costs incurred				15
24577	30-106 - Sewer LPSS Vacuum System - Minor Asset Renewal/Replace Programs	180	24	204	Realignment of capital program				24
24578	30-112-RF1 - Critical Sewer Main Rehabilitation - Reticulation System	2,500	1,447	3,947	Realignment of capital program				1,447
24579	30-124 - Sewer Pump Station - Minor Asset Renewal/Replace Programs	543	37	580	Realignment of capital program				37

Project Number	Project Description	Approved Full Year Budget	Proposed change	Proposed Full Year Budget	Reason for change	Grants	Contributions	Restrictions	General Revenue
24581	Sewer Pump Station Electrical and Control Switchboard Replacement Program - Southern Region	311	12	323	Realignment of capital program				12
24628	Upgrade for inclusive play spaces	-	7	7	Additional costs incurred				7
24702	Lakedge Ave - Road Upgrade	764	4	768	The project has been completed as planned with minor additional expenditure				4
24727	Oceano St - Road Upgrade	1,600	200	1,800	This grant funded project was delayed due to rock drilling and weather.	200			-
24742	Shelly Beach Rd - Road Upgrade	75	40	115	This grant funded design project is on track for completion with over-expenditure due to additional design options requested following community consultation.	40			-
24756	Wisemans Ferry Rd - Embankment Stabilisation	130	25	155	Additional budget is required due to poor subgrade conditions.				25
24758	Woy Woy Town Centre - Wharf Upgrade	5,700	100	5,800	This part grant funded project is on track for completion as planned.	100			-
24764	Avoca Dr - Drainage Upgrade	87	100	187	This project was partially deferred as part of the capital budget reduction strategy but will now recommence with an alternate procurement strategy. The project will commence in 2020-2021 and continue into 2021-2022 as planned.				100
24766	Davistown Rd - Drainage Upgrade	40	5	45	The remainder of this project was deferred as part of the capital budget reduction strategy. The construction works will recommence in 2021-2022.				5
24771	Kala Ave and Walu Ave - Drainage Upgrade	689	150	839	The 2020-2021 scope of works has been completed to budget with under-expenditure on this account offset by additional expenditure on the drainage component. The project will continue into 2021-2022 as planned.				150

Project Number	Project Description	Approved Full Year Budget	Proposed change	Proposed Full Year Budget	Reason for change	Grants	Contributions	Restrictions	General Revenue
24778	Ocean Pde - Drainage Outlet Upgrade	380	13	392	The project was completed as planned with minor over expenditure due to rectification works associated with a recent storm event				13
24779	Oceano St - Drainage Upgrade	905	300	1,205	This grant funded project had been delayed due to rock drilling and weather.	300			-
24787	20-138 - Water Reservoir - Minor New Asset Programs	80	40	120	Realignment of capital program				40
24950	Kalakau Ave - Drainage Outlet Upgrade	10	15	25	This design project remains on track for completion but requires additional budget to obtain specialist coastal engineering advice.				15
25104	Patonga Campground Reactive Capital Renewal	20	3	23	Storm relief funding				3
25115	Body Wom Video Cameras	-	8	8	Additional IM&T costs incurred				8
25125	Modern Collaboration tools	233	143	376	Additional budget for labour costs not originally included in forecast				143
25136	Tunkuwallin Playspace Masterplan Development	8	2	10	Additional project management costs incurred				2
25143	Glenrock Pde - Road Upgrade	850	13	863	This grant funded project has been completed as planned with some over expenditure				13
25144	Everglades Catchment - Drainage Upgrade	650	250	900	This grant funded project requires additional budget to allow clearing and disposal of sediment following the recent wet weather.				250
25182	Glenrock Pde - Drainage Upgrade	130	6	136	This grant funded project has been completed as planned.				6
25242	Mangrove Mountain and surrounds Fire Trails	125	14	139	Reallocation of priorities for Bushfire Recovery Grant Projects	14			-

Project Number	Project Description	Approved Full Year Budget	Proposed change	Proposed Full Year Budget	Reason for change	Grants	Contributions	Restrictions	General Revenue
25254	Rock Fishing Safety Signage	-	4	4	Installation of Rock Fishing Signage				4
25333	Sewer Pump Station Access Upgrades - (K05)	15	2	17	Realignment of capital program				2
25335	Water Trunk Main Renewal - Avoca Lagoon	67	6	73	Realignment of capital program				6
25350	Gem Rd - Road Upgrade	55	2	57	This grant funded project has been completed as planned.				2
25439	Design and construct new fleet degreasing wash bay Erina Depot	35	22	57	Scope change to additional design requirements for washbay				22
25466	Renew outdoor lunch facilities and replace rusted balustrading Long Jetty Depot	15	8	23	Increase cost for kitchen replacement				8
25493	Toukley Aquatic Centre - rolling renewals program	45	9	54	Additional budget required for reactive works				9
25514	Norah Head Holiday Park - Reactive capital renewal	30	12	42	Storm relief funding				12
25516	Toowoomba Bay Holiday Park - Reactive capital renewal	35	12	47	Storm relief funding				12
25533	Bus Stop Improvement Program 2020-2021	100	150	250	This program was originally reduced as part of the capital budget reduction strategy. Budget increased now to support delivery of a second batch of bus stop upgrades.				150
25543	Crossingham St Block 3 - Pavement Renewal and Resurfacing	165	65	230	This grant funded project has been delayed due to wet weather which has led to a deterioration of the existing pavement but remains on track for completion within 2020-2021.				65

Project Number	Project Description	Approved Full Year Budget	Proposed change	Proposed Full Year Budget	Reason for change	Grants	Contributions	Restrictions	General Revenue
25554	Louisiana Rd - Drainage Upgrade	1,154	200	1,354	This part contribution funded project has commenced ahead of schedule. The 2020-2021 scope of work remains on track for completion to budget.				200
25560	Goobarabah Ave - Pedestrian Refuge	74	20	94	This grant funded project remains on track for completion as planned.				20
25575	Local Playspace Upgrade - Brick Wharf Road Waterfront, Woy Woy	105	20	125	Additional funds required to complete construction				20
25588	Sportsground Improvements - Umina Oval Irrigation Upgrade	10	10	20	Increase in design costs for this contributions funded project				10
25600	Oleander St Block 1 - Pavement Renewal and Resurfacing	269	8	277	This grant funded project has been completed as planned.				8
25602	Wisemans Ferry Rd Block 76 - Pavement Renewal and Resurfacing	233	40	273	This grant funded project has been delayed due to wet weather which has led to a deterioration of the existing pavement. The project remains on track for completion within 2020-2021.				40
25604	Wisemans Ferry Rd Block 116 - Pavement Renewal and Resurfacing	233	44	277	This grant funded project is tracking ahead of schedule due to contractor availability but remains on track for completion as planned.				44
25612	Torrens Ave and Fairview Ave - Intersection Upgrade	509	100	609	This part contribution funded project was delayed as part of the capital expenditure reduction strategy. Additional budget is required to address pedestrian safety. The project remains on track for completion in 2020-2021.				100
25642	Emergency Works - Wamberal Beach Erosion LEOCON Directed	2,067	23	2,090	Additional costs captured post Q2 Adjustment				23
25741	IMT Security Enhancements	-	3	3	Additional budget for labour costs not originally included in forecast				3

Project Number	Project Description	Approved Full Year Budget	Proposed change	Proposed Full Year Budget	Reason for change	Grants	Contributions	Restrictions	General Revenue
25750	Gregory St - Pavement Renewal and Resurfacing	329	50	379	This grant funded project has been delayed due to wet weather which has led to a deterioration of the existing pavement but remains on track for completion within 2020-2021.				50
25752	Donaldson St - Pavement Renewal and Resurfacing	160	15	175	This grant funded project has been completed with minor over-expenditure due to subgrade conditions				15
25754	Wattle Tree Rd - Pavement Renewal and Resurfacing	422	80	502	This grant funded project has been delayed due to wet weather which has led to a deterioration of the existing pavement and remains on track for completion within 2020-2021.				80
25756	Hillview St - Pavement Renewal and Resurfacing	81	10	91	This grant funded project has been completed with minor over-expenditure due to subgrade conditions.				10
25772	IMT Infrastructure Refresh	576	85	661	Additional budget for labour costs not originally included in forecast				85
25785	Wattle Tree Road Bridge - BR02 - Bush Fire Recovery Grant	106	3	109	This grant funded project has been completed as planned.				3
25834	Noraville Memorial Gardens additional niches	19	4	23	Project costs higher than estimated				4
25919	Sewer Pump Station Renewal - Station Street Woy Woy (WW04)	13	5	17	Minor additional costs at project completion				5
24148	New Resistograph for Tree Assessment	-	20	20	Purchase of new resistograph				20
19313	PSP - Cockle Bay Towns	-	10	10	Additional works required				10
17197	Blenheim Avenue Berkeley Vale	-	81	81	Finalisation of invoice payments from prior year project.				81

Project Number	Project Description	Approved Full Year Budget	Proposed change	Proposed Full Year Budget	Reason for change	Grants	Contributions	Restrictions	General Revenue
18236	Gascoigne Ave Gorokan Road Upgrade with Drainage	-	9	9	Finalisation of invoice payments from prior year project.				9
18259	Long Jetty - Mclachlan Avenue - Stage 1 Of 3 Road Upgrade With Drainage	-	11	11	Finalisation of invoice payments from prior year project.				11
18276	Central Coast Regional Sporting Complex	-	20	20	Installation of solar panels to save approximately \$18,000 per year in electricity charges				20
20199	Lisarow - The Ridgeway - Stage 2 Of 3 Road Upgrade With Drainage, Kerb and Gutter and Pavement Works	-	18	18	Finalisation of invoice payments from prior year project.				18
20218	Long Jetty - Pacific Street and Nirvana Street - Road Upgrade With Drainage	-	4	4	Finalisation of invoice payments from prior year project.				4
20223	Halekulani - Lilo Avenue and Woolana Avenue - Road Upgrade With Drainage	-	6	6	Finalisation of invoice payments from prior year project.				6
23213	Design and upgrade Cross Street drainage	-	13	13	Finalisation of invoice payments from prior year project.				13
23545	Upgrade Oceano Street - Stage 2	-	6	6	Finalisation of invoice payments from prior year project.				6
24699	Kurraba Pde - Road Reconstruction Block 1	-	3	3	Finalisation of invoice payments from prior year project.				3
25944	Racecourse Road, Gosford Stage 2 – Shared path construction	-	370	370	New project funded under the Active Transport Grant program	370			-
25943	Pacific Highway, Lake Munmorah – Shared path construction	-	443	443	New project funded under the Active Transport Grant program	443			-
23848	Data Centre Transformation 1	-	8	8	Monthly variance due to labour costing. This will be adjusted in Q3.				8
25947	March 21 Storm & Flood Event - Norah Head HP		30	30	Storm relief funding				30

Project Number	Project Description	Approved Full Year Budget	Proposed change	Proposed Full Year Budget	Reason for change	Grants	Contributions	Restrictions	General Revenue
25964	Sewer Connection 1A Lucca Rd Lot 21 DP243037		43	43	Budget to allow for sewer connection at 1A Lucca Rd				43
Total increases to capital works budget		39,698	6,667	46,365		1,467	12	-	5,187
Decreases to capital works budget									
16277	Sewer Pump Station Upgrade - Cadonia Rd Tuggerawong (TO19)	2,024	(246)	1,779	Project savings identified				(246)
17245	BWMF Community Recycling Centre	85	(20)	65	Project to be completed with savings	(20)			-
19306	Sewer Rising Main Upgrade - Kincumber Rising Main	28	(14)	14	Reduced scope				(14)
20020	Wyong Cultural Hub	180	(31)	149	Project will not be proceeding			(31)	-
20118	Upgrade of Asset Protection Zone at Watanobbi	108	(103)	5	Unable to deliver due to staff reductions			(103)	-
20757	Sewer Infrastructure Reinforcements - Gosford CBD	500	(51)	449	Realignment of capital program			(51)	0
20765	Sewer Pump Station Emergency Overflow Prevention - Cochrone St Kincumber (KMJ)	93	(36)	56	Realignment of capital program		(36)		(0)
20777	Sewer Pump Station Upgrade - Victory Pde Tascott	264	(209)	55	Project savings				(209)
20807	Reservoir Exterior Repairs - Beatties Rd Green Point	147	(4)	143	Project savings				(4)
20824	Region Wide - Replacement Of Defective Stop Valves	65	(19)	46	Project savings				(19)
21967	Streambank Rehab Wyong River - TLE&C IYLPE57028	4	(3)	1	Project complete with savings				(3)

Project Number	Project Description	Approved Full Year Budget	Proposed change	Proposed Full Year Budget	Reason for change	Grants	Contributions	Restrictions	General Revenue
22001	Dam Upgrades to Access Shaft & Lower Chamber System - Boomerang Creek Portal	10	(4)	6	Project savings				(4)
22580	Upgrade amenities at Heazlett Park	124	(28)	96	Project completed under budget				(28)
22632	Sewer Hydraulic Model Development - Region Wide	488	(148)	339	Realignment of capital program		(148)		0
22691	Water Main and Penstock Renewal - Mangrove Creek	50	(15)	35	Realignment of capital program				(15)
22717	Implement system integration improvements	1,151	(50)	1,101	Budget adjustment to reflect reforecast of project				(50)
22737	Akora Rd - Timber Bridge	162	(110)	52	The remainder of this project has been deferred as part of a planned capital works reduction. The remaining works will be delivered as part of a future capital works program.				(110)
23578	Implement anti-terrorism vehicle mitigation at The Entrance Town Centre	325	(163)	162	Unable to complete project due to supply and demand of specialist product				(163)
23782	Sewer Reactive and Program Planning - Region Wide	365	(19)	346	Realignment of capital program				(19)
23786	Sewer Pump Station and Rising Main Upgrade - Hamlyn Terrace (CH12-13)	113	(25)	88	Realignment of capital program		(25)		-
24133	Don Small Oval Amenities and Clubhouse	420	(15)	405	Project completed under budget				(15)
24200	Sir Joseph Banks Oval - Irrigation Drainage and lighting	70	(6)	64	Project completed under budget	(6)			-
24262	Water and Sewer Asset and Network Security Installations - Region Wide	72	(8)	64	Realignment of capital program				(8)
24424	Install loop counters to advertise occupancy	85	(5)	80	Project savings identified				(5)

Project Number	Project Description	Approved Full Year Budget	Proposed change	Proposed Full Year Budget	Reason for change	Grants	Contributions	Restrictions	General Revenue
24435	Upgrade and replacement of fluoro lights with LED at Gosford City Car Park	200	(6)	194	Project savings identified			(6)	-
24445	Asset Protection Zone and Fire Trail establishment and upgrade to standard - Budgewoi Ward	30	(23)	7	Scope reduced				(23)
24448	Asset Protection Zone and Fire Trail establishment and upgrade to standard - The Entrance Ward	20	(10)	10	Scope reduced				(10)
24453	Bill Sohler Ourimbah Tennis Facility resurfacing	100	(66)	34	Project completed under budget		(66)		-
24494	Improvements to flooring roof and access ladders at Peninsular Leisure Centre	60	(5)	55	Project to be completed with savings				(5)
24513	Minor Transport Improvement Program	89	(50)	39	This program has been reduced as part of the capital program reduction strategy.				(50)
24591	Stormwater Gross Pollutant Trap Upgrades (Lake Macquarie Catchment) - Gwandalan (design only)	300	(80)	220	Project to be completed with cost savings			(80)	-
24606	The Entrance Stage 2 Upgrades - detailed design	543	(80)	463	Reduced resources will not allow for all originally scoped works to be completed.				(80)
24612	Toukley Neighbourhood centre - Replacement of stairs from stage and replacement of seating	2	(2)	-	Project completed under budget				(2)
24642	20-112-2 - Annual Water Main Renewal Program	2,519	(119)	2,400	Realignment of capital program				(119)
24643	20-118-1 - Annual Water Meter Replacement Program - Region Wide	6	(3)	3	Realignment of capital program				(3)
24645	20-136 - Water Reservoir - Minor Asset Renewal/Replace Programs	45	(10)	35	Realignment of capital program				(10)
24646	Water and Sewer Infrastructure - Warnervale Town Centre	1,454	(283)	1,171	Realignment of capital program	(283)			(0)

Project Number	Project Description	Approved Full Year Budget	Proposed change	Proposed Full Year Budget	Reason for change	Grants	Contributions	Restrictions	General Revenue
24668	Brisbane Water Dr - Footpath Construction	40	(15)	25	This project has been completed with savings due to construction efficiencies.				(15)
24670	Carlton Rd - Traffic Safety Improvements	112	(18)	94	This project has been completed with savings due to construction efficiencies.				(18)
24692	Hudson Lane - Laneway Upgrade	391	(28)	363	This project has been completed with savings due to design efficiencies.				(28)
24696	Kala Ave and Walu Ave - Road Upgrade	825	(145)	680	The 2020-2021 scope of works has been completed to budget with under-expenditure on this account offset by additional expenditure on the drainage component.				(145)
24773	Lakedge Ave - Drainage Upgrade	574	(50)	524	This project has been completed with savings due to construction efficiencies.				(50)
24924	Disability Access to Pathways around Waterways	10	(10)	-	Project to be completed with savings			(10)	-
25119	The Entrance SLSC and Boatshed - design	5	(5)	-	Project no longer proceeding				(5)
25243	Water Supply Tanks Installation	100	(14)	86	Reallocation of priorities for Bushfire Recovery Grant Projects	(14)			-
25318	Noraville Irrigation System Upgrade and Expansion	25	(6)	19	Project savings identified			(6)	-
25324	Sewer Rising Main Replacement - Koowaong Road Gwandalan (GW02)	21	(19)	2	Realignment of capital program				(19)
25332	Sewer Pump Station Access Upgrades - Blue Bell Dr Wamberal (C14)	15	(10)	5	Project savings				(10)
25334	Water Trunk Main Renewal - Davistown Rd Saratoga	34	(13)	21	Realignment of capital program				(13)
25353	Lemon Grove Netball Amenities Building Upgrade	145	(35)	110	Phase 1 (design) completed under budget	(35)			-

Project Number	Project Description	Approved Full Year Budget	Proposed change	Proposed Full Year Budget	Reason for change	Grants	Contributions	Restrictions	General Revenue
25369	The Corso - Pavement Renewal and Resurfacing	394	(10)	384	This grant funded project has been completed as planned.	(10)			(0)
25374	Oleander St Block 2 - Pavement renewal and resurfacing	195	(8)	187	This grant funded project has been completed as planned.	(8)			0
25377	Albert Warner Dr - Pavement Renewal and Resurfacing	366	(9)	357	This grant funded project has been completed as planned.	(9)			0
25419	Gosford Town Centre - Stage 1 Upgrades	100	(40)	60	Project to be completed with savings			(40)	-
25441	EDSACC - Tennis Buildings - Remove and replace existing tennis court fencing	123	(48)	75	Contractor costs being less than estimated				(48)
25445	Laycock St Theatre - replacement of smoke vents above stage with extraction fans	60	(20)	40	Contractor costs being less than estimated				(20)
25476	Toowoomba Bay SLSC - Roof and supporting structure repairs	150	(20)	130	Contractor costs being less than estimated				(20)
25478	Tuggerah Library Branch Office (Westfield) - new customer service point	3	(2)	2	Contractor costs being less than estimated				(2)
25492	Lake Haven Recreation Centre - rolling works program	15	(9)	6	Project to be completed with savings				(9)
25499	Casey/Crystal Woodward Fire Trail	50	(50)	-	Unable to deliver due to resource availability			(50)	-
25500	Establish and upgrade APZs and fire trails to required RFS standards - Mardi	90	(53)	37	Unable to deliver due to resource availability			(53)	-
25503	GPT Upgrade Olney Cres Blue Haven - ERF	25	(9)	16	Design costs lower than expected	(9)			-
25511	Canton Beach Holiday Park - Reactive capital renewal	20	(7)	13	Project savings identified			(7)	-

Project Number	Project Description	Approved Full Year Budget	Proposed change	Proposed Full Year Budget	Reason for change	Grants	Contributions	Restrictions	General Revenue
25518	Buttonderry WMF - Fire break and fire trail (northern boundary of cells 4.2 and 4.3)	60	(60)	-	Negotiation with the construction contractor for cell 4.4 has identified an alternative stockpiling location which will now result in the construction of a fire break and wide haulage road at the northern end of the site and this project is no longer required.			(60)	-
25519	Buttonderry WMF - Haul road stabilisation works (northern boundary of cell 4.3)	90	(90)	-	Negotiation with the construction contractor for cell 4.4 has identified an alternative stockpiling location which will now result in the construction of a fire break and wide haulage road at the northern end of the site and this project is no longer required.			(90)	-
25525	Asphalt Resurfacing Program - North 2020-2021	350	(95)	255	This program has been completed with savings due to design and construction efficiencies.				(95)
25526	Asphalt Resurfacing Program - South 2020-2021	540	(112)	428	This program has been completed with savings due to design and construction efficiencies.				(112)
25530	Booker Bay Rd Block 5 - Pavement Renewal and Resurfacing	307	(100)	207	This grant funded project will be completed with savings due to construction efficiencies.	(100)			-
25542	Crossingham St Block 2 - Pavement Renewal and Resurfacing	189	(73)	115	This grant funded project will be completed with savings due to construction efficiencies.	(73)			0
25547	Drainage Design Program 2020-2021	400	(100)	300	Budget allocated to specific road projects at completion of the design.				(100)
25586	Reserve Upgrades - Woy Woy Waterfront Redevelopment	100	(88)	12	Savings due to the use of In-house resources for design		(88)		-
25605	Manoa Rd Block 1 - Pavement Renewal and Resurfacing	159	(58)	101	This grant funded project has been completed with savings due to design improvements and construction efficiencies.	(58)			0
25606	Mountain Rd Block 2 - Pavement Renewal and Resurfacing	145	(57)	88	This grant funded project has been completed with savings due to design improvements and construction efficiencies.	(57)			(0)

Project Number	Project Description	Approved Full Year Budget	Proposed change	Proposed Full Year Budget	Reason for change	Grants	Contributions	Restrictions	General Revenue
25607	Road Resealing Program - North 2020-2021	1,550	(100)	1,450	This program will be completed with savings due to construction efficiencies.				(100)
25629	Wells St - Drainage Upgrade	300	(40)	260	This project has been completed as planned with savings due to construction efficiencies.				(40)
25632	Water Pump Station Server and Storage Replacement - Mooney and Mangrove	111	(9)	102	Project savings				(9)
25633	Sewage Treatment Plant Solar Installation Program - Region Wide	299	(37)	262	Project savings				(37)
25635	Sewer Network Operations Minor Asset Renewals	5	(5)	-	Realignment of capital program				(5)
25636	Water Catchment Area Minor Asset Renewals - Region Wide	200	(150)	50	Realignment of capital program				(150)
25707	Water Infrastructure - Warnervale Town Centre	2	3	5	Realignment of capital program				3
25709	20-112 - Water Mains - Trunk Main - Hillcrest Road Empire Bay	24	14	38	Realignment of capital program				14
25718	Charmhaven RFS Upgrade	150	(10)	140	Project completed under budget	(10)			-
25744	Enterprise Architecture Definition	175	(175)	0	Project not proceeding				(175)
25751	Comwall Ave - Pavement Renewal and Resurfacing	260	(16)	244	This grant funded project has been completed with savings due to design improvements and construction efficiencies. The project was completed ahead of schedule due to contractor availability.	(16)			0
25753	Lakeview Ave - Pavement Renewal and Resurfacing	212	(115)	97	This grant funded project has been completed with savings due to design improvements.	(115)			-
25761	Tuggerawong Raised Boardwalk - ERF	20	(20)	-	Grant funding transferred to Blue Haven Wetlands project	(20)			-

Project Number	Project Description	Approved Full Year Budget	Proposed change	Proposed Full Year Budget	Reason for change	Grants	Contributions	Restrictions	General Revenue
25775	Water Network Operations Minor Asset Renewals	5	(5)	-	Realignment of capital program				(5)
25777	DXP Channel Development	81	(81)	-	Project not proceeding				(81)
25817	George Downs Dr - Shoulder Widening	150	(140)	10	This grant funded design project has been transferred to Cessnock Council.	(140)			-
25826	Brush Creek Rd, Cedar Brush - Retaining Wall	134	(39)	95	This grant funded project has been completed as planned with savings due to construction efficiencies.	(39)			(0)
25838	Flooring for 73 Mann St Gosford	8	(6)	2	Project not progressing due to significant public safety risk identified as part of upgrade works.	(6)			-
25570	District Playspace Development - Tunkuwallin Oval, Gwandalan	400	(100)	300	Project to be completed early with savings		(100)		-
25843	Car Park Upgrade - Mulloway Road, Chain Valley Bay	65	(29)	36	Phase 1 (design) to be completed under budget	(9)			(20)
25862	First Avenue Toukley - Slope Stabilisation	51	(12)	39	This grant funded project has been completed as planned with savings due to design efficiencies.	(12)			-
25917	East Gosford Potters - roof replacement	73	(18)	55	Contractor costs being less than estimated				(18)
Total decreases to capital works budget		22,803	(4,644)	18,159		(1,049)	(463)	(588)	(2,544)
Projects cancelled, deferred or continuing in 2021-2022									
16695	Sewer Pump Station Upgrade - Clarke Rd Noraville (TO06)	6,900	(964)	5,936	Multi year project to continue to 2021-2022				(964)
22271	Peninsula Leisure Centre - Air Handling system upgrade	1,072	(568)	504	To be completed in 2021-2022				(568)

Project Number	Project Description	Approved Full Year Budget	Proposed change	Proposed Full Year Budget	Reason for change	Grants	Contributions	Restrictions	General Revenue
23702	Design and approval for cell 4.4 at Buttonderry Waste Management Facility	3,385	(1,250)	2,135	Change of timing for this multi-year project to reflect award of tender in March and construction commencement in late April 2021.			(1,250)	-
23926	Install HMAS Adelaide Mast	65	(65)	-	Will not proceed to construction until 2021-2022	(65)			-
24202	Upgrade Rogers Park Amenities building	1,350	(1,270)	80	Project deferred as draft design greater than budget and needed design amendments.	(720)	(550)		-
24215	Gosford Regional Library and Innovation Hub	813	(150)	663	Change to project timeline. Project continuing in 2021-2022	(150)			-
24671	Carrington St - Bridge Upgrade	488	(194)	294	This grant funded project has been delayed due to environmental approvals. The project will continue into 2021-2022 as planned.	(94)			(100)
24708	Magenta - Shared Pathway Construction	750	(700)	50	This multi-year contribution funded project has been delayed due to environmental approvals. Construction will now commence in 2021-2022.		(700)		-
24745	St Huberts Island - Pedestrian Safety Improvements	400	(300)	100	This grant funded project has been delayed to enable further community consultation and undertake a design review. The project will continue into 2021-2022.	(300)			-
25141	Del Monte PI - Road Upgrade	2,500	(700)	1,800	This multi-year grant funded project will be delayed due to geotechnical issues. The project will continue into 2021-2022.	(700)			-
25142	Ridgway Road - Road Upgrade	2,500	(300)	2,200	This part grant funded project had been delayed due to additional utility relocations. The project will continue into 2021-2022.	(300)			-

Project Number	Project Description	Approved Full Year Budget	Proposed change	Proposed Full Year Budget	Reason for change	Grants	Contributions	Restrictions	General Revenue
25461	Renew Gantry crane carriage to building E South Charmhaven Depot	60	(20)	41	Reduction in budget due to parts for cranes coming from Germany that will not be received until 2021-2022. Budget will be reallocated in 2021-2022 capital budget for this project.				(20)
25462	Renew Gantry crane carriage to building D Charmhaven Depot	60	(55)	5	Reduction in budget due to parts for cranes coming from Germany that will not be received until 2021-2022. Budget will be reallocated in 2021-2022 capital budget for this project.				(55)
25465	Renew Gantry crane carriage to building E North Charmhaven Depot	60	(19)	41	Reduction in budget due to parts for cranes coming from Germany that will not be received until 2021-2022. Budget will be reallocated in 2021-2022 capital budget for this project.				(19)
25539	Corella CI Block 2 - Pavement Renewal and Resurfacing	452	(100)	352	This grant funded project has been delayed due to contractor availability but remains on track for completion with savings.	(100)			-
25573	Building Upgrade - Umina Oval (Etta Rd) Sportsground Amenities Building	90	(87)	3	Project deferred to 2021-2022 pending grant funding agreement	(87)			-
25574	Building Upgrade - Umina Oval (Melbourne Ave) Sportsground Amenities Building - Investigations and Design	200	(170)	30	Project deferred to 2021-2022 pending grant funding agreement	(20)	(150)		-
25578	Building Upgrade - Umina Tennis Clubhouse	200	(194)	6	Project deferred to 2021-2022 pending funding agreement	(194)			-
25579	Car Park Upgrade - Ocean Beach Holiday Park Access Road and Associated Car Parking, Umina Beach	570	(540)	30	Project deferred to 2021-2022 pending funding agreement	(540)			-
25580	Tunkuwallin Oval Car Park Design	30	(23)	7	Project deferred due to insufficient funds to complete design.		(23)		-
25581	Gwandalan Skate Park Concept Design	5	(2)	3	Project deferred to future year		(2)		-
25743	Integration Enhancements and Business Process Management	1,374	(250)	1,124	Project originally delayed due to COVID. Will be completed in 2021-2022.				(250)

Project Number	Project Description	Approved Full Year Budget	Proposed change	Proposed Full Year Budget	Reason for change	Grants	Contributions	Restrictions	General Revenue
25801	Malinya Road - Shared Path Construction	912	(762)	150	This grant funded project has been delayed due to design and procurement issues. Construction will commence in June 2020-2021 and continue into 2021-2022.	(824)			62
25803	Central Coast Highway, Erina - Shared Path Construction	1,100	(400)	700	This grant funded project is tracking ahead of schedule for completion of the 2020-2021 scope of works with savings due to design improvements. The project will continue into 2021-2022 as planned.	(200)			(200)
25837	Cemeteries Solution	300	(220)	80	Project commenced and will be completed in 2021-2022				(220)
Total projects cancelled, deferred or continuing		25,635	(9,303)	16,332		(4,294)	(1,425)	(1,250)	(2,333)
Projects brought forward from 2021-2022									
16884	Magenta Shared Pathway Open Space	40	50	90	Commencement of multi-year project				50
25443	Install security CCTV cameras to rear half of Erina Depot	-	30	30	Works to be delivered earlier than expected				30
25468	Security access control and additional CCTV cameras to Buildings C, D, F Chamhaven Depot	-	35	35	Works to be delivered earlier than expected				35
25961	Kanwal childcare softfall replacement	-	28	28	Works to be delivered earlier than expected				28
25962	Kanwal childcare shade sail replacement	-	25	25	Works to be delivered earlier than expected				25
25329	Sewer Pump Station Renewal - Bayside Dr Green Point (GP03)	-	5	5	Commence preliminary works for 2021-2022 project				5
25331	Sewer Pump Station Renewal - Brisbane Water Dr Koolewong (WG08)	-	5	5	Commence preliminary works for 2021-2022 project				5
25328	Sewer Pump Station Renewal - Lagoon Street Ettalong Beach (E01)	-	5	5	Commence preliminary works for 2021-2022 project				5

Project Number	Project Description	Approved Full Year Budget	Proposed change	Proposed Full Year Budget	Reason for change	Grants	Contributions	Restrictions	General Revenue
25330	Sewer Pump Station Renewal - Mulhall St Wagstaffe (HB04)	-	5	5	Commence preliminary works for 2021-2022 project				5
Total projects brought forward		40	188	228		-	-	-	188
TOTAL PROPOSED BUDGET CHANGES			(7,092)			(3,876)	(1,876)	(1,838)	498

Item No: 2.3
Title: Administrator's Minute - Council's response to Auditor General's Local Government Report
Department: Corporate Affairs



24 June 2021 Audit Risk and Improvement Committee Meeting

Reference: F2021/00030 - D14677954
Author: Kelly Drover, Meeting Support Officer
Manager: James Taylor, Section Manager Governance

Recommendation

- 1 *That the Committee note the report on Administrator's Minute - Council's response to Auditor General's Local Government Report.*
- 2 *That the Committee make a recommendation that this report and the supporting papers to this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter as the nature or content of this report do not fall within any listed exceptions.*

The information provided in this report is current as at 1/06/2021.

Summary

Council's response to the Auditor General's Local Government Report was reported to the 1 June 2021 Extraordinary Council Meeting. It is now being reported to the Audit, Risk and Improvement Committee for their information.

The Audit Office of New South Wales released its [Report on Local Government 2020 on 27 May 2020](#). The report outlines the results of the financial audit statements for the local government sector for the year ended 30 June 2020.

Unqualified audit opinions were issued for 127 councils, 9 county councils and 13 joint organisation audits in 2019-20. A qualified audit opinion was issued for Central Coast Council.

The Administrators Minute detailing Council's response to the Auditor General's Local Government Report is at Attachment 1 to this report.

Attachments

- | | |
|--|-----------|
| 1 Administrator's Minute - Council's response to Auditor General's Local Government Report | D14664708 |
|--|-----------|

Item No: 2.1
Title: Administrator's Minute - Council's response to Auditor General's Local Government Report
Department: Administrator

1 June 2021 Extraordinary Council Meeting

Reference: F2021/00034 - D14664708

Author: Rik Hart, Administrator



Recommendation

I formally move:

- 1 That Council notes the response to the Auditor General's findings in their Report on Local Government 2020, released on 27 May 2021.**
- 2 That Council supports the recommendation for Office of Local Government to clarify the legal framework relating to restrictions of water, sewerage and drainage funds.**
- 3 That Council commits to implement regular financial reporting, and places on the record future reporting will occur monthly and be presented at Council Meetings and online.**

Background

The Audit Office of New South Wales released its *Report on Local Government 2020* on 27 May 2020. The report outlines results of the local government sector council financial statement audits for the year ended 30 June 2020.

Unqualified audit opinions were issued for 127 councils, 9 county councils and 13 joint organisation audits in 2019-20. A qualified audit opinion was issued for Central Coast Council.

Councils were impacted by recent emergency events, including bushfires and the COVID-19 pandemic. The financial implications from these events varied across councils. Councils adapted systems, processes and controls to enable staff to work flexibly.

Auditor General's Report Highlights for Central Coast Council

A qualified opinion was issued for Central Coast Council (the Council) relating to two matters:

- Council did not conduct the required revaluation to support the valuation of roads.

- Council disclosed a prior period error relating to restrictions of monies collected for its water, sewer, and drainage operations. Based on the NSW Crown Solicitor's advice, that treatment should be considered a change to a voluntary accounting policy, rather than a prior period error.

Considering the above, the Auditor General made the following recommendation:

The Office of Local Government should clarify the legal framework relating to restrictions of water, sewerage and drainage funds (restricted reserves) by either seeking an amendment to the relevant legislation or by issuing a policy instrument to remove ambiguity from the current framework.

Council's Response

It is my view that Council should take the opportunity to place on the record its response to the two matters raised in the Auditor General's qualified opinion.

There is no question Central Coast Council deserves a qualified report given our current financial situation. However, the Auditor Office, in its report made some factually incorrect statements and assumptions that in my opinion require correction and further context.

Revaluation

Council conducted an internal, desktop assessment of roads, bridges and footpaths to determine whether there had been any significant changes in fair value since the last formal revaluation as at 30 June 2015. This assessment was submitted to the Audit Office however they were not satisfied with the methodology that Council used. As a result, Council has commissioned formal external revaluation of its roads, bridges and footpaths to be included in the 30 June 2021 financial statements.

Restricted Funds

Up until the Council merger in May 2016, both Gosford City Council and Wyong Shire Council (who were both water authorities under the Water Management Act 2000) had historically accounted for unrestricted water and sewer cash as restricted as per the Local Government Act 1993.

Upon merger, the above accounting treatment was changed by creating a voluntary accounting policy reported in the 12 May 2016 financial statements for both Councils. This change was not supported by a formal accounting position paper or a legal opinion. In 2017 the audit of the merged entity was taken up by the Auditor General and this voluntary policy accounting treatment was continued but no legal opinion was sought until Council requested a formal legal opinion in December 2020. This was then followed by the Auditor General obtaining a Crown Solicitor opinion in February 2021.

It is important to note that the change in voluntary policy treatment upon merger amounted to a reclassification of over \$88 million of water and sewer funds as unrestricted cash for council. This appears to be a material change to be made without a formal accounting position paper or legal opinion.

The notes to the 2016 financial statements identified that the result of the voluntary change in accounting policy was to improve the unrestricted current ratio, which is a key ratio determining whether the merged councils were 'Fit for the Future'.

Governance

Council detailed to the Audit Office that the voluntary accounting policy that led to the use of externally restricted water and sewer funds was not subject to rigorous internal diligence and did not rest on legal advice (whether internal or external).

There is no evidence that Council 'argued' for the change in accounting policy. For that reason, Council is surprised that, when taking over in 2017, the Audit Office did not more heavily scrutinise the governance decisions that underpinned that earlier decision of Council. Particularly since the audit opinion for 2016 offered a disclaimer of opinion because there was insufficient appropriate audit evidence to provide a basis for an audit opinion.

Furthermore as reported in the statement by management in the 2016 Financial Statements, Council's then CEO Rob Noble and responsible accounting officer Stephen Naven, were unable to fully attest to the completeness and accuracy of the balances contained within the income statement and classifications of equity within the financial reports. Moreover, a full analysis of externally restricted cash balances had not been undertaken to allow management to assert that the balance is correctly stated in accordance with the relevant legal obligation that gave rise to the required restriction.

Council has no record that a position paper supporting any change to the accounting policy was prepared or considered. Any such change to an accounting practice ordinarily requires Council and senior staff (Chief Financial Officer) to sign off, and this did not occur. The Chief Executive Officer at the time has confirmed to me that he was totally unaware of any such accounting policy had been put in place.

I am surprised that the Auditor General or the Audit Risk Improvement Committee (ARIC) did not pick this up, noting it occurred for four consecutive years.

Legal Professional Privilege

Council generally takes a conservative approach to the protection of legal professional privilege. However, now that the Audit Office report has been finalised, Council considers it appropriate to release its advice received from Clayton Utz, as a response to the Crown Solicitor's Office advice obtained by the Audit Office.

It is noteworthy that Clayton Utz does not consider there was any ambiguity to the legislative position, and that there was no legal basis for the accounting policy adopted by Council in relation to the Water and Sewer funds.

Based on this legal advice, and that there was no formal process for them noting the voluntary change policy, Council determined it was a prior period error.

Looking Forward

Until any legislative ambiguity is resolved Council will tie itself to the Clayton Utz advice regarding the treatment of water and sewer funds as restricted.

Office of Local Government has recommended that local councils no longer have to report on their unrestricted cash position, and I believe removing this requirement could result in more councils breaching their use of both internally and externally restricted funds. In my opinion, it would be sensible for all councils to report on a quarterly basis on their unrestricted and internally and externally restricted funds and that the Auditor General, as part of their audit of councils in the future audit the balance of those funds at year end.

The Central Coast Council will be reporting on a monthly basis Profit and Loss Statement and cashflows both via the internet and Council Meetings.

Attachments

- | | | |
|----------|---|-----------|
| 1 | CU Advice - Letter to E Hock 12.04.21 | D14664631 |
| 2 | Mr Rob Noble Statement – Financial Statements 2016 | D14664636 |
| 3 | Advice from Crown Solicitor's Office - 13 February 2021 | D14664642 |

CLAYTON UTZ

Email

12 April 2021

Edward Hock
General Counsel
Central Coast Council
PO Box 20
WYONG NSW 2259

Edward.Hock@centralcoast.nsw.gov.au

Dear Edward

Central Coast Council: Sewer and Water Funds

We refer to the email from Emma Roberts dated 8 December 2020 and our subsequent discussions regarding advice received from PricewaterhouseCoopers (PwC) in 2016 that resulted in a voluntary change of accounting policy for the treatment of the water and sewer funds.

1. Background

- 1.1 We have been provided with a copy of an email dated 4 December 2020 from Natalia Cowley (acting CFO). By way of this email and our discussions, we are instructed that:
- (a) prior to May 2016, it was the practice of the former Gosford and Wyong Council's to exclude funds levied for water and sewer services from the consolidated unrestricted cash;
 - (b) in or around 2016, Gosford and Wyong Councils purportedly received advice from PwC that water and sewer funds were properly characterised as unrestricted cash;
 - (c) acting on this advice, Gosford and Wyong Councils implemented a voluntary change in accounting policies, noted in their respective financial statements for 2016, that reclassified sewer and water servicing charges as unrestricted cash;
 - (d) the PwC audit reports dated 30 June 2015 and 12 May 2016 for Wyong Council show an increase to the unrestricted cash balances from \$7 million in June 2015 to \$29 million in May 2016; and
 - (e) this voluntary accounting policy was carried over to the newly amalgamated Central Coast Council.
- 1.2 The *Administrator's 30 Day Interim Report* dated 2 December 2020 identifies that the "Water Fund Externally Restricted Reserves" and the "Sewer Fund Externally Restricted Reserves" were both understated by a total of \$129.5 million for 2018/19, giving the impression that this was instead unrestricted cash available to fund operating expenses.¹

¹ Page 5.

Edward Hock, Central Coast Council

12 April 2021

2. Request for advice

- 2.1 In December 2020, we were asked to advise on whether water supply or sewerage service charges levied by a Council under the *Water Management Act 2003 (WM Act)* are restricted funds under the *Local Government Act 1993 (LG Act)* and whether the water and sewer funds are properly characterised as internally or externally restricted funds.
- 2.2 By email dated 7 April 2021, you provided us with a copy of the Crown Solicitors' Office Advice dated 13 February 2021 (**Crown Solicitors Advice**). Amongst other things, the Crown Solicitors Advice addressed whether money received by Council in its capacity as a water supply authority under the WM Act is considered "externally restricted funds" under section 409(3) of the LG Act.
- 2.3 You have asked us to consider the implications of the Crown Solicitors Advice on our draft advice.
- 2.4 Our final advice is set out below.

3. Summary advice

- 3.1 It is clear from our review of the legislative provisions, statutory guidelines and extrinsic materials that money received by Council as a result of water and sewerage service levies are externally restricted funds that must be held in an approved bank account or investment until they are used for the purpose for which they are levied.
- 3.2 There are only two exceptions to the reservation of water and sewer funds for the purpose for which they were levied:
- (a) where the Minister for Local Government has approved an internal loan; or
 - (b) where the Minister for Water, Property and Housing² has approved Council's use of a return on capital invested payment (dividend) of those funds for a non-restricted purpose.

4. Legislative framework

Water and sewerage service charges are externally restricted funds

- 4.1 Central Coast Council is a water supply authority under the WM Act.³
- 4.2 Water supply authorities are authorised to levy service charges for certain limited purposes set out in the exhaustive list at section 310 of the WM Act, in accordance with Division 6 of

² The *Best-Practice Management of Water Supply and Sewerage Guidelines* dated August 2007 refer to approval from the Minister for Energy and Utilities, which we understand to now be within the remit of the Minister for Water, Property and Housing.

³ City of Gosford Council and Wyong Council are water supply authorities pursuant to section 285 and Schedule 3 of the WM Act. References to former councils are taken to be to the new Central Coast Council (section 6 of the *Local Government (Council Amalgamations) Proclamation 2016*). Further, clause 117(2) of the *Water Management (General) Regulation 2018 (WM Regulation)* states that "Central Coast Council has and may exercise all of the functions of a water supply authority."

Chapter 6 of the WM Act and Division 7 of Part 9 of the WM Regulation. Section 310 authorises levies for water and sewerage services.

- 4.3 Our view is that money levied under Chapter 6 of the WM Act is therefore money of the category described in section 409(3)(a) of the LG Act. It is not money received in trust, but must be held in the consolidated fund and may only be used for the purpose for which it is levied.

(2) Money and property held in the council's consolidated fund may be applied towards any purpose allowed by this or any other Act.

(3) However -

(a) money that has been received as a result of the levying of a special rate or charge may not be used otherwise than for the purpose for which the rate or charge was levied...

- 4.4 The terms "externally restricted funds", "internally restricted funds" and "unrestricted funds" are not defined by the legislation. "Externally restricted funds" are restricted in purpose by legislation, whereas "internally restricted funds" are unrestricted funds that are allocated to a certain purpose by Council resolution.
- 4.5 Council is obliged to maintain accounting records in accordance with the *Government Code of Accounting Practice and Financial Reporting* (clause 206 of the *Local Government (General) Regulation 2005*). The Code requires the disclosure of externally restricted, internally restricted and unrestricted funds and clearly identifies the sewer and water funds as externally restricted funds.

Holding externally restricted funds

- 4.6 Externally restricted funds, such as money received from water and sewerage levies, must be held in "an account with a bank, building society or credit union" or in an "authorised investment" (section 409(4)).
- 4.7 Authorised investments are detailed in the Minister's notices published in the Government Gazette under section 625.

Ministerial approval for limited ulterior uses

- 4.8 There are only two ways that Council can use externally restricted funds levied for sewerage or water services for purposes other than which they were levied:
- (a) by way of internal loan, with approval of the Minister for Local Government. The Minister must impose conditions as to the time for repayment and any interest to be paid (section 410(3) and (4)); or
 - (b) by use of any capital return of investment (dividends) earned on the water and sewerage funds, with approval of the Minister for Water, Property and Housing (section 409(5)-(8)).
- 4.9 The legislative mechanism for Councils, including a water supply authority under the WM Act, to deduct dividends earned on the water and sewerage funds to use at its discretion commenced on 1 November 2003.

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- 4.10 This mechanism is tightly regulated and requires compliance with the *Best-Practice Management of Water Supply and Sewerage Guidelines* published under section 409(6) in August 2007 by the then Department of Water and Energy,⁴ with the concurrence of the Minister for Local Government (**Guidelines**). Under the Guidelines, Council must submit statements of compliance, financial performance and independent audit reports to the Department before the Minister can grant approval to use the dividends for an ulterior purpose. The Minister can direct a Council to comply with the Guidelines.
- 4.11 The purpose of this mechanism and the Guidelines is to promote Councils to operate their water and sewerage services as sustainable businesses adhering to integrated water cycle management practices as outlined in the Guidelines.
- 4.12 The following extract of the second reading speech for the *Local Government Amendment (National Competition Policy Review) Bill 2003*, clearly confirms parliament's intention for the sewer and water funds to be treated as externally restricted funds by Council. It states:

*[Section 409] also imposes the restriction that money that has been received as a result of the levying of a special rate charge may not be used for a purpose other than the purpose for which it was levied. **This applies to charges including water supply and sewerage charges.** The Minister may, however, allow an "internal loan" if the money is not immediately required for the purpose for which it was received. **These restrictions are based on the responsibilities that a council has in its use of public funds; namely, to ensure accountability, that the community receives best value for its money, and the best possible management of public assets held in trust for the community...***

*Councils that operate category 1 businesses, in particular, are required by the National Competition Policy Agreement to include a return on capital invested; in other words, a dividend. This mirrors imperatives in the private sector. Category 1 businesses are those having an annual sales turnover or gross operating income of \$2 million or more. **There is some question as to whether the Act currently allows councils to deal with these requirements through the transfer of dividend payments between council funds, from restricted use funds to unrestricted use general funds.** There are conflicting interpretations of the scope of section 409, and legislative amendment is proposed to clarify the situation...*

*The bill also inserts subsections (5), (6) and (7) in section 409 **to define the proper relationship between restricted funds held under section 409 and a council's general funds**, including the circumstances in which dividends may be paid by the council business activity. Under the amendment contained in this bill, a council may choose to deduct from the money which is restricted in its use for the purpose of water supply or sewerage services, an amount in the nature of a dividend, and to apply that money to any purpose under the Act or any other Act; that is, the dividend payment becomes available for use at council's discretion. **However, it is critical to the operation of the provision that the transfer of such payments is regulated properly.** Therefore, the Minister for Energy and Utilities, with my concurrence, will publish guidelines relating to the management of the provision of water supply and sewerage services. A council must comply with those guidelines before any deduction from the restricted use funds is made, and must report its compliance by resolution of council in an open meeting. If a council is found not to have complied with those guidelines, the Minister for Energy and*

⁴ Now within the portfolio of the Department of Industry and Environment.

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Utilities may, with my concurrence, direct the council to comply with the guidelines before any further deduction is made. (Emphasis added).

5. Crown Solicitors Advice

- 5.1 We have considered the Crown Solicitors Advice and notwithstanding that advice, maintain the position that section 409(3)(a) applies to the funds Council levies under the WM Act.
- 5.2 The Crown Solicitor concludes that the above position is "not without doubt", arising from the contrary view "that section 409(3)(a) is confined to special rates and charges levied under the LG Act." Unlike section 409(3)(b), section 409(3)(a) does not include the express words "money that is subject to the provisions of this or any other Act."
- 5.3 In our view, any doubt on the application of section 409(3) to funds levied under the WM Act was clarified by the insertion of subsections (5) to (8) in 2003,⁵ which are expressly stated at section 409(8) "to extend to a council that is a water supply authority within the meaning of the WM Act." Section 409(5) to (8) would have no work to do for funds levied by water supply authority if the position was taken that sewer and water funds levied under the WM Act were not caught by subsections (3) and (4). The tight regulation of the use of dividends for ulterior purposes arises from the premise that the use of those funds is restricted in the first instance.
- 5.4 There is a large body of case law to support the proposition that an amending Act may reveal/declare the true meaning of an earlier Act, particularly where the words of an earlier statute are ambiguous, including:

Where the interpretation of a statute is obscure or ambiguous, or readily capable of more than one interpretation, light may be thrown on the true view to be taken of it by the aim and provisions of a subsequent statute.⁶

- 5.5 For completeness, we note that the Crown Solicitors Advice also considers whether funds levied by Council as a water supply authority under the WM Act fall within the scope of section 409(3)(b). The Crown Solicitor concludes that it did not locate "any provisions in the WM Act which expressly restrict the way that money collected under the WM Act can be spent."

- 5.6 Section 409(3)(b) states:

*money that is subject to the provisions of this or any other Act (**being provisions that state that the money may be used only for a specific purpose**) may be used only for that purpose. (Emphasis added).*

- 5.7 Our view is that Council is only authorised to levy funds for certain limited purposes under the WM Act and therefore, the use of those funds for an ulterior purpose would necessarily render the levying of those funds unlawful. In that way, the WM Act creates its own restriction on the use of funds levied for the purpose of sewer and water services, to those services only. We agree with the Crown Solicitor that the difficulty arises in the fact that the provisions in the WM Act do not explicitly state that the money may be used only for a specific purpose.

⁵ By way of the *Local Government Amendment (National Competition Policy Review) Act 2003*.

⁶ *Ormond Investment Co v Betts* [1928] AC 143, 164, as cited in *Deputy Federal Commissioner of Taxation (SA) v Elder's Trustee and Executor Co Ltd* (1936) 57 CLR 610, 625-5 (Dixon, Evatt and McTiernan JJ).

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- 5.8 It is not necessary to resolve this difficulty, owing to our conclusion that sewer and water funds levied by Council under the WM Act fall under section 409(3)(a).
- 5.9 In conclusion, we agree with the Crown Solicitor that section 409(3)(a) should be read in its full generality, and find the matters raised supporting the contrary view unpersuasive. Our view is that the preferred interpretation is that money levied by Council under the WM Act is restricted cash under section 409(3)(a).
- 6. Conclusion**
- 6.1 Contrary to the purported advice of PwC and the voluntary change in accounting policies that occurred in or around May 2016, the legislation, guidelines and extrinsic material are clear that water supply and sewer service charges levied under the WM Act are restricted funds under section 409(3) of the LG Act and are required to be held in approved bank accounts or investments and used only for the purposes for which they are levied, except where Ministerial approval is given for an internal loan or for the use of dividends.
- 6.2 Sewer and water funds are referred to within the Code as "externally restricted funds". We understand that this is because they are levied for a specific purpose under legislation and not as a result of a Council resolution.

Please contact us if you would like to discuss this advice with us.

Yours sincerely



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Our ref 224/14605/81010314

Statement

pursuant to s. 413(2)(c) of the Local Government Act 1993

The following balances presented in the General Purpose Financial Report for the former Gosford City Council for the period from 1 July 2015 to 12 May 2016 have been prepared in accordance with:

- the Local Government Act 1993 and the Local Government (General) Regulation 2005;
 - the Australian Accounting Standards and professional pronouncements;
 - the Local Government Code of Accounting Practice and Financial Reporting - Update No. 24(b)
- Cash and Cash Equivalents
 - Investments
 - Receivables
 - Inventories
 - Other
 - Infrastructure, property, plant and equipment
 - Payables
 - Borrowings
 - Provisions

Management is able to make the above representation on the basis that each of the above summarised Balance Sheet balances (and their underlying general ledger trial balance accounts) have been reconciled to objective external evidence, and/or have been substantively verified by events after balance date, and/or have been independently valued.

Due to control issues identified during the preparation of the Financial Reports, (the ability of a limited number of officers and vendors to script changes, deletions or additions into the financial tables contained within the financial system without any audit control reporting or audit trail), Council is unable to fully attest to the completeness and accuracy of the balances contained within the Income Statement and classifications of equity within the Financial Reports. Further, any inaccuracy related to these balances is most likely to be related to classification of the income or expense items, or the validity of expenses. The Civica Authority Enterprise Software Suite for Local Government was implemented in 1994.

However, the absence of any apparent control reporting and capacity to detect unauthorised changes to financial records results in Council being unable to attest fully to the accuracy and completeness of the following balances:

- Individual Revenue accounts and Total Revenue balance
- Individual Expense accounts and Total Expense balance
- 2014-15 Opening Retained Earnings
- 2015-16 Closing Retained Earnings

The Externally Restricted Cash Balances as presented in Note 6(c) of the attached Financial Reports have been reconciled to the sub-ledger. However, a full analysis has not been undertaken on the transactions (revenue and expense) pertaining to each balance to allow management to assert that the balance is correctly stated in accordance with the relevant legal obligation that gave rise to the required restriction (and the resulting obligation to expend on the required purpose).

We are not aware of any other matter that would render these statements false or misleading in any way.

Signed in accordance with a resolution of Central Coast Council made on 13 March 2017

Mr Ian Reynolds
Administrator

Mr Rob Noble
Chief Executive Officer

Mr Stephen Naven
Responsible Accounting Officer

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ADVICE



LOCAL GOVERNMENT RATES AND CHARGES

Executive summary

Question 1 Special rates and charges

1. The reference in s. 409(3)(a) of the *Local Government Act 1993* ("the *LG Act*") to a "special rate or charge" is a reference to a special rate or a 'charge' and not to a special rate or a 'special charge'.
2. I have identified, in the body of this advice, sections of the *LG Act* which provide for the making of charges and special rates.

Question 2 Central Coast Council

3. Money received pursuant to provisions of the *Water Management Act 2000* ("the *WM Act*") is received by the Central Coast Council in its capacity as a water supply authority ("WSA") under that Act.
4. Section 409(3)(b) of the *LG Act* may apply to monies collected pursuant to the *WM Act*, if the conditions in that paragraph are satisfied. Although not without doubt, I prefer a view that s. 409(3)(a) of the *LG Act* could also apply to such monies.
5. As a general proposition, monies received by the Central Coast Council as a result of charges levied in its capacity as a water supply authority under the *WM Act* should be held in the council's consolidated fund as "externally restricted funds" to be used only for purposes associated with the exercise of the council's functions as a water supply authority under the *WM Act* or purposes authorised under the *LG Act* (such as the payment of dividends under s.409(5) of the *LG Act*).
6. I have not located any provisions in the *WM Act* which expressly restrict the way that money collected under that Act may be spent.

Background

7. You seek my advice as to interpretation of provisions of the *LG Act* and the *WM Act*. I understand these to be questions of general application, although Question 2 relates to Central Coast Council specifically and has arisen in the broader context of that Council being under administration (though I am instructed no further as to any specific facts or circumstances).

Prepared for: AUD018 Auditor General of NSW
Client ref: Liz Basey D2030574
Author: Sally Johnston/Karen Smith

Date: 13 February 2021

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Analysis

Question 1 Special rates and charges

1.1 Do the provisions in s. 409(3) of the LG Act extend to 'any charges' levied by the council or only to 'special charges' levied by a council?

8. Chapter 13 of the *LG Act* is titled "How are councils made accountable for their actions?" and Part 3 of that Chapter "Financial management". Division 1 ("Funds"), provides at s. 408 that a council must have two separate funds: a consolidated fund and a trust fund (as to which, see s. 411). Section 409 provides for the consolidated fund as follows:

"409 The consolidated fund

(1) All money and property received by a council must be held in the council's consolidated fund unless it is required to be held in the council's trust fund.

(2) Money and property held in the council's consolidated fund may be applied towards any purpose allowed by this or any other Act.

(3) However—

(a) money that has been received as a result of the levying of a special rate or charge may not be used otherwise than for the purpose for which the rate or charge was levied, and

(b) money that is subject to the provisions of this or any other Act (being provisions that state that the money may be used only for a specific purpose) may be used only for that purpose, and

(c) money that has been received from the Government or from a public authority by way of a specific purpose advance or grant may not, except with the consent of the Government or public authority, be used otherwise than for that specific purpose.

(d) (Repealed)

(4) Pending its expenditure for the purpose for which it is held, money of the kind referred to in subsection (3)(a), (b) or (c) may not be held otherwise than in an account with a bank, building society or credit union or in an investment in which such money is, by or under this or any other Act, authorised to be invested.

(5) Despite subsections (3) and (4), a council may—

(a) deduct, from the money required by subsection (3) to be used only for the specific purpose of water supply or sewerage services, an amount in the nature of a return on capital invested payment (dividend), and

(b) apply that amount towards any purpose allowed for the expenditure of money by councils by this Act or any other Act.

(6) The Minister for Water, Property and Housing, with the concurrence of the Minister administering this Act—

(a) is to cause guidelines to be prepared and published in the Gazette relating to the management of the provision of water supply and sewerage services by councils, and

(b) may, if of the opinion that a council has not substantially complied with the guidelines, direct the council to comply with any particular aspect of the guidelines before making any further deduction under subsection (5).

(7) Before making a deduction under subsection (5), a council must—

(a) comply with the guidelines published under subsection (6) and any direction given under that subsection, and

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- (b) indicate in an open meeting of the council that the guidelines and any such direction have been complied with in relation to the making of the deduction.
- (8) Subsections (5)–(7) extend to a council that is a water supply authority within the meaning of the *Water Management Act 2000*.
- (9) This section does not affect the requirements of the *Fire and Emergency Services Levy Act 2017* with respect to the payment of collection instalments to the Treasurer.
9. You instruct me that the provisions in subsection (3), which are the focus of your question for advice, are known colloquially as “externally restricted funds”. The question for my advice is whether the reference in s. 409(3)(a) to a “special rate or charge” should be interpreted as ‘a special rate or (any) charge’ or as a ‘special rate or *special* charge’.
 10. The task of statutory construction is to determine the meaning of the text of the statute whilst, at the same time, having regard to its context and purpose: see generally *SZTAL v Minister for Immigration and Border Protection* [2017] HCA 34 at [14] and the *Interpretation Act 1987* s. 33. Section 409(3) addresses the use, or ‘spending’, of monies that are associated with a “specific purpose”. The provisions of subparagraphs (a)–(c) are all concerned with the spending of monies for the purpose, also referred to as the specific purpose, for which they are received or kept.
 11. In the context of that purpose, of restricting expenditure of monies to the purpose for which that money was received, the meaning of the reference to a “special rate” is clear, because of the nature of such a rate. A special rate is a rate for or towards the cost of any works, services, facilities or activities of the council, other than domestic waste management services: see s. 495. That work, service, facility or activity would constitute the purpose of the special rate for purposes of s. 409(3).
 12. It is also clear, when considering the statutory scheme, that a “special rate” is a standalone concept in the *LG Act*. There are, throughout the *LG Act*, other references to “special rates”: see especially s. 492, which provides that councils can make ordinary *or* special rates, and s. 495 (“making and levying of special rates”). Broadly speaking, ordinary rates are levied annually on rateable land by reference to the categorisation of that land (see generally ss. 493, 494 and Part 3 of Chapter 15); whilst (as noted) special rates go “for or towards meeting the cost of any works, services, facilities or activities provided or undertaken, or proposed to be provided or undertaken... other than domestic waste management services” (at s. 495).
 13. By contrast, there is no reference to or concept of a ‘special charge’ elsewhere in the *LG Act*. Many provisions of the Act refer to ‘charges’. These all relate to the provision of a service. For example, a charge may be made pursuant to s. 501 for services specified therein, which are to be provided by the council. The making and levying of annual charges for domestic waste management services, for stormwater management services and for coastal protection services are provided at ss. 496, 496A and 496B. Other provisions addressing charges are found generally in Chapter 15, especially in Part 3A (Charges), in Part 4 (Making of rates and charges) and in Part 5 (Levying of rates and charges). In particular, s. 539 is instructive in that it sets out the criteria relevant to determining the amount of a charge. Each of the criteria (albeit non exhaustive) referred to in s. 539(1) to which the council may have regard in setting the amount of the charge are referable to

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the "service" to which the charge relates: for example, the cost of providing the service, the area of land to which the service is provided, the frequency of the service etc. In that way, the section underscores that the charge must be linked directly to the provision of a service.

14. One instance of a 'charge' under the *LG Act* that less obviously evidences this link between provision of a service and a charge is s. 611. Section 611 provides for the making of a charge in relation to the possession, occupation or enjoyment of a rail, pipe, wire, pole, cable, tunnel or structure which pertains to a public place. In that instance, it is harder to identify a service and therefore the purpose for which that money is received, to employ the language of s. 409(3)(a). It seems to me arguable that the charge is for the purpose of the person's enjoyment of the benefit of possession, occupation or enjoyment of the rail etc. and therefore concerned with the maintenance or similar of that enjoyment. Alternatively, it may be an exceptional charge. Section 611(2) provides that the annual charge may be made, levied and recorded in accordance with the *LG Act* "as if it were a rate" but is not to be regarded as such for the purposes of calculating the council's general income. There are also specific and bespoke provisions about avenues of appeal for an aggrieved person to challenge the amount of the charge. To the extent that it might be necessary, I think that in the context of a large scheme such as the *LG Act*, the sui generis features of this section can set aside in settling a preferable construction of the terms of s. 409(3)(a).
15. I also note that at s. 543, there is a requirement that each form of rate and each charge have its own name. This section is organised in three subsections: for an "ordinary rate", a "special rate" and for "a charge". Again, that tells against the suggestion that there is a fourth category or a concept of a 'special charge' in the *LG Act*.
16. Considered against this background, it seems clear that a charge must relate to a service, and indeed be named and its amount determined by reference to that service. So too a special rate is for a work, service, facility or activity (see s. 495). By contrast, an ordinary rate is paid by reference to a parcel of rateable land. When so understood, s. 409(3)(a) is sensible when it is read on its plain terms as "a special rate" or a "charge". It makes sense to speak of both those types of council income by reference to their specific purpose. A charge under the *LG Act* is not a means of revenue raising for general purposes and appropriations. Rather, a charge under that Act is by its nature associated with a purpose. For this reason, it would be unnecessary to refer to a 'special charge', in the way that it is necessary to refer to a "special rate" which is associated with a purpose as distinct from an ordinary rate which is not associated with such a purpose.
17. I find further support for this construction in s. 503, which addresses the relationship between rates and charges. It provides that:
 - "503 What is the relationship between rates and charges?
 - (1) A charge may be made:
 - (a) in addition to an ordinary rate, and
 - (b) in addition to *or instead of* a special rate.

(emphasis added)

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18. In this section, the Act provides that a charge can be made "instead of" a special rate. Again, this suggests to me that the concept of a 'special charge' has no work to do in the legislative scheme of the *LG Act*, rather there are ordinary rates, special rates and charges, and it would be appropriate to speak of a "special rate" and a "charge" interchangeably, as occurs in s. 409(3)(a) and the phrase "special rate or charge".
19. Another consideration is that a construction of the words "special rate or charge" which promotes a harmonious interpretation of the same words and phrases throughout the legislation should be preferred: that is, words are assumed to be used consistently in the legislation (although this is readily rebutted, and, it should be noted, more frequently rebutted in large and extensively amended legislation such as the *LG Act*¹). This principle can extend to interpretation of a phrase or expression: see, for example, the discussion as to interpretation of the phrase "property offence" in *McMillan v Pryce* (1997) 115 NTR 19 at 23. I have therefore considered the use of the expression "special rate or charge" as it appears in other provisions of the *LG Act*.
20. For example, s. 410 also applies to money that has been received by a council as a result of the levying of a "special rate or charge". Section 410 provides that where a special rate or charge has been discontinued and the purpose achieved, or no longer required to be achieved, any remaining money may be used by the council for other purposes providing that certain conditions specified in subsection (2) are met. It also provides that money which is not yet required for the purpose for which it was received may be lent (by way of internal loan) for use by the council for another purpose, if that purpose is approved by the Minister: see subsections (3) and (4).
21. Indeed, in s. 410(1) the reference is to "a special rate or a charge" (emphasis added), though subsection (2) refers to the "special rate or charge". Whilst this is far from determinative, it does indicate that the phrase "special rate or charge" is used interchangeably with "special rate or a charge" in at least one other provision of the Act, and so is supportive of my preferred construction.
22. The other places in the *LG Act* where the expression "special rate or charge" appears are in Division 2 ("Special rates and charges relating to water supply, sewerage and drainage") of Part 5 ("Levying of rates and charges") of Chapter 15 ("How are councils financed?"): see especially ss. 551, 552, 553, 553A. The phrase also appears in s. 565 ("capital contributions instead of payment of special rates or charges"). I find nothing in these sections which suggests that my preferred construction should be displaced, and that it was intended that the reference was to some concept of a 'special charge'.
23. Finally, I note an additional question about the interpretation of s. 409(3)(a), whether the reference to "special rate or charge" should be construed as a reference to a special rate or charge raised pursuant to the *LG Act*, or pursuant to the *LG Act* or any other Act. I will return to this question at [2.2] below.

¹ See generally Pearce, D., *Statutory Interpretation in Australia* (9th ed, 2019), Reed International Books Australia at [4.9].

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1.2 If s. 409(3) is read as 'special charge', which sections of the LG Act provide for the making of special, as distinct from general, charges?

24. In light of my answer to question 1.1., this question does not arise.

1.3 If s. 409(3) is read as 'any charge', which sections of the LG Act provide for the making of such charges?

25. The making of rates and charges is addressed in Chapter 15 ("How are councils financed?"). Part 1 of that Chapter sets out general provisions about the making of rates and charges. In particular, s. 501 provides for the making of charges as follows:

"501 For what services can a council impose an annual charge?

(1) A council may make an annual charge for any of the following services provided, or proposed to be provided, on an annual basis by the council—

- water supply services
- sewerage services
- drainage services
- waste management services (other than domestic waste management services)
- any services prescribed by the regulations.

(2) A council may make a single charge for two or more such services.

(3) An annual charge may be levied on each parcel of rateable land for which the service is provided or proposed to be provided."

26. For the purposes of s. 501(1), the regulations currently prescribe emergency services within the area of the Blue Mountains City Council: see cl. 125 *Local Government (General) Regulation 2005*.

27. Other provisions which provide for the levying of charges are:

- (a) Sections 496, 496A and 496B which provide for the making of charges for domestic waste management services, stormwater management services and coastal protection services respectively,
- (b) Section 552 which provides for the making of charges relating to water supply, sewerage and drainage,
- (c) Section 553B(2) which provides for the making of a charge in relation to coastal protection services, and
- (d) Section 611 which provides for the making of a charge in relation to the possession, occupation or enjoyment of a rail, pipe, wire, pole, cable, tunnel or structure which pertains to a public place.

28. Other provisions relevant to the making of charges are in Part 3A (charges), Part 4 (making of rates and charges) and Part 5 (levying of rates and charges) of Chapter 15, which address matters such as the form of a charge, naming charges, and the priority of charges on land over other encumbrances on the land. Other parts of Chapter 15 address matters such as liability to pay charges and concessions for pensioners.

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1.4 Which sections of the LG Act provide for the making of 'special rates'?

29. As noted above, it is generally relevant to consider Chapter 15 as to the making of rates and charges. The making of special rates is provided for in s. 495, as follows:

"495 Making and levying of special rates

(1) A council may make a special rate for or towards meeting the cost of any works, services, facilities or activities provided or undertaken, or proposed to be provided or undertaken, by the council within the whole or any part of the council's area, other than domestic waste management services.

(2) The special rate is to be levied on such rateable land in the council's area as, in the council's opinion—

- (a) benefits or will benefit from the works, services, facilities or activities, or
- (b) contributes or will contribute to the need for the works, services, facilities or activities, or
- (c) has or will have access to the works, services, facilities or activities.

Note—

Under section 495, a council could, for example make and levy—

- different special rates for different kinds of works, services, facilities or activities
- different special rates for the same kind of work, service, facility or activity in different parts of its area
- different special rates for the same work in different parts of its area.

The amount of special rate will be determined according to the council's assessment of the relationship between the cost or estimated cost of the work, service, facility or activity and the degree of benefit afforded to the ratepayer by providing or undertaking the work, service, facility or activity."

30. Division 2 of Part 5 also provides for the making of special rates or charges relating to water supply, sewerage and drainage (see s. 552 for the making of the special rate).

Question 2 Central Coast Council

2.1 With regards to Central Coast Council established as a water supply authority under the WMA, who receives money collected under the WMA? It is the Central Coast Council (the Council) in its capacity as a water supply authority, or is it some other separate entity such as the Central Coast Council Water Supply Authority (CCCWSA)?

31. The *WMA Act* provides for water supply authorities in s. 285 and Schedule 3. Gosford City Council and Wyong Council are each named as a water supply authority ("WSA"): see Part 2 of Schedule 3.

32. As you are aware, but for sake of completeness, I note that in 2016, pursuant to s. 4 and Schedule 3 of the *Local Government (Council Amalgamations) Proclamation 2016*, Gosford City Council and Wyong Council were amalgamated and renamed Central Coast Council. Section 6 of the Proclamation provides:

"6 References to former areas and councils

A reference in any Act or instrument to:

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-
- (a) a former council whose former area is incorporated in one new area by this Proclamation, or to a predecessor of the former council, is taken to be a reference to the new council, or
- (b) a former area that is incorporated in one new area by this Proclamation, or to a predecessor of the former area, is taken to be a reference to that part of the new area that consists of the former area or the predecessor area incorporated in the new area."
33. Section 53(1) of the *Interpretation Act* also applies where the name of a body or office is altered by statute. It provides:
- "(1) If an Act or statutory rule alters the name of a body or office:
- (a) the body or office continues in existence under its new name so that its identity is not affected, and
- (b) a reference in any Act or instrument, or in any other document, to the body or office under its former name shall, except in relation to matters that occurred before the alteration took place, be read as a reference to the body or office under its new name."
34. Accordingly, the reference to the former Gosford City and Wyong Councils in the *WM Act* is to be read as a reference to Central Coast Council, which retains its status as a WSA. See also the *Water Management (General) Regulation 2018* ("the *WM Regulation*"), at cl. 117(2), by which Central Coast Council has and may exercise all the functions of a WSA.
35. As such, the Central Coast Council is both a council and a WSA. The Central Coast Council is constituted under the *LG Act* (s. 219) and is given the status of a WSA under the *WM Act*. There is not a separate legal entity such as the 'Central Coast Council Water Supply Authority'. The *LG Act* regulates the operations of the Council as a council, whilst the *WM Act* regulates the operations of the Council as a WSA.
36. In relation to any specific function, operation or activity of the Central Coast Council it will be important to identify in what capacity it acts. For example, in levying a charge or rate, it will be a question of statutory construction whether it is a council or a WSA which has the relevant power to levy that charge or rate, and that in turn will determine whether the Central Coast Council may act in its capacity as a council or as a WSA in so doing. In some cases, such as in relation to drainage services or the construction of water management works, both the *LG Act* and *WM Act* may make provision. It will be necessary to construe those Acts to determine which provisions apply.
37. I have not located any provisions of the *WM Act* which provide a statutory basis for a council (in its capacity as a council) to raise monies. However, the *WM Act* does contain financing provisions for WSAs in Division 6, Part 2 ("Water supply authorities") of Chapter 5. A WSA may levy service charges within its area of operations for the services listed in s. 310(1) and impose other fees and charges in accordance with the regulations. There are extensive provisions about such service charges and other charges in Division 7 of Part 9 of the *WM Regulation*. None of these arise specifically for my advice. Rather, the premise of the question for my advice is merely that money is collected pursuant to the *WM Act*.

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38. It seems reasonable therefore to assume that money received pursuant to provisions of the *WM Act* will almost certainly be received by the Central Coast Council in its capacity as a water supply authority under that Act.

2.2 Following on from the answer to question 2.1 above, is the money received under the WMA considered 'externally restricted funds' under s. 409(3) of the LG Act?

39. Whilst not without doubt, I prefer the view that money received under the *WM Act* is within the scope of s. 409(3) of the *LG Act*. The Central Coast Council is, as noted above, a WSA under the *WM Act* and specifically it is a statutory body named in Part 2 of Schedule 3 of that Act as such. Per s. 287(2) of the *WM Act*, it therefore "becomes a water supply authority but still has its other functions". That is, it retains its character as a council under the *LG Act*.
40. In my view, monies received by the Central Coast Council pursuant to the *WM Act* are within scope of s. 409(1) and (2) of the *LG Act*, being "money and property received by a council", which is required to be held in the council's consolidated fund. I am supported in this view in relation to the Central Coast Council because the *WM Act* and *WM Regulation* do not make provision for what is to be done with charges levied, as in s. 409(1) *LG Act*. The question then arises whether subsection (3) also applies to such money. Subsection (3) is comprised of three paragraphs, as extracted above. Despite the use of the conjunctive 'and' between each paragraph, it is plain on their terms in my view that each of these paragraphs operates independently in the sense that each contains a condition and then a requirement which follows if that condition is met.
41. It does not appear that paragraph (c), being for "money that has been received from the Government or from a public authority by way of a specific purpose advance or grant..." arises on the terms of the question, and so I will set that aside, although I would be happy to consider it in more detail on your further instructions.
42. I also think it is clear that paragraph (b) could apply, being for money "that is subject to the provisions of this or any other Act...". "Any other Act" would encompass the *WM Act*, so that if provisions of the *WM Act* state that the money may be used only for a specific purpose, then s. 409(3)(b) would apply to provide that it may only be used for that purpose.
43. It is less clear whether paragraph (a) applies in relation to monies received pursuant to the *WM Act*. The question is whether "money that has been received as a result of the levying of a special rate or charge" means money levied under the *LG Act*, or money levied under that or any other Act. Although not without doubt, I prefer the view that s. 409(3)(a) should be read in its full generality and not confined as relating only to special rates or charges levied under the *LG Act*.
44. Although express reference is made in s. 409(2) to a purpose allowed "by this or any other Act" and similarly s. 409(3)(b) refers to money subject to provisions of "this or any other Act" (as noted above), I do not think that the omission of such express reference in s. 409(3)(a) should be taken to confine the operation of that provision only to the *LG Act*. In my view, s. 409(3)(a) is intended to apply to monies held in the consolidated fund by virtue of subsection (1), with both sections applying to monies "received" by the council. As noted above, in my view s. 409(1) applies to all

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money received by a council under the *LG Act* or any other Act, and s. 409(3)(a) should have a corresponding scope. Thus, both sections refer, in my view, to the same concept of money received under 'this or any other Act'.

45. I note that this interpretation should also, in my view, be applied to s. 410(1), which provides for alternative use of money raised by special rates or charges and refers, in almost identical language to s. 409(3)(a), to "money that has been received by a council as a result of the levying of a special rate or a charge". In my view, there would similarly be no reason to imply a restriction or to read down the full generality of this section to confine it to money levied under the *LG Act*. Indeed, I think s. 410(1) is intended to address the situation where monies received by a council in its consolidated account are no longer required for the purpose for which they were levied, and the purpose of that section in ensuring that monies are not left in the council's consolidated account unable to be used suggests that the section should be read in its full generality.
46. However, the contrary view that s. 409(3)(a) is confined to special rates and charges levied under the *LG Act*, is not without merit. In particular, I have considered that the concept of a "special rate" is a creature of the *LG Act* and a term with a clear meaning in the context of that Act specifically. Whilst this is not also true of the concept of a "charge", for which many provisions in other Acts provide, I am not sure that a charge in any other Act would necessarily be associated with use for a specific purpose, in the way that paragraph (a) assumes and which I consider applies in the context of the *LG Act*. For example, it may be difficult in some cases to ascertain the purpose for which a charge is levied under the *WM Act*. In my view, although again this is not without doubt, the purpose for which a charge was levied might be found in the provisions as to the basis for levying charges, the assessment of those charges and the functions of the WSA which the charge supports (see, for example, s. 310(2) of the *WM Act*). I have also considered whether other provisions of the *LG Act* relating to special rates or charges apply to charges levied under other Acts, and found these of little assistance, although some provisions expressly refer to charges levied under "this Act" or "this Act and the regulations": see e.g. s. 496B, which suggests that such a restriction should not be read into a provision such as s. 409(3)(a) which is silent on that point. Equally, but contrary, the lack of express reference to "any other Act" in s. 409(3)(a) can be instead seen as a deliberate omission, in light of the use of those words elsewhere in the section (see subsections (2), (3)(b), (4) and (5)(b)). Such equivocal and contrary indicators incline me not to restrict the full generality of s. 409(3)(a) on its own terms.
47. I have also considered the effect of cl. 223 of the *WM Regulation*, which provides:

"223 Central Coast Council

(1) The provisions of the *Local Government Act 1993* (and the regulations under that Act) that apply to the reduction and postponement of rates and charges under that Act apply to the reduction and postponement of service charges and other charges levied or imposed by Central Coast Council under the *Water Management Act 2000*.

(2) Subclause (1) does not extend to the requirement, under section 581 of the *Local Government Act 1993*, for councils to be reimbursed for a proportion of amounts written off under that Act."

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48. This provision has the effect of applying certain provisions of the *LG Act* to charges which are levied under the *WM Act*. For their part, the provisions of the *LG Act* referred to (Part 8 of Chapter 15) do not contain any express reference to their application under the *LG Act* or any other Act. In that way, it might be said to suggest that those provisions of the *LG Act* would not otherwise apply to charges levied under the *WM Act*, but for the operation of cl. 223 of the *WM Regulation*. However, in my view this provision is neither directly applicable nor persuasive enough indication to read the words of s. 409(3)(a) without their full generality.

49. Finally, I note that I have also considered the effect of s. 409(8), which was introduced in 2003, and provides:

"(8) Subsections (5)–(7) extend to a council that is a water supply authority within the meaning of the *Water Management Act 2000*."

50. In my view, subsection (8) proceeds from the position that s. 409(3) applies to money which has been received by a council in its capacity as a water supply authority, that is, received pursuant to provisions of the *WM Act*. Otherwise, in applying the exception in subsections (5)–(7), subsection (8) would have no work to do. Subsection (8) was introduced by the *Local Government Amendment (National Competition Policy Review) Bill 2003*, and in his second reading speech for that Bill Mr Tripodi (Parliamentary Secretary) said² –

"There are conflicting interpretations of the scope of section 409, and legislative amendment is proposed to clarify the situation... [s. 409(3)(d) to be omitted]. The bill also proposes the insertion of subsections (5) to (7) into section 409 of the Act to define the proper relationship between restricted funds held under section 409 and a council's general funds, including the circumstances in which dividends may be paid by a council business activity.

Under the amendments contained in the bill, a council may choose to deduct from the money which is restricted in its use for the purpose of water supply or sewerage services, an amount in the nature of a dividend, and to apply that money to any purpose under the Act or any other Act. That is, the dividend payment becomes available for use at council's discretion...

A further amendment relates to the ability of councils which are water supply authorities under the *Water Management Act 2000* to also pay a dividend. The *Water Management Act* does not specifically constrain councils which are water supply authorities from paying a dividend. Nevertheless this ability needs to be put beyond doubt. The bill will specifically provide that the ability to pay a dividend as per the amendments to section 409(5) and the constraints on such a payment under section 409(6) and (7) also apply to local councils which are water supply authorities under the *Water Management Act*."

51. The effect of this subsection therefore supports me in a view that s. 409(3) does apply to money received pursuant to the *WM Act*. However, it is not persuasive of whether s. 409(3) paragraphs (a) and (b) both apply. Given that in my view it is clear that (b) applies, I have not found subsection (8) particularly helpful in construing the proper scope of s. 409(3)(a).

52. On balance, I prefer the view that s. 409(3)(a) could apply to money received pursuant to the *WM Act*, as that section should be read in its full generality and with a corresponding scope to s. 409(1). Section 409(3)(b) would also apply if the conditions in that paragraph were satisfied.

² Hansard, Legislative Assembly, 28 May 2003.

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2.3 Are there any provisions in the WMA that restrict how the money collected under the WMA can be spent?

53. I have not located any express provisions in the *WMA* which restrict the way that money collected under the *WMA* can be spent, in a way which is comparable to the effect of s. 409(3) of the *LG Act*, for example.
54. I would observe, however, that the provisions by which money is collected under the *WMA* are in themselves restrictive of the way such money can be used. For example, many of the services for which charges can be levied under s. 310(1) of the *WMA* are services which have been declared to be "government monopoly services" under s. 4 of the *Independent Pricing and Regulatory Tribunal Act 1992* ("the *IPART Act*"); see the *Independent Pricing and Regulatory Tribunal (Water; Sewerage and Drainage Services) Order 1997*. Under s. 11 of the *IPART Act*, IPART has a standing reference to make determinations of the pricing for government monopoly services supplied by government agencies specified in Schedule 1, and Schedule 1 lists "water supply authorities" for that purpose.
55. Therefore, charges which relate to those government monopoly services will be subject to IPART determinations, by which a maximum price or a methodology for fixing the maximum price will be set. I understand these to be based generally on a cost-recovery model. In such a system, it is difficult to envisage that there is very much scope for discretion in the spending of monies collected pursuant to the *WMA*, as any surplus in one year would presumably be offset against the price determination in the following year. In the absence of a specific question arising for consideration, I will merely observe that in that way, the whole legislative scheme as applying to the Central Coast Council in its capacity as a WSA acts to restrain and control the ways in which it raises money for its operations. I would be happy to provide advice on any further question if you so wish.

Karen Smith

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Crown Solicitor

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Item No: 2.4
Title: Independent Pricing and Regulatory Tribunal (IPART) review of Council's water, sewerage and stormwater drainage services
Department: Water and Sewer

24 June 2021 Audit Risk and Improvement Committee Meeting

Reference: F2004/06782 - D14664719
Author: Kate Gibbs, Executive Support Officer
Executive: Jamie Loader, Director Water and Sewer

Recommendation

- 1 *That the Committee note the report on Independent Pricing and Regulatory Tribunal (IPART) review of Council's water, sewerage and stormwater drainage services.*
- 2 *That the Committee make a recommendation that this report and the supporting papers to this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

The information provided in this report is current as at 1 June 2021

Summary

The purpose of this report is to provide the Committee with an update on the Independent Pricing and Regulatory Tribunal (IPART) review of Council's water, sewerage and stormwater drainage services.

Background

The Independent Pricing and Regulatory Tribunal (IPART) sets the maximum prices the Council can charge for its monopoly water, sewerage and stormwater drainage services, under the *Independent Pricing and Regulatory Tribunal Act 1992 (NSW) (IPART Act)*. The Council must not charge prices above IPART's determined maximum prices and cannot charge prices below IPART's determined prices without approval of the Treasurer.

How does IPART set its prices?

To decide on the amount of revenue to be recovered, IPART first calculate the Council's notional revenue requirement (NRR) for the period of the determination. The NRR represents IPART's view of the total efficient costs of providing Council's regulated water, sewerage and stormwater services in each year of the determination period.

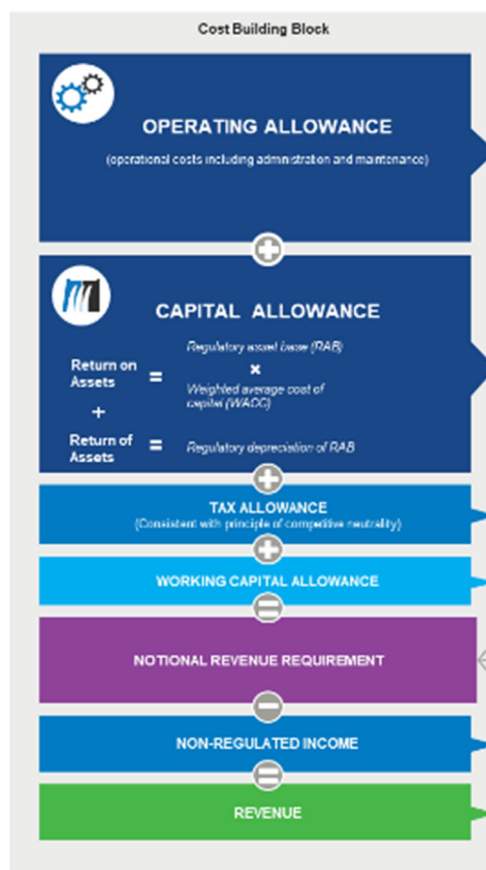
2.4 Independent Pricing and Regulatory Tribunal (IPART) review of Council's water, sewerage and stormwater drainage services (contd)

IPART calculate a separate NRR for water, sewerage and stormwater services, to ensure customers who do not have access to one or more of the services do not pay for them. Then, for each of the water, sewerage and stormwater services, IPART considers an appropriate combination of usage (variable) and service (fixed) charges to recover the revenue from customers. To achieve this, they need to forecast demand for services over the period.

IPART uses its standard 'building block' method to calculate the NRR. This method involves estimating, for each year of the determination period:

- An operating expenditure allowance
- A capital allowance, which comprises a return on the assets the Council uses to provide its services and a return of these assets (or regulatory depreciation)
- A tax allowance
- A working capital allowance, and
- Any 'non-regulated' revenue the Council is forecast to earn from non-regulated services it provides using its regulated assets.

The below figure shows IPART's building block model.



2.4 Independent Pricing and Regulatory Tribunal (IPART) review of Council's water, sewerage and stormwater drainage services (contd)

IPART's review of Central Coast Council's prices from 1 July 2022

Council is currently developing its submission for the next IPART determination period (to begin July 2022). Council's submission is due to IPART in September 2021, in line with IPART's review timetable (see below):

A Indicative review timetable

Milestone	Date
Submission Information Pack letter to Central Coast Council	November 2020
AIR, SIR and Excel templates to Central Coast Council	Late November/early December 2020
Release Issues Paper	June 2021
Central Coast Council submission due	September 2021
Submissions to the Issues Paper due	October 2021
Public Hearing	November 2021
Release Draft Report and Determination	March 2022
Submissions to the Draft Report due	April 2022
Release Final Report and Determination	May 2022
New prices to apply	1 July 2022

IPART requires Council to provide a detailed pricing submission which includes the following key information:

- Council's performance over the current determination period 2019-2022
- Evidence of customer engagement
- Proposed service levels
- Forecast operating expenditure
- Forecast and historical capital expenditure
- Proposed Regulatory Asset Base (RAB), Weighted Average Cost of Capital (WACC), depreciation and asset lives
- Forecast sales volumes and customer numbers
- Proposed prices and impacts

In developing the pricing submission, Council needs to follow IPART's overarching principles which are to replicate the effects of a competitive market so that Council delivers what customers want at lowest prices (maximise value to customers). In regulating prices, IPART aims to ensure that prices reflect:

- The efficient costs of providing the monopoly services, while meeting broader regulatory requirements
- Customer preferences and willingness to pay.

2.4 Independent Pricing and Regulatory Tribunal (IPART) review of Council's water, sewerage and stormwater drainage services (contd)

To ensure Council's submission meets IPART's guidelines, in 2019, Council set up an IPART Working Group and a Delivery Control Group and is holding regular meetings with IPART to maintain open dialogue throughout the submission process. Key milestones have already been achieved including:

- Disaggregation of Council's Regulated Asset Base (RAB) – reviewed and updated by consultants Morrison Low
- Community consultation completed – Council engaged Woolcott consultants to undertake community consultation in March 2021
- 2019/20 base operational expenditure confirmed with IPART
- Forecast demand for services completed
- Forecast Long Run Marginal Cost (LRMC) for water usage based on future water augmentation completed.

The IPART Working Group are currently preparing detailed business cases for its proposed capital works and key operational projects. These business cases will form the basis of Council's operational and capital forecasts.

Council has engaged specialist economics consultants to assist with preparing revenue requirements, tariff modelling, business case strategies and benchmarking papers. It is anticipated that this work will be completed in July 2021.

Council's final submission to IPART will include 10 technical papers which address the information requirements outlined by IPART, accompanied by a plain English summary for customers. These documents will be published on IPART's website.

- Technical paper 1 Engaging our community
- Technical paper 2 Service levels
- Technical paper 3 Form of regulation
- Technical paper 4 Capital expenditure
- Technical paper 5 Operational expenditure
- Technical paper 6 Revenue requirements
- Technical paper 7 Demand for services
- Technical paper 8 Pricing
- Technical paper 9 – Pricing other services
- Technical Paper 10 – About the submission

Council's proposed prices will be presented to the Administrator for endorsement in August 2021. The final pricing submission will be signed off by Council's Chief Executive Officer and submitted to IPART by 4 September 2021. IPART requires the final pricing submission be accompanied by a declaration of the CEO certifying the accuracy of the information provided.

**2.4 Independent Pricing and Regulatory Tribunal (IPART) review of
Council's water, sewerage and stormwater drainage services (contd)**

Attachments

Nil.

Item No: 2.5
Title: Council's Asset Sales Program
Department: Corporate Affairs



24 June 2021 Audit Risk and Improvement Committee Meeting

Reference: F2020/03104 - D14658851
Author: Joe O'Connor, Commercial Property Manager
Manager: Jamie Barclay, Unit Manager Development and Property
Executive: Natalia Cowley, Director Corporate Affairs and Chief Financial Officer

Recommendation

- 1 *That the Committee note the report on Council's Asset Sales Program.*
- 2 *That the Committee make a recommendation that this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

The information provided in this report is current as at 4/06/2021.

Summary

Council's adopted Business Recovery Plan recommended a review of Council's property portfolio in order to assess opportunities to liquidate assets to assist with its financial sustainability.

To date, Council has released two groups of properties (Tranche 1 and 2) to the market and have achieved some initial sales of these 12 properties. Further, Council recently concluded community consultation on a further 38 properties, being known as Tranche 3.

The ongoing assessment of Council's property portfolio reviews each property against the current and future needs of both Council and the community. This can be evidenced from strategic plans, internal stakeholder engagement, property title and historic searches, as well as a review of community usage of the land or facility. This process also considers the cost benefit analysis of Council retaining its income producing assets (i.e. commercially leased properties) and consolidation of Council administrative or operative land holdings and facilities (i.e. council admin buildings and depots) to ensure highest and best use.

This report provides information update on the processes followed to ensure good governance and risk mitigation measures throughout this program.

The process to identify assets for sale

In order to adequately review Council's property and asset portfolio (approximately 7,000 parcels of land) data has been gathered and collated in sub-categories. Given the individual complexity of each category, certain areas of Council's portfolio were prioritised in order to identify land for sale and put this on the market as promptly as possible. Tranche 1 and 2 represented an initial low risk group of properties to be put to market.

The below figure summarises this process.

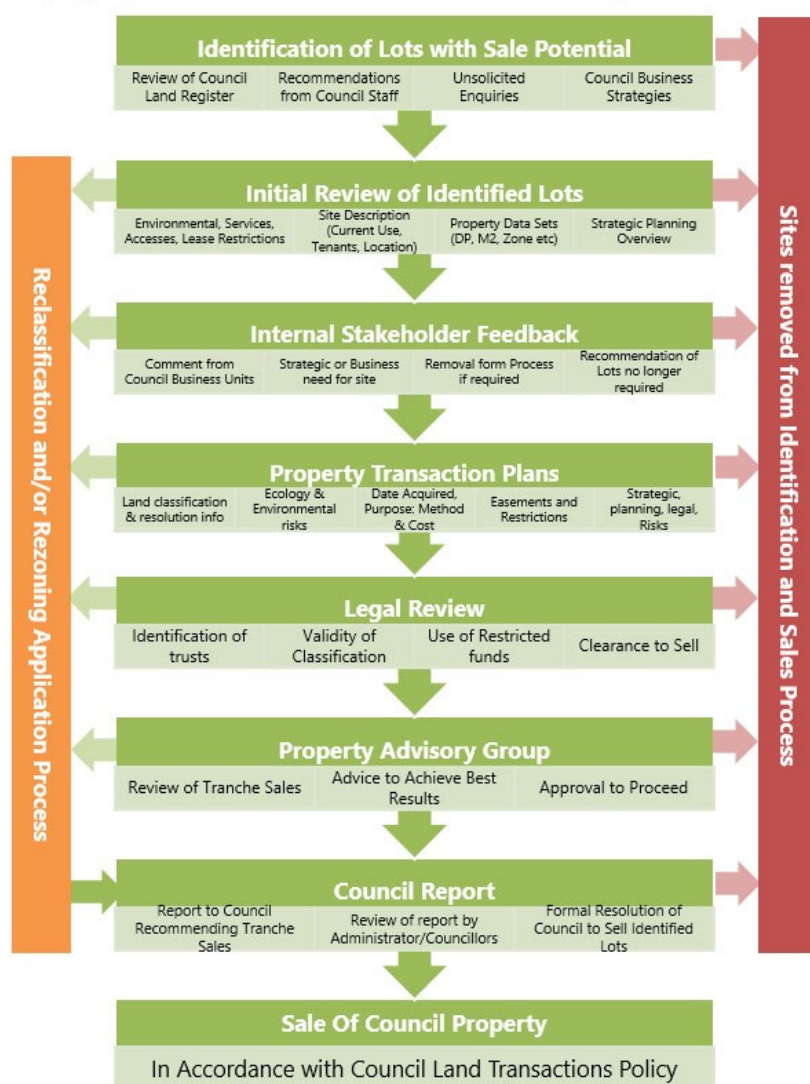


Figure 1 - Property Review Process Flowchart

Due Diligence Checklist and Property Transaction Plan

Council's internal legal staff provides ongoing legal assistance throughout the project. In consultation with the legal area, key documents were developed to assist in the asset review program. These documents included a due diligence checklist, property transaction plan and property legal due diligence check.

These documents ensured a methodical standardised process to mitigate risk. Some of the factors assessed in these documents included:

- Easements, covenants and an appropriate land classification
- Council ownership and funding for acquisition including use of restricted funds
- WHS check, building & pest inspection, contamination or rubbish onsite,
- Encroachments, planning approvals and compliance
- Existing tenancies or other users of the site including parking or access.

An internal stakeholder consultation process is also undertaken with senior council staff from specialist areas (such as water and sewer, roads, open space, planning) to endorse or remove land from the sales program.

Internal stakeholders were also requested to identify further sites not already considered by the project team being surplus to their requirements and having sale potential.

Sales Process

Any disposal of Council's assets is informed by the Land Transaction Policy (Policy No: CCC 057 - October 2020). The purpose of the Land Transaction Policy is to provide a consistent decision-making framework for land transactions, having regard for relevant legislation. This includes:

- Any land sale price will be determined by an independent valuer.
- The sale will be negotiated by an independent real estate agent acting on Council's behalf.
- Exceptions may occur only in special circumstances, such as sales to adjoining landowners of small lots that are not developable as stand-alone lots or that have little use or commercial appeal to the wider market, or where a competitive process is not appropriate or practical in the circumstances.
- Any land that was purchased using restricted funds will require that money is returned to that fund.

It should also be noted that Council engaged with independent property development experts Michael Filo and Steve Rowe to execute the functions of the independent Property Advisory Committee. Their function is to provide an independent panel to review the asset sales program prior to going to Council, review and advise on conditional sales for commercial and industrial sales and to review opportunities and advise Council on a potential highest and best use analysis to ensure Council is receiving value for the sale. They have also ensured that

adequate probity measures around any direct sale are considered in evaluating the terms of the sale.

Council Press Releases and Community Consultation

Council has developed a communications plan to run concurrently with the sales program. This has included timely press releases to reassure the community about the process followed.

At the Council meeting on 27 April 2021, Council also resolved to undertake a period of community consultation regarding the next stage of the asset sales program (Tranche 3). Community consultation opened on the Council Your Voice Your Coast interactive website on Friday 30 April 2021 and closed for consultation at 5pm Friday 28 May. When the site closed at 5pm Friday 28 May Council had received 1,333 public submissions, with 7,648 visits to the Your Voice Your Coast site and 17,176 visits to the interactive map.

Attachments

Nil.

Item No: 2.6
Title: Sale of Land for Unpaid Rates
Department: Corporate Affairs



24 June 2021 Audit Risk and Improvement Committee Meeting

Reference: F2021/00499 - D14658808
Author: Melissa McCulloch, Section Manager Rates and Revenue
Manager: Peter Correy, Unit Manager, Finance
Executive: Natalia Cowley, Director Corporate Affairs and Chief Financial Officer

Recommendation

- 1 *That the Committee note the report on Sale of Land for Unpaid Rates.*
- 2 *That the Committee make a recommendation that this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

The information provided in this report is current as at 25/05/2021.

Summary

The purpose of this report is to provide the Committee with information regarding the Sale of Land for Unpaid Rates action.

At its meeting held 25 May 2021, Council resolved at 160/21 in part that:

- 1 *That Council seek guidance on a Sale of Land for Unpaid Rates action as set out in this report in consultation with the existing legal service provider – Legal Force and their appointed Solicitor.*
 - 2 *That the land detailed in the schedules attached to this report may be submitted for sale by public auction at a date to be fixed by Council. Noting that the schedule includes 50 vacant lots.*
 - 3 *That Council note that there is no proposal for any action on pensioner land, however, pensioner land meeting the criteria for sale for rates equal the value of \$2,249,609.*
 - 4 *That Council authorise the Chief Executive Officer to certify in writing the requirements under Section 713(3) of the Act for each property.*
-

2.6 Sale of Land for Unpaid Rates (contd)

Central Coast Council's collections strategy for unpaid rates includes two processes:

1. Internal collections for unpaid rates commence at 15 days in arrears for amounts over \$10. Council requires that arrangements to pay must not exceed 9 months (inclusive of new bills) unless supported by an application for genuine hardship.
2. Unpaid rates balances that exceed \$2,000 (inclusive of both water and rates charges) are outsourced to a legal services provider for recovery at two or more quarters in arrears (approximately 6-7 months overdue). There are several strategies that are used by the legal service provider to settle arrears with rate payers, these include:
 - a) Contact Letter is Issued by LSP
 - b) Notice of Legal Action is Issued by LSP
 - c) Statement of Claim is served
 - d) Default Judgment is entered
 - e) A bank and wage garnishee may be executed
 - f) A writ over the property may be executed
 - g) A formal written demand may be made on the mortgage
 - h) An examination notice/summons is issued
 - i) A warrant for arrest is issued
 - j) A recommendation for Sale for Rates is made

The table below is a summary of properties, by the separate rate books, eligible for sale under the relevant legislation. It should be noted that pensioners' land is **not** being recommended for Sale for Rates action; this information has been included in balances for an overall view of the debt recovery book meeting the criteria for sale of land for unpaid rates.

Sale of Land for Unpaid Rates 2020-21

Gosford	No. of Properties	Period Outstanding	Rates Outstanding	Water Outstanding
Vacant	25	> 1 year	\$ 121,323	\$ 39,981
Business	2	> 5 years	\$ 20,161	\$ 10,145
Residential	50	> 5 years	\$ 691,809	\$ 279,386
Residential (Pensioners)	110	> 5 years	\$ 1,755,131	
Total Gosford incl Pensioners			\$ 2,588,424	\$ 329,512

Wyong	No. of Properties	Period Outstanding	Rates Outstanding	Water Outstanding
Vacant	25	> 1 year	\$ 259,404	\$ 30,244
Business	7	> 5 years	\$ 38,423	\$ 5,509
Residential	14	> 5 years	\$ 173,165	\$ 118,073
Residential (Pensioners)	34	> 5 years	\$ 494,478	
Total Wyong incl Pensioners			\$ 965,470	\$ 153,826

Total excl Pensioners			\$ 1,304,285	\$ 483,338
Total Pensioners			\$ 2,249,609	
Total CCC incl Pensioners			\$ 3,553,894	

Council could expect to recover outstanding rates of approximately \$450,952 including water arrears from vacant land, \$74,238 including water arrears from commercial land, and \$1,262,434 including water arrears from residential land. The estimated total recoverable rates and charges through this action is \$1,787,624.

There is an assumption that properties secured with a mortgage will likely settle outside of the sale for rates process as most banking institutions would prefer to avoid a Council rate sale. It should be noted that where a sale is achieved prior to auction date being set, any additional legal costs associated with the sale will be added to the property debt and paid prior to settlement.

Costs to proceed to sale are recoverable from settlement and are listed as follows:

Legal expenses – flat fee	\$2,000 (exc GST)
Real estate fees – flat rate per sale	\$10,500 (inc GST)

The real estate fees include a marketing levy of \$3,038 per block.

At its meeting 25 May 2021 Council resolved to undertake a sale of land for unpaid rates action. Letters will be issued to the 123 property owners listed in the above table notifying them of the sale of land for unpaid rates action.

Payment of all outstanding rates and charges will be requested by 25 June 2021. Where payment is not secured by 25 June 2021 Council will proceed to notify impacted rate payers of the next steps including the sale of the property.

Attachments

Nil.

Item No: 3.1
Title: Chief Internal Auditor's Quarterly Progress Report
Department: Chief Executive Officer's Unit



24 June 2021 Audit Risk and Improvement Committee Meeting

Reference: F2021/00030 - D14670461
Author: Tina Baker, Chief Internal Auditor
Executive: David Farmer, Chief Executive Officer

Recommendation

- 1 *That the Committee note the report on Chief Internal Auditor's Quarterly Progress Report.*
- 2 *That the Committee make a recommendation that this report and the supporting papers to this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

The information provided in this report is current as at 3/06/2021.

Summary

The *Chief Internal Auditor's (CIA) Quarterly Progress Report* forms part of the standard suite of independent reports presented by Internal Audit to each ordinary meeting of the Audit, Risk and Improvement Committee (ARIC). This report provides an update on the activities of Internal Audit since the last update to the Audit, Risk and Improvement Committee on 10 March 2021 against the ratified audit work programme and in accordance with the four elements of the IA framework.

THE IA FRAMEWORK

- 1.1 The global professional body for Internal Audit – the Institute of Internal Auditors – sets down internationally recognised standards for the professional practice of internal auditing. The IIA professional standards have been adopted by the State Government (under TPP15-03) and are also reflected in the published OLG's proposals for *A New Risk Management and Internal Audit Framework for Local Councils in NSW*.
- 1.2 Under the re-structure the Chief Internal Auditor now reports to the Unit Manager of Governance and Risk who, in turn, reports to the Director of Corporate Affairs. This is not aligned with best practice standards or those set down in the OLG proposals.

2 IA FRAMEWORK – BUSINESS ASSURANCE

- 2.1 This element of the framework relates to the business assurance reviews or the schedule of audits, which forms the largest component of time assigned to the IA work

programme. In light of the appointment of a new ARIC independent member, Appendix 1 lists the IA reviews that have been conducted and reports issued *since amalgamation*, including the number and risk rating of findings as well as an update on progress against the 2020/21 schedule. Appendix 2 shows the IA Framework and the different elements under each of the 4 key components.

Changes To The Schedule of Audits/Mandatory Reviews

2.2 Since the suspension of the IA schedule of reviews by the A/CEO in December 2020, the audit programme has focussed on mandatory audits, that must be conducted under formal Agreements or as a requirement of membership to a specific scheme. Consequently, a proportion of the remainder of the budget for the co-sourced partnership transferred to funding consultancy/advisory work as Centium were engaged to conduct risk and issue prioritisation interviews and a workshop with the Executive. This workshop was held on 15 April 2021 and a summary report was issued by Centium to the CEO on 24 May 2021.

Audit Reports Finalised

2.3 Since the last ARIC meeting on 10 March 2021, one report has been issued in final:

- 04/20-21 Workers Compensation Case Management.

2.4 This is a mandatory annual review, as part of the Council's self-insurer status. The sample, sample size and risk assessment methodology are all determined by the State Insurance Regulatory Authority (SIRA).

2.5 As is standard practice, all members of the Audit, Risk and Improvement Committee are provided with copies of the IA reports when they have been finalised. Consequently, this report contains just an extract from the Executive summary of the key issues from each IA report finalised since the last meeting.

Summary of Key Issues from Final Audit Reports

04/20-21 Workers Compensation Case Management

2.6 The following extracts from the report, summarise the key findings of the final report for Workers Compensation Case Management:

Overall Audit Score	
Compliance Audit score	99%
Case Management Practice Audit Score	89%
Data Quality Audit Score	97%
Total	96%

"Based on a limited review of systems and processes, the assessment of 30 claims and the risk assessment methodology... controls are effective."

- 2.7 A total of 4 low risk recommendations to improve efficiency were made. These were all accepted by management, two of which were completed prior to the issue of final report and the remaining two, already in progress.

Audits In Progress

- 2.8 There are 2 audits currently in progress. Both of these are mandatory, annual compliance audits in line with regulatory requirements.

- 03/20-21 NHV Accreditation: closing stages of fieldwork
- 05/20-21 RMS DRIVES24: early fieldwork stage

Validation and Follow Up

- 2.9 Considerable time and effort has been expended this quarter on self-training in the functionality and use of Smartsheet, which is now the platform for the Management Actions Tracker. A management actions dashboard has been set up with reports at a Departmental and Unit level as well as broken down according to source (IA, IO, NSW Audit Office or External Consultant). Copies of reports pertaining to each review have also been attached to the applicable sections. All relevant staff have been provided with a link to the dashboard and their reports, which allows management to track and update their actions for themselves, at their own convenience and report accordingly to their accountable officers.

3. IA FRAMEWORK – CONSULTING & ADVISORY ACTIVITIES

Stakeholder Engagement & Education

- 3.1 As noted above, Centium ran a workshop with the Executive on strategic risks and priorities on 15 April 2021.
- 3.2 Some follow up work was conducted on behalf of the NSWAO relating to GST and ABN anomalies in finance records.
- 3.3 One meeting has been held with the CEO to discuss outstanding management actions.
- 3.3 Liaison with Unit Manager, Governance and Risk and the Enterprise Risk Manager to establish a joint staff engagement activity relating to the ICAC corruption prevention recommendations from Operation Dasha.

4. IA FRAMEWORK – QUALITY AND PERFORMANCE

Measuring IA Performance/Customer Satisfaction

4.1 The various surveys used by IA as part of the balanced scorecard KPIs have all been revised, updated and set up on MS Forms, including:

- Post audit stakeholder engagement survey. Issued to relevant staff for feedback on the Workers Compensation review.
- Post-audit assessment questionnaire. This is completed by the auditor to determine what went well with the review, where there were roadblocks and what follow up action by IA could be beneficial. The updated form was issued to and completed by the Centium consultant who conducted the Workers Compensation review.
- Executive and ARIC surveys are in the process of being revised and also set up on MS Forms.

Professional Development & Ongoing Education:

4.2 Professional development undertaken this quarter:

- Attended CPN webinar on behavioural insights and fraud.
- Attended Public Interest Disclosures training run by NSW Ombudsman with intention of becoming a notifications officer.

5. IA FRAMEWORK - ORGANISATIONAL RISK ANALYSIS AND IA STRATEGIC PLANNING

5.1 The outcome of the Centium workshop with the Executive has been used to inform the audit needs assessment and build up the new IA work programme. Additionally, a survey was issued to ELT and Unit Managers to nominate the reviews for inclusion in the 2021/22 schedule of audits. The results of the latest analysis are presented to this meeting of the Committee under separate cover.

Attachments

1	Appendix 1 CIA Progress Report JUNE21 IA reports issued since amalgamation	D14669836
2	Appendix 2 CIA Progress Report JUNE 2021 IA Framework	D14670410

2020/21 (aligned with new 2020/21 program ratified by ARIC 10/12/20)

Ref	Name of Report	Date Issued	Total # IA Recs	# Recs Accepted	# Extreme	# High	# Moderate	# Low	Comments	Status (June 2021)
01/20-21	Water Quality and Supply Management	23/12/20	20	18	0	8	9	3		Complete
02/20-21	Payroll	30/11/20	6	6	0	2	4	0		Complete
03/20-21	NHV Accreditation 2019-20								Mandatory annual review. Underway.	TB
04/20-21	Workers' Compensation Case Management	7/5/21	4	4	0	0	0	4	Mandatory annual review.	Complete
05/20-21	RMS DRIVES 24								Mandatory annual review. Underway.	Centium
06/20-21	Management of IT Assets: Procurement to Disposal	Centium budget transferred to ELT workshops on risks and priorities. Moved to end of 2020/21 financial year (and renumbered accordingly) so bulk of work is captured under 2021/22 budget. Await response from ARIC on whether to proceed following direction from Director CA and Unit Manager IT, not to conduct the review.								
DEFERRED OR DROPPED FROM 2020/21 PROGRAMME AT REQUEST OF A/CEO & CENTIUM BUDGET TRANSFERRED TO WORKSHOP ON STRATEGIC RISKS/PRIORITIES										
	Roads Maintenance ('pothole management')									
	Property Rates – Setting, Billing, Collection and Recovery									

2019/20

Ref	Name of Report	Date Issued	Total # IA Recs	# Recs Accepted	# Extreme	# High	# Moderate	# Low	Comments	Status
01/ 19-20	Councillor Facilities, Allowances & Expenses	Apr-20	17	17	0	2	11	4	Mandatory review every 2 years in accordance with the Policy	Complete
02/ 19-20	Contract Management	Jun-20	12	12	0	6	6	0		Complete
03/ 19-20	Complaints Management	Mar-21	18	16	0	11	5	2		Complete
04/ 19-20	ELT/SLT Facilities, Allowances & Expenses	Aug-20	18	18	0	11	6	1		Complete
05/ 19-20	IT Governance	Sep-20	13	13	0	2	9	2		Complete
06/ 19-20	Procurement Cards, Store Cards, Store Accounts, Gift Cards and Other Credit Style Accounts	Nov-20	22	22	0	13	7	2		Complete
07/ 19-20	Contractors, Temporary and Contingent Labour Hire	Oct-20	16	16	0	13	3	0		Complete

2018/19

Ref	Name of Report	Date Issued	Total # IA Recs	# Recs Accepted	# Extreme	# High	# Moderate	# Low	Comments	Status
01/ 18-19	RMS DRIVES 2017-2018	Sep-18	16	16	0	9	7	0	Mandatory annual review. RMS compliance checklist completed and a separate IA report issued highlighting significant operational control weaknesses	Complete
02/ 18-19	NHV Accreditation 2017-2018	Jul-19	8	8	0	3	4	1	Mandatory annual review. Protracted process to get Executive responses to corporate wide issues.	Complete

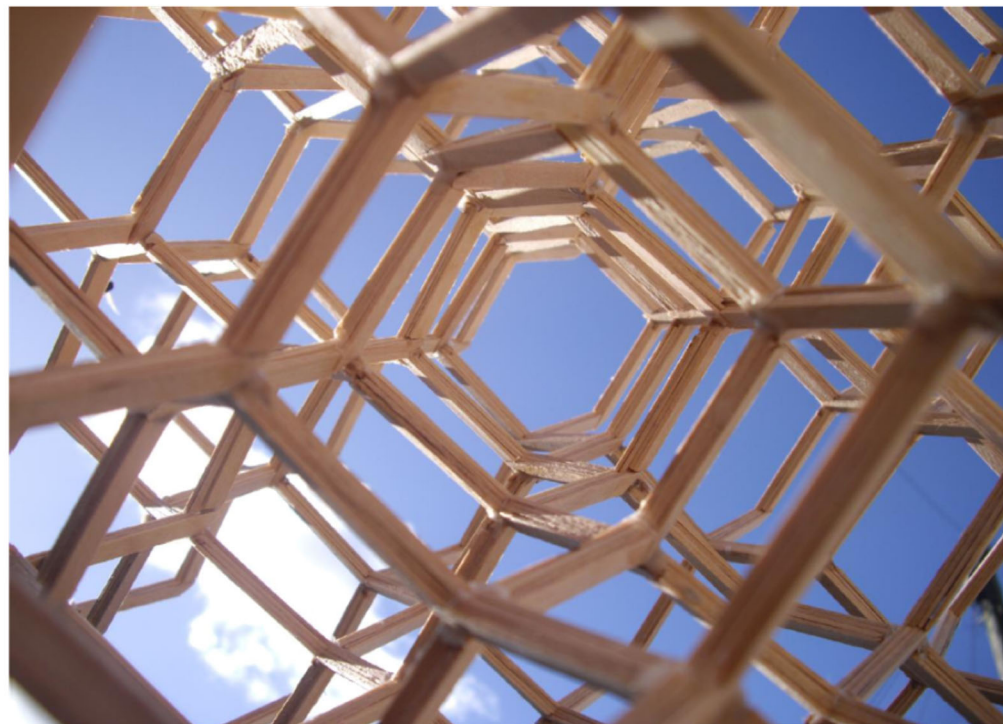
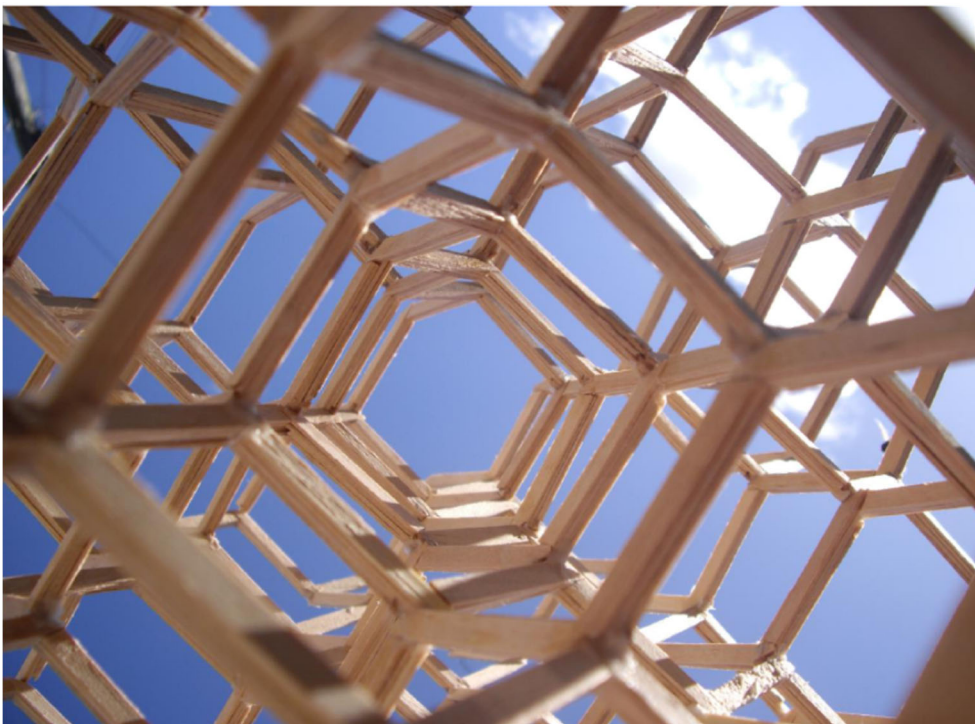
Note for 2018/19 FY the Chief Internal Auditor (one person unit since amalgamation) was preparing tender documentation for the co-sourced partnership, finalising long outstanding reports which were being delayed due to lack of management responses, and underwent major surgery, resulting in sick absence for 3 months, hence why only two reviews were conducted for the 2018/19 FY.

2017/18

Ref	Name of Report	Date Issued	Total # IA Recs	# Recs Accepted	# Extreme	# High	# Moderate	# Low	Comments	Status
01/17-18	RMS DRIVES 2016-17 Wyong	Aug-17	N/A						Mandatory annual review. RMS compliance checklist - no separate IA report issued	Complete
02/17-18	NHV Accreditation 2015-16	Jul-16	4	4	0	0	0	4	Mandatory annual review	Complete
03/17-18	Procurement of IT Goods	Jul-19	4	4	0	11	1	0	Protracted process to get CIO responses to issues raised	Complete
04/17-18	RMS DRIVES 2016-17 Gosford	Aug-17	N/A						Mandatory annual review. RMS compliance checklist - no separate IA report issued	Complete
05/17-18	CCTV	Aug-18	6	5	0	5	1	0	External consultant review of CCTV commissioned during 2020 with similar findings and recommendations	Complete
06/17-18	Cash Management in Waste Services	Jul-19	14	14	0	11	3	0	Protracted process to get Executive responses to corporate wide issues	Complete
07/17-18	Seniors Centres	Sep-19	17	17	0	11	6	0	Protracted process to get report finalised & CIA on long term sick part of the 2018/19 year	Complete
08/17-18	Library Services & Cash Management	Oct-19	6	6	0	2	4	0	Protracted process to get report finalised & CIA on long term sick part of the 2018/19 year	Complete

2016/17

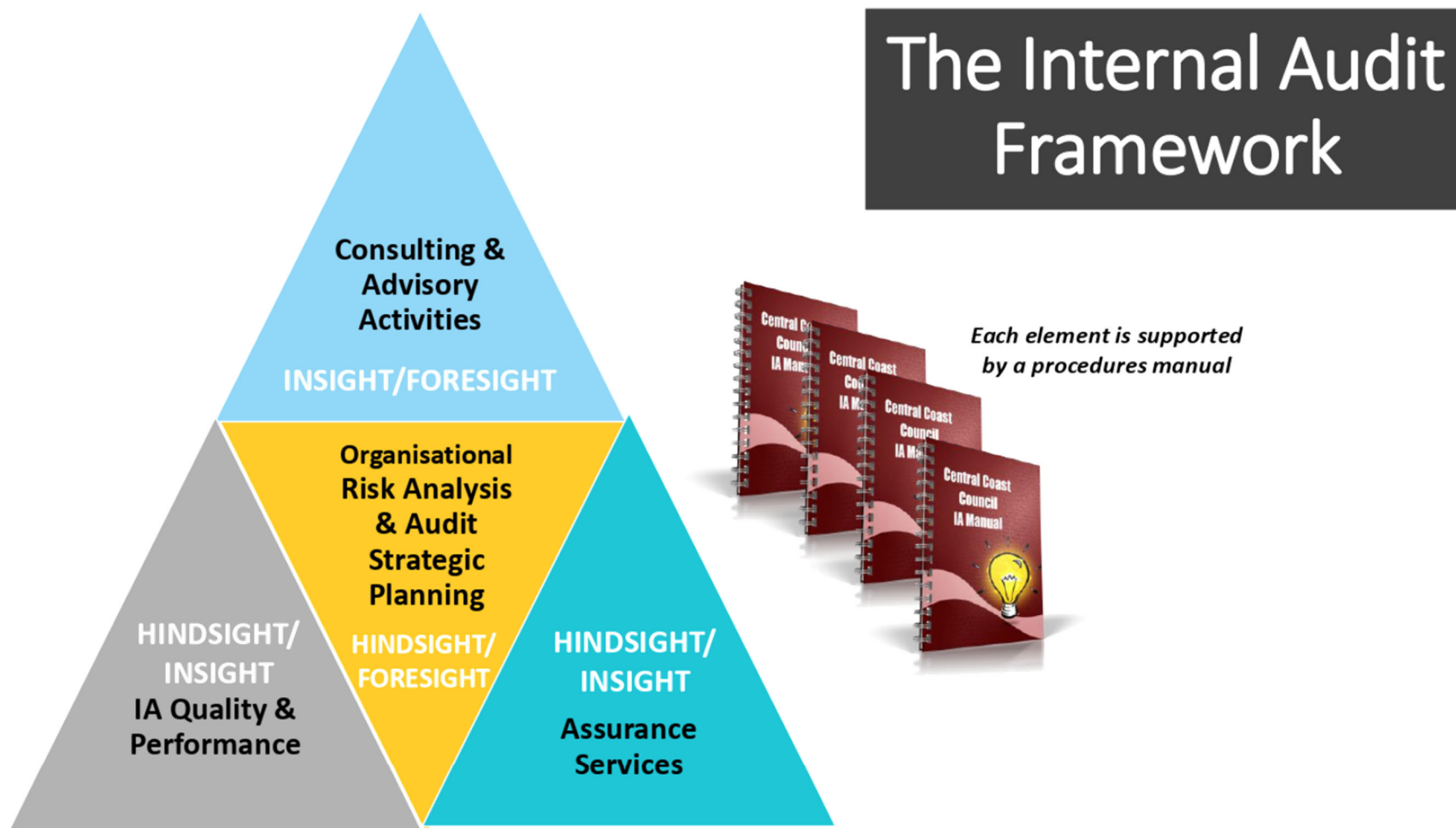
Ref	Name of Report	Date Issued	Total # IA Recs	# Recs Accepted	# Extreme	# High	# Moderate	# Low	Comments	Status
01/16-17	Administration & Effectiveness of WSC's Audit and Risk Committee (former Wyong)	May 2017	4	Issued without mgt responses	0	1	3	0	No management responses as the audit was completed just prior to amalgamation	Complete
02/16-17	S94 Contributions (former Wyong)	May 2018	5	Issued without mgt responses	0	4	1	0	No management responses as the audit was completed just prior to amalgamation	Complete
03/16-17	RMS DRIVES 2015-16 Wyong	Jun 2016	N/A						Mandatory annual review. RMS compliance checklist - no separate IA report issued	Complete
04/16-17	RMS DRIVES 2015-16 Gosford	Jun 2016	N/A						Mandatory annual review. RMS compliance checklist - no separate IA report issued	Complete
05/16-17	Payroll Validation Review - Gosford	Sep 2016	N/A						Review/update status report of action taken in response to previous audits of payroll at former Gosford CC	Complete



The Internal Audit Framework

Tina Baker
Chief Internal Auditor





Components of the 4 Elements of the IA Framework



Why These Four Elements?

IIA International Professional Practices Framework

- Standard 2010: Planning (work programming)
- Standards 2200 – 2400: Business Assurance & Consultancy Engagements
- Standard 1330: Quality Assurance & Improvement Program

IA Charter

- Section 11.1: Strategic Planning (work programming)
- Section 5.1: Assurance Services & Consultancy Services
- Section 12.1: Quality Assurance & Improvement Program

OLG Proposals

- Core requirement 3: establish an internal audit function mandated by an Internal Audit Charter (which sets down the consultancy/assurance remit)
- Core requirement 5: develop an agreed internal audit work program (work programming and individual engagements)
- Core requirement 8: establish a quality assurance and improvement program

Item No: 3.2
Title: Implementation of Management Actions Arising From Independent Reviews
Department: Corporate Affairs



24 June 2021 Audit Risk and Improvement Committee Meeting

Reference: F2021/00030 - D14679843
Author: Tina Baker, Chief Internal Auditor
Executive: David Farmer, Chief Executive Officer

Recommendation

- 1 *That the Committee note the report on Implementation of Management Actions Arising From Independent Reviews.*
- 2 *That the Committee make a recommendation that this report and the supporting papers to this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

The information provided in this report is current as at 9/06/2021.

Summary

The report on *Implementation of Management Actions Arising From Independent Reviews* forms part of the standard suite of reports presented by the Chief Internal Auditor to the quarterly ordinary meeting of the Audit, Risk and Improvement Committee (ARIC).

Background

The detailed information provided here is for the benefit of the recently appointed CEO and new independent ARIC member.

This report is provided to the Committee to help meet section 39 (d) and (e) of their Charter obligations, which states: "*The Committee is responsible for: [inter alia]*

- *reviewing all audit reports and considering significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of better practices;*
- *monitoring the implementation of internal audit recommendations by management".*

Internal audit conduct independent assessments of management controls relating to specific Council processes and/or systems, in accordance with a ratified, annual work programme. The results are captured in reports which document any identified risk exposures arising from

3.2 Implementation of Management Actions Arising From Independent Reviews (contd)

weak, broken or missing controls and IA make recommendations to remediate these vulnerabilities. Management responses to the recommendations are recorded and agreed actions are assigned an implementation officer and action date. ARIC monitor the implementation of actions in accordance with good practice, as decreed under their Charter.

To facilitate this, Internal Audit has set up a Management Actions Tracker. This enables Directors (Accountable Officers), Unit Managers (Responsible Officers) and Implementation Officers to monitor and update actions, attach evidence to support action taken and to mark items as closed so they can be removed from future reports. This will also feed into the annual attestation certificate from Directors to the CEO.

A dashboard has been established, breaking down the information into Departmental reports, Unit reports and reports according to source. Work is still underway to compile data reports so, for the time being at least, this is still being monitored by the Chief Internal Auditor through spreadsheets.

The Three Lines of Defence

In line with requests from previous ARIC meetings, the Management Actions Tracker was expanded to include findings, recommendations and management updates in respect of NSW Audit Office reports and annual audits, external consultant reports and Internal Ombudsman reports. Consequently, this report has been renamed: *Management Actions Arising From Independent Reviews*. By incorporating issues arising from all independent reviews, the CEO and Committee has a full and complete picture of all the reviews of Council systems and processes, the extent of control weaknesses and system vulnerabilities and any recurring root causes and issues.

The three lines of defence model is a framework that is intended to illustrate how the various levels of governance, risk and compliance interact in an organisation and where responsibilities lie for each. In the context of Council, the first line of defence is the CEO and Executive, with responsibility for setting strategic direction, risk appetite, allocating and tracking budgets, performance standards reporting, behavioural expectations and determining and approving the resources to deliver the critical components of integrated planning, namely workforce management, financial strategy and asset management. They are supported by the leadership team (Unit Managers), who manage the resources to deliver against the strategy and ensure the deliverables are on time, on budget and to a satisfactory quality. This first line effectively determines the culture, governance and risk frameworks for the organisation.

The second line of defence is front line management who manage the day to day operational risks to the organisation and are responsible for ensuring that policies and procedures are being followed, legislative requirements being met, risks are being mitigated and that systems are operating efficiently. In the event of system failure or control breakdown, the information/hierarchy of decision-making flows back to the first line of defence for direction and guidance on remedial action. Accurate, timely and relevant information, data and

3.2 Implementation of Management Actions Arising From Independent Reviews (contd)

management reporting are crucial for the efficient and effective operations between these two lines and to inform strategic decisions such that the delivery of services are efficient, cost-effective and in line with the needs and expectations of the community.

The third line of defence relates to the functions responsible for independently and objectively assessing the first two lines of defence to determine whether Council's system, processes, frameworks and controls are operating sufficiently in order to:

- manage risks and accomplish objectives
- comply with regulations, legislation, policies, procedures and good practice guidelines
- produce reliable information, upon which sound and timely decisions are made
- operate economically, efficiently and effectively
- safeguard Council assets

The third lines of defence comprise functions such as Internal Audit, External Audit (the NSW Audit Office), external consultants engaged to review processes and the Internal Ombudsman. These functions assess the effectiveness and efficiency of controls and make recommendations where vulnerabilities are found. The Internal Ombudsman investigates when control failings have been exploited leading to alleged or actual theft, maladministration, corruption, fraud or other adverse actions that are detrimental to Council. Investigations are retrospective ie taking place after an adverse event has occurred or whilst an adverse event is happening. Internal Audit is more forward looking insofar as IA tests controls and makes recommendations to strengthen them, to minimise the risk of the adverse event occurring.

To safeguard the independent nature of the third line of defence, and protect the integrity of *'talking truth to power, without fear or favour'* it is best practice for internal audit and internal ombudsman functions to have dual reporting lines; directly to the CEO and the ARIC. This is in line with State Government practice, international professional practice for IA and the proposals set down by the OLG in their paper, *A New Risk Management and Internal Audit Framework for Local Councils in NSW*.

The Management Action Tracker

The exercise to incorporate other independent assessments showed that most external consultant reviews were reported without any formal management responses or nominated officers to remediate the identified issues. IA has advised management that any externally commissioned reviews should, as far as possible, be closed out through a formal management response plan to provide a record of what action has been considered appropriate in response to the issues identified. IA has previously provided a template to the Executive and Unit Managers to assist with this process. To address this, Management have provided responses and timeframes for agreed actions where these weren't available previously so all actions in the management tracker now have responses and remediation dates.

3.2 Implementation of Management Actions Arising From Independent Reviews (contd)

The Management Actions Tracker enables staff to update their actions when appropriate, and to be monitored by the Accountable Officers ie Directors in accordance with their own processes to manage operational performance. Management updates on the implementation of the actions are reported by the Chief Internal Auditor to the Audit, Risk and Improvement Committee on a quarterly basis and a courtesy reminder is sent to the Directors and Unit Managers before the report is run. Whilst the Chief Internal Auditor collates the quarterly report for ARIC and manages the Tracker accesses and content, Directors and Unit Managers own the actions and are accountable and responsible for determining the appropriate treatment of any risk exposures identified through the review findings.

It is worth noting that the number of outstanding actions will fluctuate depending on the finalisation of reports, the number of reviews in train and the number of actions accepted by management. Likewise, the number of overdue actions will be influenced by the length of time management indicate it will take to address the issues. It is important that the focus of the Committee is on the issues identified and the significance of the findings, along with how management intend to address the control weaknesses, rather than on the actual number of issues or the due dates (which are set by management).

Current Status of Actions

The opening balance of management actions uploaded into the new Management Tracker was **355** actions broken down as follows:

Report Source	# Actions	%
Internal Audit	148	42%
Internal Ombudsman	4	1%
NSW Audit Office	80	23%
External Consultants	123	35%
TOTAL	355	100%

Of these, **108** (30%) have been approved for closure by the Accountable Officer (Director) and a further **33** (9%) are either awaiting approval for closure by the Accountable Officer or have not been approved for closure (presumably pending discussion or further information). This leave a closing balance of **214** actions remaining open.

On a departmental and source basis, this breaks down as follows:

3.2 Implementation of Management Actions Arising From Independent Reviews (contd)

	Starting Balance	Declined/Awaiting Approval To Close	Remaining Open Actions
CEO	4	2	2
Corporate Affairs	293	106	187
Community & Recreation Services	26	26	0
Infrastructure Services	0	0	0
Water & Sewer	19	6	13
Environment & Planning	13	1	12
TOTAL	355	141	214

Report Source	# Actions	# Approved To Be Closed	Declined/Awaiting Approval To Close	Still To Be Completed
Internal Audit	148	70	9	69
Internal Ombudsman	4	2	0	2
NSW Audit Office	80	6	17	57
External Consultants	123	30	7	86
TOTAL	355	108	31	214

The breakdown of the remaining open actions according to source, per Department is as follows:

	Source				
	Internal Audit	Internal Ombudsman	NSW Audit Office	External Consultancies	TOTAL
CEO	2	0	0	0	2
Corporate Affairs	54	2	45	86	187
Water & Sewer	13	0	0	0	13
Environment & Planning	0	0	12	0	12
TOTAL	70	2	57	86	214

There are **no** remaining open actions for either the Community & Recreation Services Department or the Infrastructure Services Department.

The risk ratings assigned to the open actions, per department are as follows:

Risk Rating

3.2 Implementation of Management Actions Arising From Independent Reviews (contd)

	High	Moderate	Low	No Rating Assigned	TOTAL
CEO	1	1	0	0	2
Corporate Affairs	36	56	16	79	187
Water & Sewer	5	6	2	0	13
Environment & Planning	11	1	0	0	12
TOTAL	53	64	18	79	214

Of the **53 high** risk rated actions, the due/overdue status is:

	Not Yet Due	Overdue 1-6m	Overdue 7-12m	Overdue 13-24m	Overdue 25m+	Action Date Not Assigned	TOTAL
CEO	0	1	0	0	0	0	1
Corporate Affairs	4	20	2	1	1	8	36
Water & Sewer	5	0	0	0	0	0	5
Environment & Planning	0	9	1	0	0	1	11
TOTAL:	9	30	3	1	1	9	53

Of the **64** moderate risk rated actions the due/overdue status is:

	Not Yet Due	Overdue 1-6m	Overdue 7-12m	Overdue 13-24m	Overdue 25m+	Action Date Not Assigned	TOTAL
CEO	0	0	1	0	0	0	1
Corporate Affairs	14	17	7	1	0	17	56
Water & Sewer	6	0	0	0	0	0	6
Environment & Planning	0	1	0	0	0	0	1
TOTAL:	20	18	8	1	0	17	64

Appendix 1 provides further details of the 5 high and 9 moderate items that are overdue by 7 months or more.

Conclusions

3.2 Implementation of Management Actions Arising From Independent Reviews (contd)

It is incumbent upon management (at all levels) to ensure controls are effectively mitigating the associated risks and that their systems/processes are operating efficiently and cost-effectively. It can be discerned from management comments in the actions table whether recommendations arising from independent reviews are being considered as making an important contribution to strengthening controls or whether they are perceived as an additional set of management tasks that seem to sit outside of operational business as usual.

The commitment to improving controls and effectively managing risks through the timely implementation of agreed actions and process improvements are basic management responsibilities and a key component of sound, organisational governance. Whilst actions remain outstanding, the organisation remains exposed to the identified risks unless other mitigating controls are implemented. In addition, it is the responsibility of management to determine whether appropriate action has been undertaken in a timely way and to a sufficient degree to manage down the risk exposure to a more acceptable level to warrant the closure of the action.

Senior management are advised that they are accountable in the event that items have been closed off but the mitigating action has not actually been undertaken and the identified risk crystallises. It is also the responsibility of senior management to determine what action or intervention should be taken in the event of overdue actions and to ensure that action taken to close out an item is appropriate to address the risk and issue highlighted by the audit finding.

The Audit, Risk and Improvement Committee are encouraged to use the information in this report and the accompanying tables to:

- identify any specific strategic or operational activities they would like to discuss with management at future meetings in respect of risk mitigation measures and system/process improvements; and/or
- form a view on the control framework and advise Council and the CEO accordingly, in line with ARIC Charter obligations section 36, *Control Framework*, namely:
 - a) reviewing whether management has adequate internal controls in place, including over external parties such as contractors and advisors;
 - b) reviewing whether management has in place relevant policies and procedures, and these are periodically reviewed and updated;
 - c) progressively reviewing whether appropriate processes are in place to assess compliance with policies and procedures;
 - d) reviewing the annual performance of Council against the key performance indicators documented in the Operational Plan, and providing advice to the Chief Executive Officer on the adequacy of Council's performance against these indicators;
 - e) reviewing whether appropriate policies and procedures are in place for the management and exercise of delegations; and

3.2 Implementation of Management Actions Arising From Independent Reviews (contd)

- f) reviewing whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour.

Attachments

- 1** Appendix 1 JUNE 21 Implementation of Management Actions D14677824

Appendix 1: Overdue Management Actions – HIGH

Audit Title	Final Report Issue Date	Source	Findings	Audit Risk Rating	Audit Recommendations	Original Management Response	Agreed Action Date	Previous management update	Current Management Update	Responsible Officer	Accountable Director
02/19-20 Contract Management – June 2020	30/06/20	Internal Audit	Council does not have a register, systems and/or processes to report contracts below \$150,000.	High	Develop a comprehensive contract database that includes information about contracts of all values.	Agreed proposed action is: Council are participating in a Contract Management software solution with LGP. Pending success of the pilot, this would provide Council with total contract visibility. Forecast completion was originally Dec 2020, however LGP have indicated the pilot may potentially extend due to COVID.	31/12/20	08/09/2020 Strategic Procurement are still participating in the LGP Contract HUB pilot program, albeit delayed due to the impact of COVID. The pilot is now planned to conclude on the Mar 21 at which time Council will be in a position to decide if the Contract HUB software solution is suitable for Council's contract management needs. Further, Council are also reviewing the Contract Management module within the 'Service Now' licences currently used by Customer Service (i.e. not the contract management module).	11/5/2021 - works associated with identifying suitable contract management software solution for Council suspended in March 21 at the request of Malcolm Ryan whilst holistic IT reviews were being undertaken.	Unit Manager, Procurement & Project Management	Director Corporate Affairs
06/17-18 Cash Management in Waste Services – July 2019	31/07/19	Internal Audit	At a corporate level there is no strategic data analysis/management reporting for all of Council's cash sites to show important information such as amounts collected & payment types, trends in payment types, costs to provide the cash service, risks for each location etc to determine the risk appetite & thresholds which may trigger a change in the risk appetite determination.	High	On an annual basis at least, the Executive should consider a report on all cash handling sites which shows for example, payment processing costs, number & value of transactions, cash component of those transactions & a risk assessment based on number of staff & location of site. Using this report, the Executive should determine the cash threshold for each site in line with the corporate risk appetite & whether cash payments remain a viable option for each site based on the report data & the risk assessment.	Agreed & action to be implemented as per recommendation.	31/12/19	SEPT 20 – pressures of work – unable to provide an update 11/2/20 - The report will be issued to the CFO annually for review and recommend any actions. Any operational changes from the review will be coordinated directly with the cash site supervisors impacted.	18/05/2021 - Report was provided to the UM Financial Services in Sept 2020 with transnational information to Aug 2020. This information is from Council's core revenue systems being Authority and Pathway. There are other business systems where the number of transactions is difficult to obtain as the Finance team do not have access however the value of the transactions by payment channel has been obtained by bank statements. Further work with businesses which accept cash and have their own specific systems for reporting to enable additional data to be extracted. It should be noted that since COVID Council has stopped accepting cash at the following locations - libraries and customer service.	Unit Manager, Finance	Director Corporate Affairs
Complaints Management Audit CMA03/19-20	17/03/21	Internal Audit	There is a high degree of variability in the quality and responsiveness of complaint handling across the Council.	High	Establish a one-up manager quality assurance / approval process to review and approve responses to complainants prior to finalisation with the aim of minimising risks associated with sub-optimal complaint responses	Senior leadership to ensure that general complaints are quality assured by Unit Managers and staff complaints by Directors.	30/11/20		This is aligned to Item 003 and is in progress.	Unit Manager Communications, Marketing and Customer Engagement	Director Corporate Affairs
02/20-21 Payroll Review – November 2020	30/11/20	Internal Audit	The weekly payroll pay run was authorised by officers without financial delegation during the scope period.	High	Document the weekly payroll payment process to include the role and responsibility of the independent approver with financial delegation and	Agreed and action to be implemented as per recommendation	25/12/20		Process is now managed through appropriate approval delegations from SM, UM and Director approval documented diligently in Content Manager workflows. Appropriate	Unit Manager, People & Culture	Director Corporate Affairs

Audit Title	Final Report Issue Date	Source	Findings	Audit Risk Rating	Audit Recommendations	Original Management Response	Agreed Action Date	Previous management update	Current Management Update	Responsible Officer	Accountable Director
					ensure that approval by an officer with financial delegation is appropriately maintained				approvals of EFT done within Finance team once Director approval is attained.		
NSW Audit Office: Final Phase Audit for the year ended 30 June 2019	30/06/19	NSW Audit Office	During our review of Council's non-cash contributions, we noted there is no formally approved rates manual or process in place to value the assets that are contributed to Council.	High	We recommend management consider developing & implementing a formal rates manual for the valuation of contributed assets	Agree Council is in the process of formulating a policy for Works in Kind, Material Public Benefits & Land Dedication. The objective of this policy is to establish a framework for Council to consider & Developers to apply for Works In Kind (WIK) Agreements, provision of material public benefits and/or dedicate land in lieu of full or partial payment of Section 7.11 Development Contributions & will incorporate processes for valuing such non-cash contributions. The process to be adopted is represented in a flowchart. WIK offer goes to the Development Engineers & Estimators for assessment of the offer with recommendations for acceptance to their reporting line for review & approval. The WIK Offer is capped at the amount in the relevant Contribution Plan (indexed as required).	30/06/20	Sept 2020 – no update received 29/5/20 No update received	May 2021 - Draft WIK Public Exhibition was completed mid April 2021. Draft WIK Policy to be considered by Council for adoption 28 June 2021.. October- work progressed on preparing a draft WIK Policy for Development Contributions (under EPA Act and Water Management Act). November - A report to ARIC has been prepared to provide the 2 x WIK policies and supporting draft guidelines at their 10 December 2020 meeting and to Council on 25 January 2021. NOTE: Risk Category should be RED as AUDIT NSW deadline will not be met.	Unit Manager, Strategic Planning	Director Environment and Planning

Overdue Management Actions – Moderate

Audit Title	Final Report Issue Date	Source	Findings	Audit Risk Rating	Audit Recommendations	Original Management Response	Agreed Action Date	Previous management update	Current Management Update	Responsible Officer	Accountable Director
Complaints Management Audit CMA03/19-20	17/03/21	Internal Audit	There is uncertainty as to the threshold test for initiating reviews of complaint decisions and who should conduct reviews.	Moderate	Clearly identify who can conduct an independent appeal review and ensure the quality / accountability of those decisions and adequate recordkeeping. Update the Complaint and Feedback Management procedure to reflect this improved practice.	Determine whether this is a valid concern for Council to consider. It is not appropriate for community complaints but could be considered for serious or sensitive complaints.	30/11/20			Senior Internal Ombudsman	Chief Executive Officer
NSW Audit Office: Final Phase Audit for the year ended 30 June 2019	30/06/19	NSW Audit Office	Council will implement three new accounting standards (AASB 16 'Leases', AASB 15 'Revenue from contracts with customers' & AASB 1058 'Income of not-for-profit entities') in the 2019-20 financial statements. Council has not adequately progressed their implementation of these new accounting standards. We could not sight evidence that Council has: <ul style="list-style-type: none"> performed a detailed assessment of the impact of the new standards on their financial statements, existing systems & processes considered or prepared accounting position papers documenting the accounting treatment of leases & major income streams, quantifying the impact & highlighting significant management assumptions. Council did not include quantitative information on the expected financial impact of these standards in the 2018-19 financial statements. 	Moderate	We recommend management document detailed assessment & quantification of the impact of new accounting standards, & provide a copy to the Audit Office prior to our interim visit in June 2020.	Agreed & actions to be implemented as per recommendation The Finance department has undertaken a detailed review of the impact of the new accounting standards on Council's reporting. Management is in the process of preparing Audit File Notes relevant to each of the three new Standards which will provide an assessment of the impact & application of each new accounting Standard for AO review in conjunction with the interim audit.	30/04/20	29/05/20 Draft Audit File notes for each new Standard & their respective impact on Council reporting are with Management for review & will be completed before year end. This has been delayed due to work on COVID-19.		Unit Manager, Finance	Director Corporate Affairs

Audit Title	Final Report Issue Date	Source	Findings	Audit Risk Rating	Audit Recommendations	Original Management Response	Agreed Action Date	Previous management update	Current Management Update	Responsible Officer	Accountable Director
NSW Audit Office: Final Phase Audit for the year ended 30 June 2019	30/06/19	NSW Audit Office	We identified two instances of manual adjustments made to customer rates accounts which did not comply with the 'Financial Authorities' approval guideline: • one manual adjustment of \$22,000 exceeded the approver's delegation of \$1,000. • we could not obtain supporting documents for the approval of an adjustment of \$707.	Moderate	Management should review the design & implementation of controls to ensure all adjustments to customer accounts are approved by an appropriate delegated authority.	Agree Rates staff have been advised of the importance of ensuring all adjustments to customer accounts are approved by an appropriate delegated authority & Management will continue to monitor transaction audit records & testing changes to accounts against staff delegations & supporting evidence. Reports are saved into Content Manager as evidence of the review.	30/6/2020	SEPT 2020 – pressure of work; no update received 29/05/20 Review of transaction reports & valuation adjustments reviewed on fortnightly or monthly basis		Unit Manager, Finance	Director Corporate Affairs
NSW Audit Office: Final Phase Audit for the year ended 30 June 2019	30/06/19	NSW Audit Office	During our review of Council's contracts register, we identified two instances where significant contracts valuing over \$20 million were not included in the contracts register. These contracts had purchase orders raised against them.	Moderate	Management should ensure the contract register: • includes all contracts of the Council • is regularly reviewed to identify, monitor & report the financial impacts in the financial statements. • A complete contracts register will be imperative for the implementation of AASB 16 'Leases' in the 2019–2020 financial statements.	Procurement & Contracts currently maintain two contract registers, the first being a centralised register of contracts based on tendering activity of Council (generally greater than \$250k), & the second being a centralised register of contracts greater than \$150k for GIPA reporting. To address the items highlighted in the above recommendation, Procurement & Contracts will work toward a consolidated Contracted Management register for all services engaged under a contractual arrangement (i.e. greater than purchase order standard terms & conditions). Finance is reviewing the contracts register on a monthly basis for impacts to the financial statements – these	30/06/20	08/09/2020 Ongoing 29/05/20 Strategic Procurement have recently implemented an additional consolidated tender & contracts register, initially utilised through the COVID crisis to manage prioritisation of expenditure. This & other reports currently available will be maintained until such time Strategic Procurement implement a corporate contract management system. Pilot programs for this software solution is currently underway.	14/05/2021 Implementation of corporate contract management system on hold, per request of COO Malcolm Ryan.	Unit Manager, Procurement & Project Management	Director Corporate Affairs

Audit Title	Final Report Issue Date	Source	Findings	Audit Risk Rating	Audit Recommendations	Original Management Response	Agreed Action Date	Previous management update	Current Management Update	Responsible Officer	Accountable Director
						reviews will be uploaded into CM to provide supporting evidence					

Audit Title	Final Report Issue Date	Source	Findings	Audit Risk Rating	Audit Recommendations	Original Management Response	Agreed Action Date	Previous management update	Current Management Update	Responsible Officer	Accountable Director
NSW Audit Office: Interim Phase Audit for the year ended 30 June 2019	30/06/19	NSW Audit Office	<p>In the 2018 financial year, Council spent \$200 million on materials & contract expenses & other operating expenses. Payments are usually processed using purchase orders requiring delegated authority approval, under a contract or by credit card. Management does not maintain a centralised & complete register of financial delegations approved by the Council.</p> <p>There is no formal policy or procedure for training & accrediting contract managers, or appointing new contract managers resulting from staff movements or terminations. The onus is on the exiting contract manager to notify Contract Governance. The monitoring of performance requirements & enforcement of Council's contractual rights varies between business units.</p> <p>There is no consolidated credit card policy covering Council as a whole. Different parts of council operate under the former Gosford & Wyong policies.</p>	Moderate	Formal policies & procedures for the training & accreditation for contract managers, including monitoring counterparty performance requirements	<p>Agreed & actions to be implemented as per recommendation</p> <p>Training will be provided to Contract Managers once the framework/procedure has been finalised. Refresher training will also be available.</p>	30/06/20	<p>08/09/2020 Content for the first three training modules has been developed & Strategic Procurement are currently working with L&D to transfer the content into e-learning modules. Detail of first three training modules & forecast delivery dates below:</p> <p>Procurement Overview – Oct 20 Procurement Basic – Nov 20 Contract Management Basic – Dec 20</p> <p>Financial delegation limits signed of by CEO most recently on 22 May 2020. 29/05/20 Not considered a Governance responsibility transferred to Procurement.</p> <p>29/05/20 Once the contract management manual has been adopted, & the Strategic Procurement restructure adopted, the team will work with L&D to provide customised contract management training (the CCC way) to the organisation.</p>	<p>14/05/2021 Procurement basic training developed - over 650 staff trained to date Contract Management basics developed - over 100 staff trained to date</p> <p>P-Card procedure developed</p> <p>Completed Close</p>	Unit Manager, Procurement & Project Management	Director Corporate Affairs

Audit Title	Final Report Issue Date	Source	Findings	Audit Risk Rating	Audit Recommendations	Original Management Response	Agreed Action Date	Previous management update	Current Management Update	Responsible Officer	Accountable Director
NSW Audit Office: Interim Phase Audit for the year ended 30 June 2019	30/06/19	NSW Audit Office	<p>Access controls over banking operations</p> <p>Access to Westpac Live (Business Online Banking) We could not sight evidence of reviews of user access to the Council's bank account. We note our review of the signatory listings as at 28 May 2019 did not identify any inappropriate users with access to the bank account. We understand some officers with access to create payment files can authorise the payment as a primary or secondary authoriser under the dual authorisation requirement.</p> <p>Bank payment files for payroll & vendor payments Authority (payroll) & the purchasing module in Oracle Fusion (vendor payments) automatically save ABA payment files to a restricted access network folder. However the payroll team utilising Oracle E-Business manually transfer the ABA payment file from Oracle E-Business onto a USB drive & physically provide this to the banking team.</p> <p>The ABA files are not encrypted & can be edited. For example, we identified from these discussions that removal or amendment of a vendor payment details may be performed directly in the ABA File rather than the payment file being re-run in the purchasing module of Oracle.</p>	Moderate	Management should periodically review user access rights to Westpac Live. Evidence of this review should be maintained for audit trail purposes	<p>Agreed & actions to be implemented as per recommendation</p> <p>Staff have either primary or secondary rights. Payment files all require Secondary approval & this sits only with Section Manager, Unit Manager & CFO. Authorisation rights are therefore deemed appropriate. User access rights can only be changed by the same Senior staff.</p>	30/06/20	<p>Sept 2020 – pressure of work – no update received</p> <p>29/05/20 User access rights are reviewed on a routine basis. Evidence of review recorded in EDMS</p>		Unit Manager, Finance	Director Corporate Affairs

Audit Title	Final Report Issue Date	Source	Findings	Audit Risk Rating	Audit Recommendations	Original Management Response	Agreed Action Date	Previous management update	Current Management Update	Responsible Officer	Accountable Director
NSW Audit Office: Interim Phase Audit for the year ended 30 June 2019	30/06/19	NSW Audit Office	<p>Access to Westpac Live (Business Online Banking) We could not sight evidence of reviews of user access to the Council's bank account. We note our review of the signatory listings as at 28 May 2019 did not identify any inappropriate users with access to the bank account. We understand some officers with access to create payment files can authorise the payment as a primary or secondary authoriser under the dual authorisation requirement.</p> <p>Bank payment files for payroll & vendor payments Authority (payroll) & the purchasing module in Oracle Fusion (vendor payments) automatically save ABA payment files to a restricted access network folder. However the payroll team utilising Oracle E-Business manually transfer the ABA payment file from Oracle E-Business onto a USB drive & physically provide this to the banking team.</p> <p>The ABA files are not encrypted & can be edited. For example, we identified from these discussions that removal or amendment of a vendor payment details may be performed directly in the ABA File rather than the payment file being re-run in the purchasing module of Oracle.</p>	Moderate	Management should review access to ABA payment files & restrict access to users directly responsible for uploading the files to Westpac	<p>Agreed & actions to be implemented as per recommendation</p> <p>Staff will print out the access quarterly & file it into Content Manager to sign off. UM Financial Services has reviewed access to transfers folder where ABA files are kept & removed access for some users. If a user account has been off-boarded in Active Directory their account will not be able to authenticate & access Council's network including network drives & ERP.</p>	30/06/20	<p>Sept 2020 – pressure of work – no update received</p> <p>29/05/20 Review of access rights has been undertaken by staff & user access removed where required.</p>		Unit Manager, Finance	Director Corporate Affairs

Audit Title	Final Report Issue Date	Source	Findings	Audit Risk Rating	Audit Recommendations	Original Management Response	Agreed Action Date	Previous management update	Current Management Update	Responsible Officer	Accountable Director
NSW Audit Office: Interim Phase Audit for the year ended 30 June 2019	30/06/19	NSW Audit Office	<p>Access to Westpac Live (Business Online Banking)</p> <p>We could not sight evidence of reviews of user access to the Council's bank account. We note our review of the signatory listings as at 28 May 2019 did not identify any inappropriate users with access to the bank account. We understand some officers with access to create payment files can authorise the payment as a primary or secondary authoriser under the dual authorisation requirement.</p> <p>Bank payment files for payroll & vendor payments Authority (payroll) & the purchasing module in Oracle Fusion (vendor payments) automatically save ABA payment files to a restricted access network folder. However the payroll team utilising Oracle E-Business manually transfer the ABA payment file from Oracle E-Business onto a USB drive & physically provide this to the banking team.</p> <p>The ABA files are not encrypted & can be edited. For example, we identified from these discussions that removal or amendment of a vendor payment details may be performed directly in the ABA File rather than the payment file being re-run in the purchasing module of Oracle.</p>	Moderate	Management should consider encrypting the ABA payment files to ensure changes cannot be made to payment details outside of the Council's information systems.	<p>Agreed & actions to be implemented as per recommendation</p> <p>ABA files will be encrypted in future when they are transported by sFTP to Westpac (WIBS), waiting on IMT resources to be available to complete the project.</p>	30/06/20	<p>Sept 2020 – pressure of work – no update received</p> <p>29/05/20 In progress, awaiting IMT resource availability</p>		Unit Manager, Finance	Director Corporate Affairs

Item No: 3.3
Title: Internal Audit Balanced Scorecard Report
Department: Chief Executive Officer's Unit



24 June 2021 Audit Risk and Improvement Committee Meeting

Reference: F2021/00030 - D14672059
Author: Tina Baker, Chief Internal Auditor
Executive: David Farmer, Chief Executive Officer

Recommendation

- 1 *That the Committee note the report on Internal Audit Balanced Scorecard Report.*
- 2 *That the Committee make a recommendation that this report and the supporting papers to this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

The information provided in this report is current as at 4/06/2021.

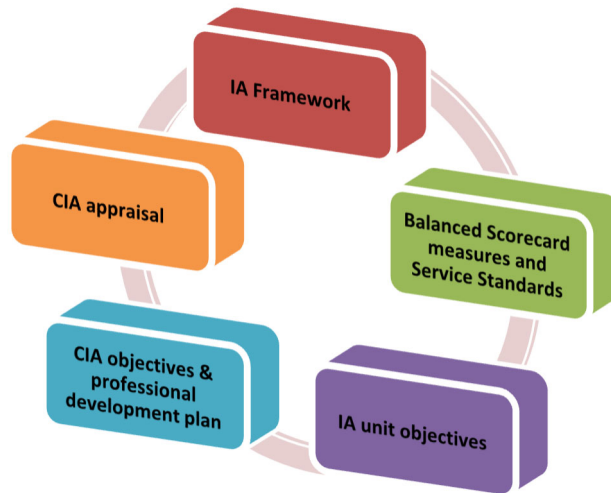
Summary

A standing agenda item for the Audit, Risk and Improvement Committee is for IA to deliver a balanced scorecard progress report to each quarterly meeting. IA performance is measured and reported against 13 measures, either quantitative and qualitative, which provide a snapshot of IA's overall performance, service delivery and accountability in line with best practice, professional standards.

1. Context

1.1 For the benefit of both the new CEO and the independent member of ARIC, some of the information in this report is a repeat of information previously provided to the Committee, by way of useful context.

1.2 Internal Audit has a set of performance metrics presented as a "Balanced Scorecard". These metrics are aligned with the IA Framework and underpin the IA objectives, work programme and the personal objectives of the Chief Internal Auditor, as illustrated below.



1.3 The balanced scorecard metrics provide the CEO and the Audit, Risk and Improvement Committee with information and data which give a snapshot of IA progress against key measures and how the unit is operating from the perspective of different stakeholders and areas of competence. There is also a set of service standards which are not formally measured but are an indication of the desired intent to help keep the audit process on track in a timely fashion.

1.4 The measures are a useful barometer of the overall service delivery by IA and provide some constancy against the capricious nature of organisational change. By continuing to use and report against qualitative and quantitative balanced scorecard measures IA sets a precedent for the organisation in terms of having in place an effective system for monitoring and reporting on performance and being held accountable for specific deliverables. This also soundly positions IA for providing useful consultancy advice to other units or teams when they are ready to implement their own scorecard measures for performance monitoring and reporting.

1.5 The table at Attachment 1 shows IA's latest progress against each of the balanced scorecard measures.

2. Summary of Progress Against Measures

Audit, Risk & Improvement Committee

2.1 The 2020 survey of the Committee identified three key issues:

- Under-resourcing of the IA function;
- Overdue and outstanding management actions arising from IA reviews resulting in increased risk exposure to the organisation and weak management controls to be addressed;
- Immature risk management framework.

2.2 These issues were addressed as follows:

- IA resourcing: the co-sourcing arrangement with Centium was put in place in November 2019 around the same time the survey was conducted. A paper on *IA Resourcing*, containing 7 different resourcing options was considered by the Committee in June 2020 and a recommendation made by the ARIC supported the option of funding the vacant Senior Internal Auditor position which had not been financed since shortly after amalgamation. Due to Council's financial situation, this has not been taken forward so the risk exposures identified in the paper remain extant.
- Overdue and outstanding management actions: the Committee met with the former CEO to stress the need for commitment by senior management to address organisational risk exposures by implementing agreed actions. The capture and reporting of management actions in SmartSheet makes it easier for management to view and update their commitments on an ongoing basis.
- Risk management framework: all audit reports now reference any relevant risks in the organisational risk registers and highlights possible additional risks for inclusion, depending on the audit results. The risks in the corporate risk register are also considered as part of the audit needs assessment process to determine the annual schedule of audits. Council's Enterprise Risk Manager is also on the distribution list for final IA reports.

Executive & Audit Stakeholders/Customers

2.3 The recent roll-out of 'CHIP', which delivers a consolidated, integrated intranet service for the sharing of information across the organisation, provides the opportunity for IA to re-connect with key stakeholders through the provision of useful, governance related information relating to common themes arising from IA reviews. As well as customer feedback surveys this includes, for example, 28 fraud and corruption risk assessment guides for managers, good practice guides on cash management, contract management and procurement card management, *Control Yourself* fact-sheets, internal control questionnaires, animated explainer videos on the role and responsibilities of IA and various gamification-based learning tools.

2.4 An Executive feedback survey is overdue but has not been undertaken owing to the high turnover at the senior levels, although all departing Executives have been requested to complete a survey before departure. The survey, which measures expectations against experience, has been revised and will be uploaded onto MSForms during the next quarter. Monthly one on one meetings have been set up with the new CEO and Directors will also be offered the opportunity to resurrect the quarterly one on one quarterly meetings from 2021/22.

2.5 The Chief Internal Auditor continues to offer team talks/debriefs following every audit, through all Directors.

2.6 The customer feedback survey has been revised and set up on MSForms so it is easier for staff to complete and for responses to be collated. The new survey continues to seek feedback under the same key headings of the previous survey, but the questions are more direct and the rating system easier to assign. A copy of the survey is shown at appendix 2.

Internal Audit Processes

2.7 Delivery of the audits in the 2020/21 work programme is on track, notwithstanding the agreed changes to the schedule of reviews and the hold on all audits except mandatory reviews, since December 2020. The final two mandatory reviews – NHV Accreditation and RMS DRIVES are underway and are likely to be at or nearing final report stage by the end of the financial year.

2.8 Centium are delivering all audits in line with the budgeted allocation of days although the duration of audits - measured from start date of fieldwork (opening meeting) to date of issue of draft report – is tracking outside the 12 week target. The reasons for this are understood, namely due to:

- delays around the timely provision of information, the incompleteness of information in Council systems and the integrity of information to facilitate audit testing;
- the impact of initially COVID-19 and latterly organisational restructure and staff departures, in respect of access to information and staff;
- the capacity of Centium contractors to freely access Council systems; and
- the availability and capacity of the Chief Internal Auditor to juggle conflicting priorities and commitments.

2.9 Going forward, for the 2021/22 schedule of audits, the stakeholders will be provided with a project plan showing the key milestones dates within the budgeted allocated days and duration. This also provides stakeholders with an indication of when there will be calls on their time, such as for the close out meeting and to provide management responses to the draft report.

Innovation, Professional Development and Capability

2.10 The Chief Internal Auditor's professional development activities are generally self-funded. In February, the CIA received the Certified Information Systems Auditor designation/qualification through ISACA.

2.11 With the roll out of CHIP, there is now greater capacity to "*develop & implement an IA innovation plan to deliver IA services differently and more effectively*" which forms part of the Quality and Performance element of the IA Work Programme for 2020/2021 and beyond.

3. Conclusions

3.1 The balanced scorecard measures link to the *Quality and Performance* element of the IA Framework, helping to drive and support the IA deliverables and supporting the planned trajectory of delivering quality, best practice IA services to the organisation.

Attachments

- | | | |
|----------|--|-----------|
| 1 | Appendix 1 IA Balanced scorecard report June 21 | D14671503 |
| 2 | Appendix 2 Balanced Scorecard Report June 21 Feedback Survey | D14671450 |

PROGRESS AGAINST EACH OF THE BALANCED SCORECARD PERFORMANCE MEASURES (June 2021)

1. Audit, Risk and Improvement Committee

No	Measure	Mechanisms	Target Outcome	Progress To Date
1.1	Level of satisfaction with quality, type and volume of information presented and reported. <i>Links to IIA standard 1100</i>	Satisfaction survey to all members of the Committee every two years. <i>(The survey will cover as a minimum the audit mandate, audit coverage, the adequacy of reporting, an overall level of satisfaction and the perception of trend of the internal audit activity ie better, same, declining).</i>	Improved trend for 'overall level of satisfaction' (or sustained positive ratings) indicated by each survey. Satisfaction rating for each part of the survey to be scored as "Good" or higher.	Committee members are welcome to submit feedback at any time without waiting for a formal survey process to be undertaken. Survey conducted 2020 – reported to ARIC 17/3/20. Average rating (out of 5) on these elements: 3.33. Initiatives to address some of the issues raised have been implemented.
1.2	Perspective on IA effectiveness, professionalism and competence <i>Links to IIA standards 1200 and 1300</i>	CIA to provide a "staff profile" to the Audit, Risk and Improvement Committee each year (covering elements such as auditing and work experience, qualifications, auditing certifications, years of auditing experience and professional outreach). CIA to present a Professional Development Plan to the Committee each year based on development priorities and plans and to report on progress against this plan.	IA staff to achieve majority of priorities in Professional Development Plan that is agreed with the Audit, Risk and Improvement Committee and CEO and have demonstrated reasonable progress with others.	The Chief Internal Auditor contributed to and is cited in Bruce Turner's " <u><i>New Auditor's Guide to Internal Auditing</i></u> " published April 2019, acknowledged in the book as an expert practitioner in the field of Internal Audit. CIA elected to LGIAN Executive – March 2020 The Chief Internal Auditor contributed to and is cited in Bruce Turner's latest book " <u><i>Team Leader's Guide To Internal Audit Leadership</i></u> " published April 2020. Certified Information Systems Auditor (CISA) qualification & designation awarded by ISACA to CIA – Feb 21

2. Executive & Audit Stakeholders/Customers

No	Measure	Mechanisms	Target Outcome	Progress To Date
2.1	<p>Levels of customer satisfaction with individual audits, with respect to:</p> <ul style="list-style-type: none"> ➤ Value added ➤ Usefulness of recommendations <p><i>Links to IIA standard 2000</i></p>	Customer Satisfaction Survey distributed to all relevant stakeholders after each audit.	Average rating of 3.5 or higher (out of 5) for the two key questions on the survey concerning "value add" and "usefulness of recommendations". (Each 'other' question on the survey points to the possible causes).	<p>There have been 7 feedback surveys received to date. Average ratings across the different rating categories are as follows:</p> <p>Scope of work: 4.5 Communication and Collaboration: 4.64 Timeliness: 4.52 Knowledge and Professionalism: 4.82 Quality and Value: 4.5</p> <p>New survey responses for Claims Management review were either agree or strongly agree to all questions except one 'disagree' pertaining to the presentation and the format of the report, which was determined by SIRA.</p> <p>Target being exceeded</p>
2.2	<p>Executive expectations of IA vis a vis experience of actual delivery.</p> <p><i>Links to IIA standard 2000 and 2100</i></p>	Executive expectations/ experience survey conducted every two years.	Analysis of gap between expectations and experience is <2.5 points for each area surveyed.	<p>No survey conducted since pre-amalgamation due to the rate of change at ELT level. Expectations/ experience survey now overdue. To be rolled out Q1/21-22</p> <p>Member of Governance Forum.</p> <p>To resurrect quarterly one on one meetings with ELT members from FY 2020/21 – to be implemented from FY 21/22</p>

No	Measure	Mechanisms	Target Outcome	Progress To Date
2.3	<p>Feedback (formal and informal) from staff in relation to advice and information provided by IA and improved understanding of the role.</p> <p><i>Links to IIA standard 2000 and 2100</i></p>	<p>Number of referrals to IA for informal or formal advice on risk/control related matters.</p> <p>Consultancy/advisory services provided by IA.</p>	<p>Generally positive feedback on value and usefulness of information.</p>	<p>Assisted Water and Sewer team who are setting up a management review function within the Unit. Positive feedback received.</p> <p>Compiled and provided <i>IA Good Practice Guide to Works In Kind Negotiations</i>. Positive feedback received.</p> <p>Compiled and provided Guide on <i>Data Migration: Risks, Controls and Testing</i> to assist with the project to bring Council's rating system onto one common platform. Positive feedback received.</p>

3. Internal Audit Processes

No	Measure	Mechanisms	Target Outcome	Progress To Date
3.1	Completion of approved audit programme. <i>Links to IIA standard 2200, 2300, 2400, 2500</i>	Number of audits completed and reported to the Audit, Risk and Improvement Committee as per the ratified plan.	90%.	Notwithstanding the changes to the 2020/21 schedule of audits, the programme of reviews is on track. Five audits will be completed this financial year: <ul style="list-style-type: none"> 01/20-21 Water Quality & Supply Management – COMPLETED 02/20-21 Payroll – COMPLETED 03/20-21 NHV Accreditation – nearing completion 04/20-21 Workers Compensation Case Management – COMPLETED 05/20-21 RMS DRIVES24 – underway 06/20-21 Management of IMT Assets – await direction from ARIC on whether to proceed Target being met to date (Jun 21)
3.2	Proportion of audits completed (to draft report stage) within planned number of days budget. <i>Links to IIA standards 2200, 2300, 2400, 2500</i>	Number of audits completed in line with planned budget as per the ratified audit plan.	90%	All 2019/20 reviews been delivered within the assigned number of budget days. Target being met to date (Jun 21)
3.3	Duration of audits. <i>Links to IIA standards 2200, 2300, 2400, 2500</i>	Number of audits completed and taken to draft report stage in 12 weeks or less (measured from the start date of fieldwork to the date of issue of the draft audit report).	80%	This target has not been met for the 2 of the 3 completed reviews in the 2020/21 programme to date and the NHV review (being conducted by the CIA) is also running late. This is due to a number of factors detailed in the cover report. Remediation to be implemented for the 2021/22 schedule of audits. Target not being met.

No	Measure	Mechanisms	Target Outcome	Progress To Date
3.4	Finalisation of draft audit reports. <i>Links to IIA standards 2200, 2300, 2400, 2500</i>	Number of audit reports finalised and distributed to Audit, Risk and Improvement Committee within 3 weeks (15 working days) of issue of the draft report (in line with service standard of 10 days for management to respond to draft audit reports).	80%	This target was met for 2 of the reviews in the 2020/21 programme. The Workers Compensation report took 20 working days to finalise, due to staff leave. Target currently tracking at 67% - not being met.
3.5	Compliance with IIA's International Professional Practices Framework (IPPF) <i>Links to IIA standards 2400 and 2600</i>	Self-assessment External assessment An annual attestation on compliance with the IIA Standards provided by the CIA to the Audit, Risk and Improvement Committee	"Generally conforms" rating of compliance with IIA Standards by the external review. External review conducted at least every five years.	Last external assessment of IA by Statewide Mutual reported April 2018 gave an overall maturity rating of "optimising" for all IIA standards with the exception of standard 2300 and standard 2500 which were classified as "managed". Issues highlighted: <ul style="list-style-type: none"> Potential for use of CAATs (Computer Assisted Audit Techniques) Audit Tracker needs to be accessible by all CAATs not a current priority. Management Actions Tracker now accessible through a SmartSheet dashboard. An self-assessment and attestation review is included in the 2021/22 work programme. Target being met.

4. Innovation, Professional Development and Capability

No	Measure	Mechanisms	Target Outcome	Progress To Date
4.1	<p>Training hours per member of IA</p> <p><i>Links to IIA standards 1200, 1300 and 2000</i></p>	Log of training/professional development.	<p>80 hours CPE every 2 years as per IIA requirements with a minimum of 20 hours in any one year.</p> <p>Training undertaken through >2 types of learning mechanisms.</p>	<p>Volume of work, reduced budgets and the COVID-19 impact on development opportunities have required a different approach to this measure. Online webinars, self-funded study and the award of the Certified Information Systems Auditor qualification from ISACA have contributed to bringing this measure back on track.</p> <p>Target being met.</p>
4.2	<p>Range of knowledge skills, technical expertise and competency within IA</p> <p><i>Links to IIA standards 1200, 1300 and 2000</i></p>	<p>Skills assessment against the IIA competency model.</p> <p>Log of training/professional development.</p> <p>Learning needs analysis.</p> <p>Professional Development Plan (PDP) for each member of IA.</p>	<p>Increasing trend in coverage of skills, knowledge and expertise within IA when assessed against the IIA competency model.</p> <p>Areas of training attended align with PDP.</p>	<p>February 2021 -the Chief Internal Auditor was accredited with the Certified Information Systems Auditor (CISA) designation by ISACA.</p> <p>Target being met.</p>
4.3	<p>Consideration and development of innovative methods to deliver elements of the IA framework and through IA recommendations/advice.</p> <p><i>Links to IIA standards 1200, 1300 and 2000</i></p>	<p>IA recommendations</p> <p>IA advice</p> <p>Implementation of initiatives as part of the IA work programme</p>	<p>Demonstration of considerations and innovative solutions provided through recommendations and issues raised in audit reports.</p> <p>CIA report to Audit, Risk and Improvement Committee outlining initiatives under development or consideration.</p>	<p>Innovation in delivery of IA services is a feature in the project plan with Centium and forms part of the co-sourced partnership arrangement.</p> <p><i>"Develop & implement an IA innovation plan to deliver IA services differently and more effectively"</i> forms part of the Quality and Performance element of the IA Work Programme for 2020/2021 and beyond.</p> <p>Initiatives under consideration.</p>

Copy of IA Feedback Survey

Internal Audit: Feedback Survey

This survey, issued to all relevant stakeholders following an IA review, helps measure our performance and provide information to the CEO and Audit, Risk and Improvement Committee on many aspects of our service delivery in line with the IA balanced scorecard measures.

Hi Tina, when you submit this form, the owner will be able to see your name and email address.

* Required

1. Scope of Work *

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Not Applicable
1.1 The scope of the review was clear to me	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
1.2 My concerns were adequately considered as part of the audit	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

2. Communication and Collaboration *

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Not Applicable
2.1 It was clear to me why this review was being undertaken	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2.2 The audit process was adequately explained to me	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2.3 I felt involved in the audit process and that I had the opportunity to provide input	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2.4 The findings of the review were shared and discussed with me before a draft report was issued	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2.5 The auditor established an effective rapport with me	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

3. Fieldwork *

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Not Applicable
3.1 The audit took an acceptable amount of time	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3.2 The disruption to my daily activities during the review was minimised as far as possible	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3.3 It was clear to me how the information being sought/reviewed by the auditor linked to the scope of the audit	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

4. Reporting *

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Not Applicable
4.1 The audit report reflected the issues discussed at the close out meeting	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4.2 The audit report was logical, well written and easy to follow	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4.3 I liked the presentation and format of the audit report	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4.4 I felt the audit report was accurate and well balanced	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4.5 The amount of time it took to produce the draft report (from the time of the close out meeting) was acceptable	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4.6 The draft report was finalised in a timely manner	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4.7 The report adequately covered the scope of the report as explained to me and/or set out in the terms of reference	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

5. Knowledge and Professionalism *

	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Not Applicable
5.1 The auditor demonstrated courtesy, professionalism and a constructive approach	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5.2 I felt the auditor had a reasonable understanding of the topic being reviewed	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5.3 The auditor was proactive in trying to resolve issues	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5.4 I felt sufficiently included in the process to identify corrective actions and solutions to the issues raised by the review	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

6. Quality, Innovation and Value *

	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Not Applicable
6.1 The audit recommendations were practical, constructive and adequately addressed the issues identified	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
6.2 Overall I feel that the audit has been helpful and of value to me and the team	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

6.3 The review provided us with some useful suggestions about how we can improve what we do

☐ ☐ ☐ ☐ ☐ ☐

6.4 I find it helpful that I can track and update my progress with implementing the agreed actions in the Management Action Tracker

☐ ☐ ☐ ☐ ☐ ☐

7. If you have any further information you would like to share about your experience or suggestions about how we can improve the IA process, please provide details below *

Enter your answer

Submit

Item No: 3.4
Title: IA Operational Plan 2021/22
Department: Corporate Affairs



24 June 2021 Audit Risk and Improvement Committee Meeting

Reference: F2021/00030 - D14679916
Author: Tina Baker, Chief Internal Auditor
Executive: David Farmer, Chief Executive Officer

Recommendation

- 1 *That the Committee note the report on IA Operational Plan 2021/22.*
- 2 *That the Committee make a recommendation that this report and the supporting papers to this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

The information provided in this report is current as at 16/06/2021.

Summary

The *Four Year Internal Audit Work Programme* was presented to the Committee in June 2020. The schedule of audits is revised and refreshed each year. This report presents the updated *IA Operational Plan 2021-2022* to the Audit, Risk and Improvement Committee for consideration and approval.

Context

The paper sets down the IA work programme covering all the elements of the IA Framework for 2021/22. This Operational Plan forms part of the four year strategic plan, presented to the Committee in June 2020, in line with core requirement 5, under the OLG proposals in their paper "*A New Risk Management and Internal Audit Framework for Local Councils in NSW*".

The full IA work programme comprises:

- Internal audit (business assurance) reviews) which are mostly conducted by the IA co-sourced partner, Centium
- Consulting and advisory activities
- Quality and performance of the IA function
- Organisational risk analysis and audit work programming

The 2021/22 IA Operational Plan is the most important element of the Work Programme because it sets the agenda for IA services for the next financial year. It is acknowledged that

the plan is reviewed each quarter and any proposed changes brought to the ARIC for their consideration. Proposed programmes of work beyond the 2021/22 financial year are subject to formal re-evaluation each year and depend upon priorities and resources.

Appendix 1 sets down the proposed schedule of audits and a summary of deliverables under the other elements of the IA Framework for 2021/22.

The Schedule of Audits (Business Assurance)

The IA schedule of audits aims to include audits of a strategic and operational nature, front-line and back-office functions, as well as mandatory annual reviews and some validation work. At least one IT audit is also included in the programme, focusing on specific IT, digital and cyber-related governance, systems, projects and processes as technology is critical for the secure, economic, efficient and effective delivery of all Council services.

The schedule of audits has been developed, taking into consideration areas of risk exposure identified by the Executive and Unit Managers as part of the Centium workshop on strategic risks and priorities. Other considerations include the corporate risks identified in the Council's risk register, Council's financial situation and the impact of the workforce changes over the past twelve months.

A list of possible audits under the key heading of strategic/corporate, operational, IT and validation/follow up reviews was presented to the Executive and Unit Managers in a survey to nominate the areas they consider ought to be included in the IA work programme. In the 2020/21 work programme, two audits scheduled for Q3 and Q4 were not undertaken due to the A/CEO putting a hold on the IA schedule of audits in December 2020. These audits were Roads Maintenance ("pothole management") and Rates. Both these topics were included in the ELT/Unit Manager survey but neither were nominated for the 2021/22 audit schedule.

Appendix 2 provides an overview of the strategic audit planning process. The limited availability of reliable and consistent management information means the quantitative element of the audit needs assessment has not been a significant part of the process for determining risk profiles of units, processes or projects.

Resourcing The Programme

The Institute of Internal Auditors' *International Professional Practices Framework* standard 2030, states:

"the chief audit executive must ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan."

The work programme for 2020/21 presents a realistic work schedule taking into account the complexity of auditing across multiple systems, disparate processes and information and split locations along with current resourcing and budget provisions.

The proposed work programme has been developed in line with an assumption of continued resourcing of 1 FTE of the IA Unit and continued funding for the co-sourced partnership with Centium for the 2021/22 financial year.

Plan Review

The full audit work programme is revisited and revised quarterly to ensure it remains focused on areas of strategic importance and relevance and that budgets are appropriate for the proposed scope of the reviews. In line with standard practice, a revised plan will be submitted to the Audit, Risk and Improvement Committee indicating any proposed changes, if required and the Chief Internal Auditor will continue to report progress against the work programme in her quarterly CIA update report.

Conclusion

Under sections 39(b) and 39(c) of their Charter, the Audit, Risk and Improvement Committee are responsible for:

- reviewing the internal audit coverage and Internal Audit Plan, ensuring the plan has considered the Risk Management Plan, and approving the plan;
- considering the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved Internal Audit Plan
-

The proposed IA schedule of audits is intended to provide a balanced and broad coverage of the organisation's activities insofar as limited resources allow, whilst focusing on key risk areas at a strategic as well as operational level. The proposed schedule of audits covers critical, key cross-organisational activities such as budgeting and financial planning/reporting as well as delivery of front-line services to the community through the validation of actions taken and reported to the community under the '*Responsible*' theme of the community strategic plan.

The 2021/22 deliverables under the remainder of the work programme build on work undertaken last year, to get greater buy-in to the outcome of reviews through stakeholder engagement initiatives such as lessons learned presentations and workshops. Ongoing effort continues, to build a more efficient audit needs assessment process along with greater alignment with the risk management framework. Under the IA Quality and Performance element of the Framework, key priorities for this financial year are to conduct a QA self-assessment of the IA function in line with professional standards, establishing and rolling out the IA resource centre now a single, intranet site has been established for Council, and conducting an Executive feedback survey as per the balanced scorecard measures.

This process of collaborating on the IA work programme, compiling an IA operational plan in line with the four year strategy and reporting progress on a quarterly basis to ARIC (monthly to the CEO) demonstrates good practice and facilitates the Committee in meeting their Charter obligation under section 39 (g) of "*periodically reviewing the performance of Internal Audit*".

Attachments

- | | | |
|----------|---|-----------|
| 1 | Appendix 1 JUNE 2021 IA audit schedule and work programme | D14674886 |
| 2 | Appendix 2 June 2021 IA Work Program Summary of the ANA process | D14673573 |

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Tina Baker
Chief Internal Auditor
June 2021



IA Work Programme
Updated For 2021-2022

2021-22 Audit Schedule: Q1 (Jul-Sep 21)

Audit Topic	Dept/ Service Unit	Indicative Budget (days)	Indicative Timing	Rationale
Asset Management (Strategic)	Cross Organisational	40	Jul -Sep 21	With \$10.2bn of assets under management and the sale of assets as part of the financial recovery plan, it is important that Council has sound, robust controls around asset management. This topic was identified in the stakeholder feedback survey and by the Executive during the Centium risks/priorities workshop as a key risk area. Also highlighted by the NSW Audit Office.
Validation of 2020/21 Operational Plan Deliverables – Responsible	Cross Organisational	15	Jul-Aug 21	It is important that the deliverables reported in Council's operational plan can be validated and that there is transparent reporting to the community on what has been achieved. The Responsible element of the Operational Plan covers: <ul style="list-style-type: none"> • Good governance and great partnerships • Delivering essential infrastructure • Balanced and sustainable development

2020-21 Audit Schedule: Q2 (Oct-Dec 21)

Audit Topic	Dept/ Service Unit	Indicative Budget (days)	Indicative Timing	Rationale
Workers Compensation Claims Management (Mandatory)	Corporate Affairs: Governance & Risk	10	Nov 21	A mandatory annual review as required by SIRA under Council's self-insurer status.
Budgeting & Financial Planning (Operational)	Corporate Affairs: Finance & Cross Organisational	25	Oct-Dec 21	A key component of financial stability going forward, especially in light of the I-Part ruling on the special rate variation and the impact of Council's prior financial mis-management.

2020-21 Audit Schedule: Q3 (Jan-Mar 22)

Audit Topic	Dept/ Service Unit	Indicative Budget (days)	Indicative Timing	Rationale
Cybersecurity OR Business Analytics & Management Information (IT)	Corporate Affairs: IMT	30	Jan–Mar 22	A cyber-security review was deferred from the IA program both in 2019/20 and 2020/21 at the request of management. Cyber attacks are one of the biggest threats to face Council so it's critical that the data and information we hold on staff and ratepayers is adequately protected. Alternatively, a review of business analytics and management information could be undertaken as this was nominated by ELT and Unit Managers.
Workforce & Succession Planning (operational)	Corporate Affairs: People & Culture/Cross organisational	25	Feb-Apr 22	A key element of the integrated planning framework. A review of this area is particularly relevant owing to the organisational restructure, large number of staff departures and reduction of services to the community.

2020-21 Audit Schedule: Q4 (Apr-Jun 22)

Audit Topic	Dept/ Service Unit	Indicative Budget (days)	Indicative Timing	Rationale
RMS DRIVES24 (Mandatory)	Environment & Planning: Environmental Compliance & Systems	10	May-Jun 22	A mandatory, annual review as required under the DRIVES Terms of Access Agreement with RMS.

Deliverables Under Other Elements of IA Framework

Organisational Risk Analysis & Audit Work Programming

- Compile Comparative Data and Risk Outlook Report based on OLG data (annual report)
- Refine Audit Needs Assessment (ANA) worksheets and populate with relevant data as it becomes available
- Explore linking ANA worksheets with comparative data information
- Explore concept of IA risk profile modelling
- Determine how best to sort and weight ANA information
- Review and refine ANA process in light of outcome of fact-finding visits/discussions to/with high performing organisations (ongoing)

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IA Consultancy & Advisory Activities

- Update & roll out the IA stakeholder engagement plan
- Continue to advocate for IA/ERM/BI collaboration (ongoing)
- Review the effectiveness of audit reports and consider new ways to “tell the story”
- Present/facilitate workshops on lessons learned/emerging themes/appreciative inquiry etc
- Continue to refine Management Action Tracker reporting and data analysis
- Produce an IA Service Catalogue

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IA Quality & Performance

- Re-establish a peer group reciprocal IA QA arrangement with at least two other Councils
- Conduct Executive feedback survey in line with Balanced Scorecard measures
- Develop & implement an IA innovation plan to deliver IA services differently & more effectively
- Conduct a QA review of the IA function
- Conduct fact-finding visits to high performing organisations relating to strategic reviews, ARIC and IA team performance (ongoing)
- Develop IA resource centre (started 2020/21)

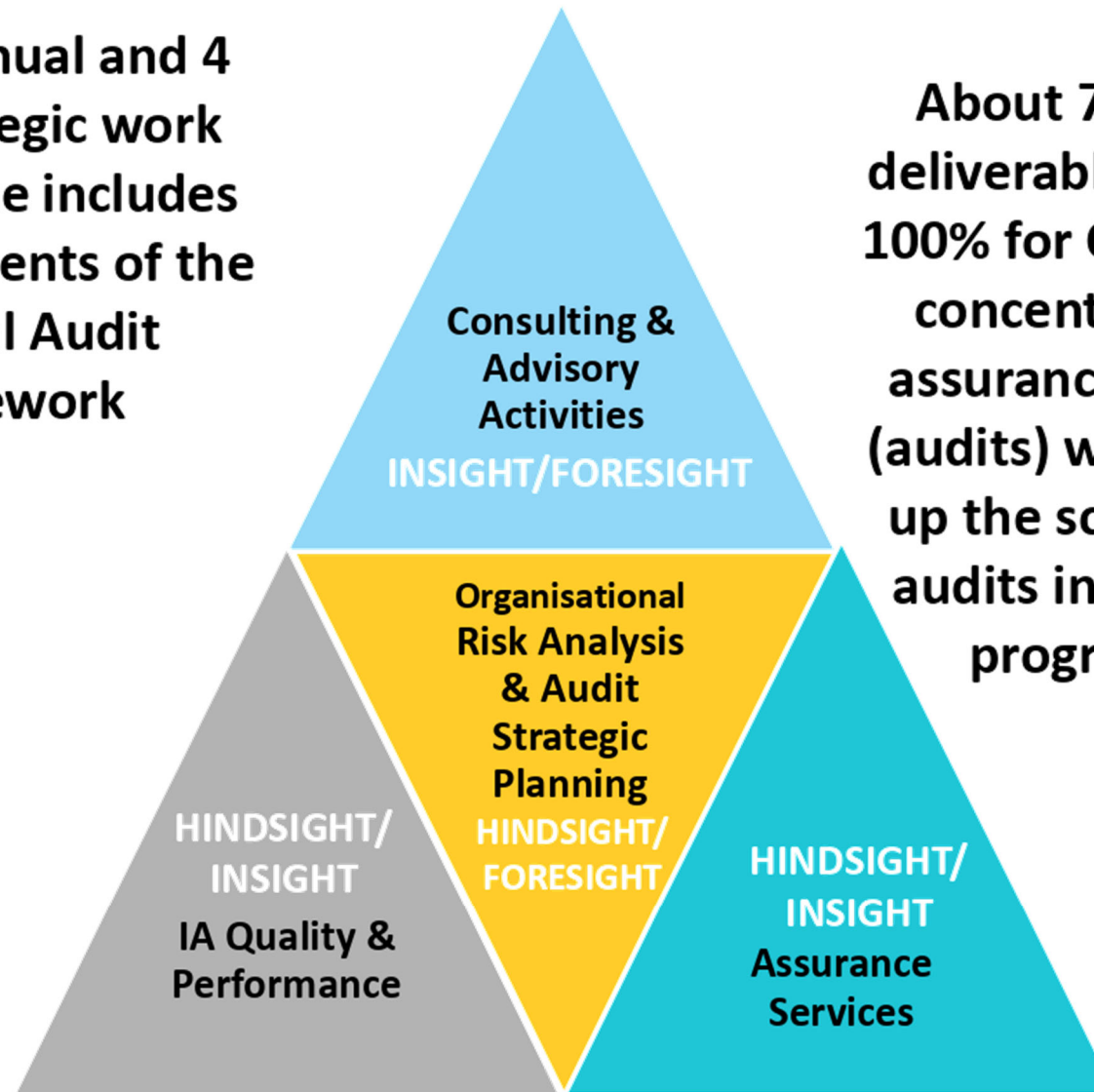


Tina Baker , Chief Internal Auditor, June 2021

What Constitutes The IA Work Programme?

The IA annual and 4 year strategic work programme includes all components of the Internal Audit framework

About 70% of IA deliverables (almost 100% for Centium) is concentrated on assurance services (audits) which make up the schedule of audits in the work programme



What Does Internal Audit Do?

On behalf of the CEO and the community (through the Audit, Risk and Improvement Committee to Council), IA independently tests the effectiveness of controls that management have put in place around their systems and processes to determine:



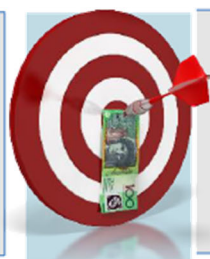
LEVELS OF EFFICIENCY, EFFECTIVENESS AND ECONOMY



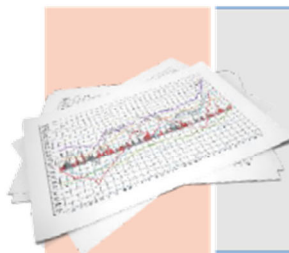
WHETHER ASSETS ARE BEING ADEQUATELY SAFEGUARDED



LEVELS OF COMPLIANCE WITH LAWS, REGULATIONS, POLICIES ETC



WHETHER OBJECTIVES ARE BEING SET, MEASURED, MONITORED & ACHIEVED



USE, TIMELINESS, RELIABILITY AND INTEGRITY OF INFORMATION & ASSOCIATED DECISIONS



WHETHER FRAUD AND CORRUPTION RISKS ARE BEING MITIGATED

What Is Considered When Drawing Up The Schedule Of Audits?

01

Quantitative Information

Eg relevant information, where available, for services, departments and projects such as spans of controls, staff turnover, value of assets under management, budgets, financial performance, IA Report on OLG comparative data, last audit

02

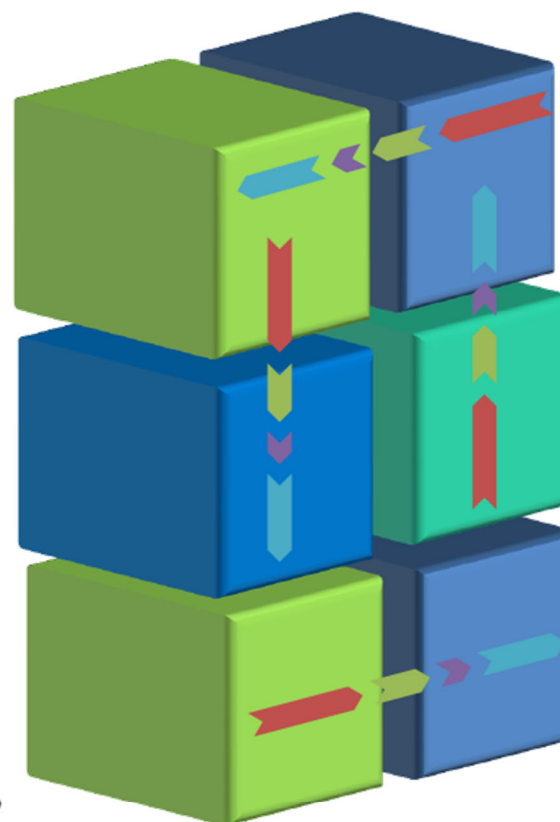
Qualitative Information

Eg concerns raised during staff discussions, emerging themes from audits, results from staff surveys, IA Risk Outlook Report

03

Stakeholder Input

Eg survey to ELT and Unit Managers to nominate reviews, discussions around areas of concern, exit discussions, requests, Centium's input on 'hot topics'



04

Third Party Reports

Eg ICAC investigations, NSW Audit Office issues raised in performance audits in the sector and Council management letters, issues from OLG

05

Community (& Councillor) Concerns

Eg complaints data, social media comments, local headlines, Councillor priorities

06

Enterprise Risk Register Information

Corporate risks, unit risks, uncontrolled risks, risks assessed from extreme/high to low on basis of controls

What Constitutes The Audit Assurance Programme?



STRATEGIC REVIEWS

Focussing on critical risks, emerging risks, areas of community concern, major and priority projects, culture, performance and integration matters. Related to strategic risks or priorities with a corporate-wide application and relevance.



OPERATIONAL REVIEWS

Focussing on core corporate systems and processes that provide key services to the organisation or the community. Related to specific Council services and/or internal functions, usually aligned directly with a particular Unit.



INFORMATION TECHNOLOGY, DIGITAL & DATA MANAGEMENT REVIEWS

Focussing on specific IT, digital and cyber-related governance, systems, projects and processes. This is a separate element of the plan as IT underpins the security, economy, efficiency and effectiveness of all Council services (internal and external).



MANDATORY OR BEST PRACTICE REVIEWS

Focussing on reviews required under various contracts, legislation or agreements with third parties, internal policy requirements and good practice determined by recognised standards that govern Council services.



VALIDATION/FOLLOW UP REVIEWS

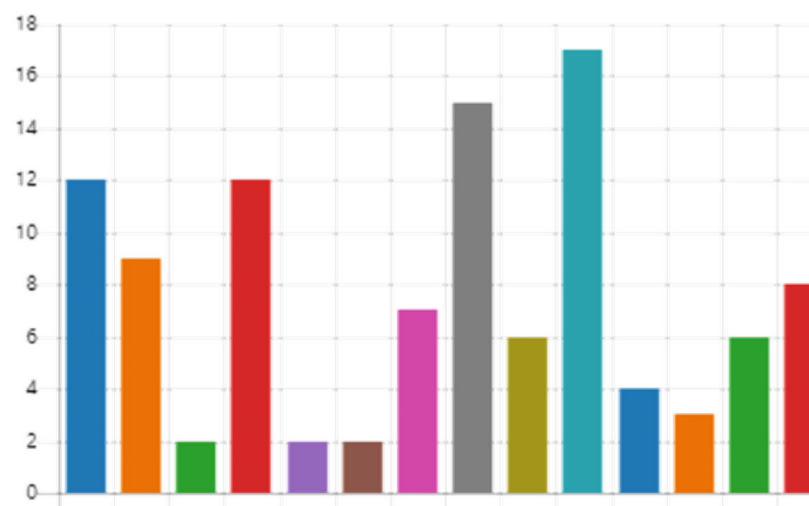
Focussing on verifying actions taken by management on 'closed' audits to determine whether the risk exposures have been minimised and the recommendations were effective OR validating the information reported by Council in the Operational Plan.

Results of ELT/Unit Manager Consultation: Strategic Audit

1. POTENTIAL STRATEGIC AUDITS – please select the 5 reviews which you consider would be the most significant/beneficial for inclusion in the 2021/22 IA work programme

[More Details](#)

● Organisational culture	12
● Organisational performance	9
● Climate resilience	2
● Strategic (corporate) planning	12
● Coastal management	2
● Asbestos management	2
● Emergency management and ...	7
● Financial stability & sustainabi...	15
● Enterprise risk management	6
● Asset management	17
● Community relations	4
● Fraud & corruption prevention	3
● Legislative compliance	6
● Management of major projects	8



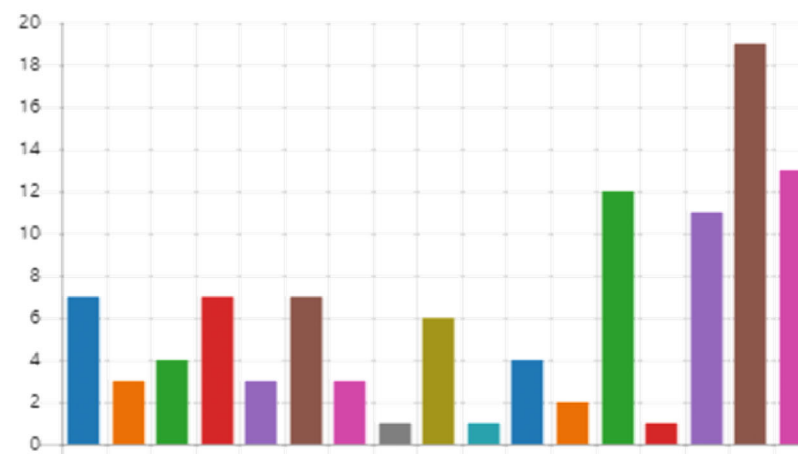
- 1 Asset Management – 81%
- 2 Financial Stability & Sustainability – 71%
- =3 Organisational Culture – 57%
- =3 Strategic (Corporate) Planning – 57%
- 5 Organisational Performance – 43%

Results of ELT/Unit Manager Consultation: Operational Audit

2. POTENTIAL OPERATIONAL AUDITS – please select the 5 reviews which you consider would be the most significant/beneficial for inclusion in the 2021/22 IA work programme

[More Details](#)

Development assessment	7
Legal services	3
Recruitment and induction	4
BCP/disaster recovery	7
Declarations (gifts and benefit...	3
Rates: billing, collection and re...	7
Secondary employment	3
Regional illegal dumping	1
Fees and charges	6
Council as principal certifying ...	1
Leave and absence managem...	4
'Pothole' management (roads ...	2
Facilities management	12
Beach safety	1
Leasing & property managem...	11
Budgeting and financial planni...	19
Workforce and succession pla...	13

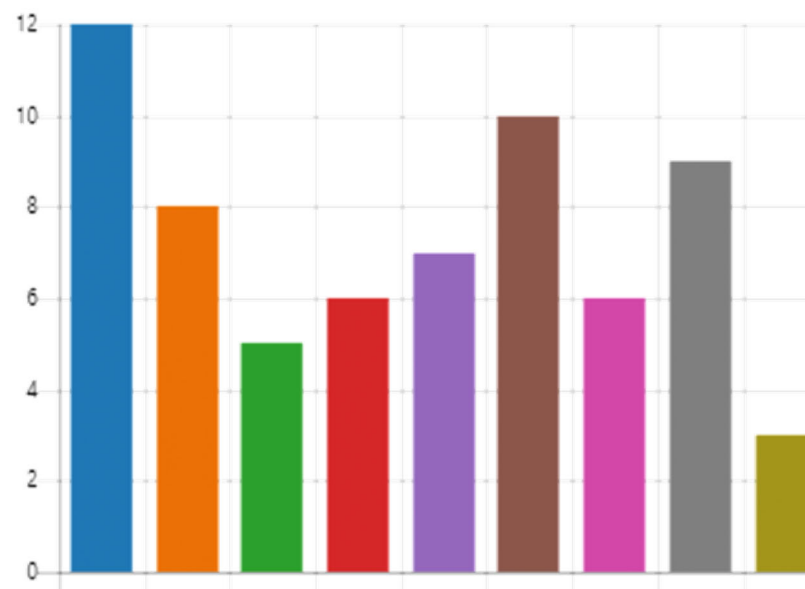


- 1 Budgeting & Financial Planning – 90%
- 2 Workforce & Succession Planning – 62%
- 3 Facilities Management – 57%
- 4 Leasing & Property Management – 52%

Results of ELT/Unit Manager Consultation: IT Audit

3. POTENTIAL IT BASED AUDITS – please select the 3 reviews which you consider would be the most significant/beneficial for inclusion in the 2021/22 IA work programme

[More Details](#)



- 1 Business Analytics & Management Information – 57%
- 2 IT Contracts & Contract Management – 48%
- 3 IT Asset Management – 43%
- 4 Cyber Security & Fraud Prevention – 38%
- 5 Enterprise Architecture – 33%

Results of ELT/Unit Manager Consultation: Validation/Follow Up Audit

4. POTENTIAL VALIDATION AUDITS – to validate the action taken and progress reported against agreed deliverables as outlined in the Operational Plan. Please select your preferred 2.

[More Details](#)

● Progress against actions: belo...	1
● Progress against actions: smart	15
● Progress against actions: green	5
● Progress against actions: resp...	17
● Progress against actions: livea...	2



- 1 Responsible – 81%
- 2 Smart – 71%
- 3 Green – 24%

Top 10 Corporate Risks in Enterprise Risk Register, June 2021

Unit ▾	Objective	RiskDescription ▾	Risk Type ▾	Controlled Risk Rating ▾
Director Water and Sewer	Ensure the health and safety of Council workers	WHS incident due to lack of development of WHS Management Systems suited specifically to water and sewer services Lack of consistency of WHS systems and processes	HR	H
Director Infrastructure Services	Keep the community and our staff safe	WHS incident resulting in death or serious disability for Council worker due to lack of application of WHS training/ unpredictable driver behaviour.	HR	H
Director Corporate Affairs	Delivery of projects aligned with organisational priorities. (and ensuring the coordination of change is managed across Council)	IM&T unable to respond to business needs in a timely manner and delivering projects that don't meet the organisations strategic needs due to incorrect organisational prioritisation of investment	Operational	H
Director Corporate Affairs	Delivery of workforce planning and strategic direction for the organisation	A lack of clarity around strategic direction as a basis for defining required capability across the organisation due to organisational change and use of multiple competing strategic plans - leadership	HR	H
Director Corporate Affairs	Drive the change management process	Industrial relations action due to changes to organisation structure	HR	H

Top 10 Corporate Risks in Enterprise Risk Register, June 2021 (cont)

Unit ▾	Objective	RiskDescription ▾	Risk Type ▾	Controlled Risk Rating ▾
Director Corporate Affairs	Maximise Council's income by increasing investment and adding parking charges	Council is prevented from implementing opportunities to diversify due to Councillor/community resistance to additional income streams.	Business	H
Director Environment and Planning	Determinations are based on impartial, evidence-based decision making	Councils planning integrity undermined due to inappropriate decision making Political pressure from Councillors and other parties, desire to appease public and media	Governance	H
Director Corporate Affairs	Deliver services and systems to support the organisations needs to deliver on the CSP	Investing in the wrong technology due to Lack of clarity and changing organisational objectives and/or political priorities. No business planning and therefore difficult to articulate objectives and cannot identify risk of uncertainty on objectives.	Governance	H
Director Community and Recreation Services	Delivery of services to meet community needs/expectations	Non-delivery or delayed deliver of Council commitments due to a lack of clear strategic direction	Operational	H
Director Corporate Affairs	Responsible financial management	Expenditure outside of budget due to Service review in 2020 results in additional services than are not currently funded	Operational	H

How Are The Other Deliverables Under The IA Framework Determined?

Organisational Risk Analysis & Audit Strategic Planning	IA Consultancy & Advisory Activities	IA Quality & Performance
<ul style="list-style-type: none"> • Some reports eg Comparative Data and Risk Outlook Reports based on OLG data form part of the annual reports prepared for ARIC and the CEO. • Maturity of Enterprise Risk Management system and risk registers directly influence this component of the Framework. • Audit Needs Assessment still being refined – a lot of uncollated, unexamined information available. Needs to be determined how best to sort and weight it. Initiatives targeted to this end. 	<ul style="list-style-type: none"> • Ad hoc requests from staff. • Consideration as part of the post-audit review process. • Pro-active initiatives in accordance with emerging themes from IA reviews. • Engagement activities highlighted under IA stakeholder engagement strategy and plan. <p>www.centralcoast.nsw.gov.au</p>	<ul style="list-style-type: none"> • Performance to be aligned to international professional standards. • Corrective action where standards not being met or service seems to be diminishing. • Feedback from stakeholders through post audit surveys. • Performance against balanced scorecard measures and initiatives where there seems to be a decline in ability to meet the targets.

Item No: 5.3
Title: Update on Public Inquiry
Department: Corporate Affairs



24 June 2021 Audit Risk and Improvement Committee Meeting

Reference: F2021/00859 - D14654725
Author: Shane Sullivan, Unit Manager, Governance and Risk
Executive: Natalia Cowley, Director Corporate Affairs and Chief Financial Officer

Recommendation

- 1 *That the Committee note the report on Update on Public Inquiry.*
- 2 *That the Committee make a recommendation that this report and the supporting papers to this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

The information provided in this report is current as at 26/05/2021.

Summary

The purpose of this report is to provide the Committee with an update on the Public Inquiry.

Provision of documentation

All requested documents have been provided to the Commission. Generally, documents or information is provided the same day. The exception was where Council was confirming the provision of documents to which privilege applies.

Communication

Council's website is up to date with OLG information, with FAQs to be developed in response to questions received. To date, staff have not received questions.

OLG Page: <https://www.olg.nsw.gov.au/public-inquiries/central-coast-council-public-inquiry/>

Council Page: <https://www.centralcoast.nsw.gov.au/council/about-council/public-inquiry>

Customer service have a point of contact and a standard customer response has been prepared.

Submissions

Submissions are due by 21 June 2021. The submissions the Commissioner determines to be public will need to be published on Council's website.

Members of the Audit, Risk and Improvement Committee have not been identified as a group from which the Commissioner encourages submissions specifically. However, submissions are encouraged from interested members of the public.

Ongoing management

Key staff have been updated of early requirements and put on notice. A weekly 15-minute meeting is being held with them to discuss requirements and changes. A weekly meeting with the Administrator and Unit Manager Governance and Risk is occurring.

Weekly briefing notes are being provided to the Chief Executive Officer and Director, Corporate Affairs and Chief Financial Officer.

Contact with Commissioner and Personnel Assisting

There is regular communication between the Unit Manager Governance and Risk and Personnel Assisting the Commission.

Resourcing

At this time, the requirements to assist the Inquiry is having minimal resource impacts. This will continue to be monitored. There will be further work required to publish submissions received and significant work to support the Public Hearings.

The proactive release process will be more resource intensive as documents are reviewed for release and the risks of release considered.

Risk Management

The Public Inquiry represents an ongoing risk with regard to reputational risk. Council's Enterprise Risk Management Framework limits reputational risk to moderate being substantial customer/community dissatisfaction with reputation recoverable in the long term.

A mitigation of this risk has been identified as the potential proactive release of information which is being provided to the Commissioner. This process has commenced.

There is a regulatory/compliance risk emerging around requests from suspended Councillors to access information.

On 1 June 2021, the Personnel Assisting contacted staff to advise that OLG would be providing further advice regarding providing suspended Councillors with access to documents. Previously, the verbal advice provided was that suspended Councillors were not entitled to access facilities or information while suspended.

Council was sympathetic to the concerns raised by suspended Councillors and had raised these concerns with the OLG. However, Council did not feel it was appropriate to provide access to documents which suspended Councillors were not entitled to without some further advice from OLG stating that it could do so.

5.3 Update on Public Inquiry (contd)

Upon receipt of this advice that Council may choose to provide access, staff contacted the suspended Councillors to advise of the changed position and to arrange access.

Attachments

Nil.

Item No: 5.5
Title: Audit, Risk and Improvement Committee Charter Update
Department: Corporate Affairs



24 June 2021 Audit Risk and Improvement Committee Meeting

Reference: F2021/00030 - D14618237
Author: James Taylor, Section Manager Governance
Manager: Shane Sullivan, Unit Manager, Governance and Risk
Executive: Natalia Cowley, Director Corporate Affairs and Chief Financial Officer

Recommendation

- 1 *That the Committee endorse the Audit, Risk and Improvement Committee Charter in accordance with clause 8 of the Charter and adopted by Council in accordance with clause 9 of the Charter that is Attachment 1 to this report.*
- 2 *That the Committee make a recommendation that this report and the supporting papers to this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

The information provided in this report is current as at 6/05/2021.

Summary

At the 27 April 2021 Ordinary Council Meeting, Council considered a report to change Council's Audit, Risk and Improvement Committee (ARIC) Charter to increase the role of the Committee with regard to financial oversight. The proposed changes reflect the Office of Local Government Discussion Paper, [A New Risk Management and Internal Audit Framework for Local Councils in NSW](#).

Changes to the Audit, Risk and Improvement Committee Charter – as resolved by Council

Under clause 9 of the Charter, Council must review, amend as required and adopt the Charter at least once during each term of Council at an open meeting of Council. In addition, any substantive changes to the Charter need to be approved by Council.

The proposed wording in the ARIC Charter is the wording the Office of Local Government (OLG) included under Financial Management and External Accountability in the Discussion Paper: [A New Risk Management and Internal Audit Framework for Local Councils in NSW](#). This Discussion Paper was issued in September 2019 and to date the finalised framework has not been made.

Consideration was also given to the removal of Councillors from the Committee. Given it is anticipated that the Office of Local Government will issue Guidelines for the conduct of *Audit, Risk and Improvement Committees*, it was considered appropriate to wait for this Guideline before determining any change in the Committee make up.

Some administrative changes have been made to the Charter to reflect changes in roles and personnel. The changes to the Charter are set out in Attachment 1. Additions are shown in ***bold italics*** and deletions are shown in ~~strike through~~.

At the 27 April 2021 Ordinary Council meeting, Council resolved, in part:

That Council adopt the amended Audit, Risk and Improvement Committee Charter as attached to this report.

Changes to the Audit, Risk and Improvement Committee Charter – additional recommended

Whilst undertaking the procedures for the election of a new ARIC Chairperson it was identified that there are administrative inconsistencies in the Charter regarding the three year minimum requirement of Clause 21 which also needs to be addressed. Clause 21 reads (emphasises added):

21. The Chair must be appointed for one term only for a period of at least three years, with a maximum period of five years. The term of appointment for the Chair can be extended but any extension must not cause the total term to exceed five years as a Chair of the Committee.

The inconsistencies arises given the reappointment resolution made at the [27 April 2020 Ordinary Meeting](#) and the appointment resolution made at the [27 April 2021 Ordinary Meeting](#). It is noted that John Gordon has less than one year left on his period of re-appointment, that Carl Millington has less than two years left on his period of re-appointment and that Arthur Butler has less than three years left on his appointment.

It is recommended that the following administrative change also be made to the ARIC Charter to resolve this inconsistency and enable a Chair to be effectively appointed:

*21. The Chair **can must** be appointed for ~~one term only for a period of at least three years, with~~ **up to** a maximum period of five years. The term of appointment for the Chair can be extended but any extension must not cause the total term to exceed five years as a Chair of the Committee.*

The amended Charter is now being reported to the Committee for their endorsement in accordance with Clause 8 of the Charter which requires that the Charter is reviewed and endorsed by the Committee each year. The above change is not considered substantive.

Attachments

- 1** Audit, Risk and Improvement Committee revised Charter - April 2021 D14622904



AUDIT, RISK AND IMPROVEMENT COMMITTEE CHARTER

~~June 2020~~ April 2021



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Audit, Risk and Improvement Committee Charter



AUTHORITY	NAME & TITLE
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CHIEF EXECUTIVE OFFICER	Gary Murphy, David Farmer Chief Executive Officer

History of Revisions:

Version	Date	Reason	TRIM Doc. #
1	24 January 2017	Creation	D12590987
2	26 July 2017	Updated given feedback	D12758021
3	4 December 2019	Updated given NSW Audit Office guidelines and feedback from ARIC	D13488251
4	24 February 2020	Updated given feedback from ARIC for Council approval	D13776908
5	30 March 2020	Updated following resolutions from the 17 March 2020 ARIC meeting and adopted at the 17 June 2020 ARIC meeting	D14056881
6	27 April 2021	Updated to expand the financial oversight role of the Committee in accordance with the OLG Discussion Paper	D14546515

Audit, Risk and Improvement Committee Charter



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Audit, Risk and Improvement Committee Charter



Introduction

Good corporate governance of Central Coast Council ("Council") promotes effective and efficient delivery of services to the Central Coast community with honesty and integrity.

The Audit, Risk and Improvement Committee ("Committee") has an important role in the governance framework of Council by providing Council with independent oversight, objective assurance and monitoring of Council's audit processes, internal controls, external reporting, risk management activities, compliance of and with Council's policies and procedures, and performance improvement activities.

This Charter, which is based on the guidelines issued by the Chief Executive of the Office of Local Government pursuant to s. 23A of the [Local Government Act 1993](#), the NSW Audit Office guidelines for [Local Government in Risk Management](#) and is consistent with best practice, is intended to add value and drive the qualities of effective local government; being openness, transparency and accountability. The Committee helps Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

~~Gary Murphy~~ **David Farmer**
Chief Executive Officer
Central Coast Council

Audit, Risk and Improvement Committee Charter



Committee Objectives

1. The objective of the Committee is to provide independent assurance and assistance to the Council on risk management, control, governance, internal audits, organisational performance and external accountability responsibilities.
2. Part 4A of the [Local Government Act 1993](#) ("the LG Act") will commence after the adoption of this Charter. When Part 4A of the [LG Act](#) commences the Committee will be under a statutory obligation to keep under review the following aspects of the Council's operations:
 - a) compliance,
 - b) risk management,
 - c) fraud control,
 - d) financial management,
 - e) governance,
 - f) implementation of the strategic plan, delivery program and strategies,
 - g) service reviews,
 - h) collection of performance measurement data by the Council, and
 - i) any other matters prescribed by the regulations.
3. This Charter imposes those obligations on the Committee from the date the Committee commences, prior to the commencement of Part 4A of the [LG Act](#). The Committee is also to provide information to the Council for the purpose of improving the Council's performance of its functions.

Authority

4. The Committee is established in accordance with Council's authority granted by section 355 of the [LG Act](#).
5. The Committee has no executive powers, except those expressly provided by the Council.
6. In carrying out its responsibilities, the Committee must at all times recognise that primary responsibility for management of Council rests with the Council and the Chief Executive Officer as defined by the Local Government Act.
7. The Council authorises the Committee as a whole (but not individual members of the Committee) within the scope of its role and responsibilities as follows and to report any action undertaken in the meeting minutes:
 - a) obtain any information it needs from any employee or external party (subject to their legal obligations to protect information).
 - b) discuss any matters with the Auditor-General (or contracted agent) and/or external auditor and/or other external parties (subject to confidentiality considerations).
 - c) request the attendance of any employee or Councillor at Committee meetings.
 - d) obtain external legal or other professional advice considered necessary to meet its responsibilities. The engagement and payment of costs for that advice is subject to the prior approval by the Chief Executive Officer.

Audit, Risk and Improvement Committee Charter



8. This Charter is required to be reviewed and endorsed by the Committee each year. Any substantive changes to this Charter need to be approved by the Council.
9. Council must review, amend as required and adopt this Charter at least once during each term of Council at an open meeting of Council.

Composition and Tenure

Members (voting)

10. The Committee will consist of: five voting members.
 - a) Two Councillors;
 - b) Three Independent external members (one of whom to be the Chairperson)
11. Voting at a Committee meeting is to be by open means (such as by voice or by show of hands).
12. The members of the Committee, taken collectively, will have a broad range of skills and experience relevant to the operations of Council. At least one member of the Committee shall have accounting or related financial management experience, with understanding of accounting and auditing standards in a public sector environment.

Councillors

13. The two Councillor members (excluding the Mayor) of the Committee will be appointed by resolution of the Council at the start of each Council Term for the length of the Council Term.
14. The Council may also resolve to appoint alternative Councillor members to the Committee for the same period to attend meetings in the absence of one or both of the appointed Councillor members. The alternative Councillor members will have the same voting rights as the Councillor member being replaced.

Independent External Members

15. The three Independent External Members will be appointed, by resolution of the Council for up to an initial period no less than three years and not exceeding five years, after which they will be eligible for extension or re-appointment following a formal review of their performance by Council (noting that the total term on the Committee will not exceed eight years).
16. Any of the three Independent External Members seeking an extension or re-appointment will be required to notify the Chief Executive Officer in writing six months before their appointed is set to end.

Audit, Risk and Improvement Committee Charter



17. The three Independent External Members are eligible for extension or re-appointment up to a maximum of eight years of continual service. Appointments must be made so that phased replacement of each of the three Independent external members is required to ensure continuity in the Committee.
18. The Independent External Members can also be removed by resolution of Council.
19. The Independent External Members, in aggregate, will have recent and relevant knowledge and experience of:
 - a) Accounting or related Financial management
 - b) Risk management experience
 - c) Auditing experience in a public sector environment
 - d) Performance improvement
 - e) The local government framework
 - f) Council services, activities and operations
 - g) Governance, risk and compliance
 - h) Community services.

The Chair

20. The Chair will be elected by the majority of the Committee's voting members and must be one of the Independent External Members.
21. The Chair ~~can~~ must be appointed for ~~one term only for a period of at least three years,~~ with **up to** a maximum period of five years. The term of appointment for the Chair can be extended but any extension must not cause the total term to exceed five years as a Chair of the Committee.
22. Whenever the voting on a motion put to a meeting of the Committee is equal, the Chair of the Committee is to have a casting vote as well as an original vote.
23. If the elected Chair is not present at a meeting of the Committee, the first business of that meeting is for the Committee's voting members to elect a Chair from the Independent External Members present.

Attendees (non-voting) for all agenda items

24. Meetings of the Committee may, at the discretion of the Committee and with the consent of the Chief Executive Officer, be attended by the following Council staff:
 - a) Chief Executive Officer or nominated delegate;
 - b) Chief Financial Officer or nominated delegate;
 - c) Director **Corporate Affairs and Chief Financial Officer** Governance or nominated delegate;
 - d) Chief Internal Auditor or nominated delegate; and
 - e) Senior Internal Ombudsman or nominated delegate.

Audit, Risk and Improvement Committee Charter



Invitees (non-voting) for specific agenda items

25. Representatives of Council's external auditor and other Council Officials may attend Committee meetings by invitation as requested by the Committee.
26. Other Councillors may attend as observers at the discretion of the Chair. Such requests should be placed in writing to the Chair prior to the meeting.

Role and Responsibilities

27. In carrying out its responsibilities, the Committee must at all times recognise that primary responsibility for financial and other reporting, for internal controls, for compliance with laws, for ethical behaviour, for the management of Council, for risk management and for organisational improvements, rests with the elected Council and the Chief Executive Officer in accordance with the [LG Act](#).
28. Members of the Committee must not act in a way that contravenes the [LG Act](#) (which includes compliance with Council's adopted Code of Conduct and Code of Meeting Practice) or any other Act. Members of the Committee are also required to comply with other relevant Policies and Procedures of Council.
29. The Chief Executive Officer will ensure that adequate resources are available to allow for the proper functioning of the Committee, including provision of a Committee Support Officer for administrative support.
30. The Committee may also, at Council's expense, request the Chief Executive Officer to obtain such legal, accounting or other professional advice as it reasonably considers necessary for the performance of its duties. The Chief Executive Officer will give appropriate consideration to all such requests.
31. The responsibilities of the Committee may be revised or expanded by the Council from time to time. The Committee's responsibilities are in accordance with Part 4A of the [LG Act](#), even if that Part 4A has not commenced operation:
 - a) compliance,
 - b) risk management,
 - c) fraud control,
 - d) financial management,
 - e) governance,
 - f) implementation of the strategic plan, delivery program and strategies,
 - g) service reviews,
 - h) collection of performance measurement data by the Council,
 - i) any other matters prescribed by the regulations.
32. The Committee is also to provide information to the Council for the purpose of improving the Council's performance of its functions.

Audit, Risk and Improvement Committee Charter



33. The following defined responsibilities are in accordance with the OLG model charter for Audit Committees as set out in the Internal Audit Guidelines issued by the Chief Executive of OLG in September 2010 and to meet the future requirement that will be imposed by Part 4A of the [LG Act](#).

Risk Management

34. Risk management is an essential part of effective corporate governance. It is defined as "the culture, processes and structures that are directed towards realising potential opportunities whilst managing adverse effects." (Risk Management – Principles and Guidelines" ISO 31000:2009(E)). Enterprise Risk Management is the holistic management of all risks within Council, not just insurable risks or work health and safety.
35. The Committee is responsible for:
- reviewing whether management has in place a current and comprehensive risk management framework, and associated procedures for effective identification and management of business and financial risks, including fraud, that is consistent with AS/NZS ISO 31000:2009;
 - reviewing whether a sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings;
 - reviewing the impact of the risk management framework on its control environment and insurance arrangements;
 - reviewing whether a sound and effective approach has been followed in establishing business continuity planning arrangements, including whether plans have been tested periodically;
 - reviewing whether a sound and effective approach has been established in relation to technological related risks issues that present a threat to the operations of Council;
 - considering, and recommending to the Chief Executive Officer, improvements in relation to Council activities, systems and processes; and
 - reviewing whether Council processes and procedures result in an efficient and effective allocation of resources, and accountability and transparency.

Control Framework

36. The Committee is responsible for:
- reviewing whether management has adequate internal controls in place, including over external parties such as contractors and advisors;
 - reviewing whether management has in place relevant policies and procedures, and these are periodically reviewed and updated;
 - progressively reviewing whether appropriate processes are in place to assess compliance with policies and procedures;
 - reviewing the annual performance of Council against the key performance indicators documented in the Operational Plan, and providing advice to the Chief Executive Officer on the adequacy of Council's performance against these indicators;
 - reviewing whether appropriate policies and procedures are in place for the management and exercise of delegations; and
 - reviewing whether management has taken steps to embed a culture which is

Audit, Risk and Improvement Committee Charter



committed to ethical and lawful behaviour.

Financial Management and External Accountability

37. The Committee is responsible for:

- a) satisfying itself that the annual financial reports comply with applicable Australian Accounting Standards and are supported by appropriate management sign-off on the statements and the adequacy of internal controls;
 - b) reviewing the 'Statement by Councillors and Management' (made pursuant to s 413(2)(c) of the Local Government Act)
 - c) reviewing the external audit opinion, including whether appropriate action has been taken in response to audit recommendations and adjustments;
 - d) considering contentious financial reporting matters in conjunction with Council's management and external auditors;
 - e) reviewing the processes in place designed to ensure financial information included in the annual report is consistent with the signed financial statements;
 - f) satisfying itself there are appropriate mechanisms in place to review and implement, where appropriate, relevant State Government reports and recommendations;
 - g) reviewing cash management policies and procedures;
 - h) reviewing policies and procedures for collection, management and disbursement of grants and tied funding; and
 - i) satisfying itself there is a performance management framework linked to organisational objectives and outcomes.
-
- a) **advising whether the Council's financial management processes are adequate**
 - b) **assessing the policies and procedures for council management's review and consideration of the council's current and future financial position and performance and the nature of that review (including the approach taken to addressing variances and budget risks)**
 - c) **advising on the adequacy of early close and year-end review procedures, and**
 - d) **reviewing council's financial statements, including:**
 - **providing input and feedback on council's financial statements**
 - **advising whether council is meeting its external accountability requirements**
 - **advising whether appropriate action has been taken in response to audit recommendations and adjustments**
 - **satisfying itself that the financial statements are supported by appropriate management signoff**
 - **reviewing any 'Statement by Councillors and Management' (made pursuant to s 413(2)(c) of the Local Government Act)**
 - **reviewing the processes in place designed to ensure that financial information included in the council's annual report is consistent with the signed financial statements**
 - **reviewing cash management policies and procedures**
 - **reviewing policies and procedures for the collection, management and disbursement of grants and tied funding, and**
 - **satisfying itself that the council has a performance management framework that is linked to organisational objectives and outcomes.**

Audit, Risk and Improvement Committee Charter

**Legislative Compliance**

38. The Committee is responsible for:

- a) determining whether management has appropriately considered legal and compliance risks as part of risk assessment and management arrangements; and
- b) reviewing the effectiveness of the system for monitoring compliance with relevant laws, regulations and associated government policies.

Internal Audit

39. The Committee is responsible for:

- a) acting as a forum for communication between the Council, Chief Executive Officer, Senior Management, Internal Audit, External Audit and Internal Ombudsman;
- b) reviewing the internal audit coverage and Internal Audit Plan, ensuring the plan has considered the Risk Management Plan, and approving the plan;
- c) considering the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved Internal Audit Plan;
- d) reviewing all audit reports and considering significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of better practices;
- e) monitoring the implementation of internal audit recommendations by management;
- f) periodically reviewing the Internal Audit Charter to ensure appropriate organisational structures, authority, access and reporting arrangements are in place;
- g) periodically reviewing the performance of Internal Audit;
- h) meeting at least annually, with the Chief Internal Auditor "in-camera" without the presence of management;
- i) meeting at least annually, with the Internal Ombudsman "in-camera" or as arranged with the Committee without the presence of management. The Internal Ombudsman will provide a quarterly report to the Audit, Risk and Improvement Committee; and
- j) giving advice to the Chief Executive Officer on the appointment and remuneration of the Chief Internal Auditor and the Internal Audit team (if applicable).

External Audit

40. The Committee is responsible for:

- a) acting as a forum for communication between Council, senior management and internal and external audit;
- b) providing input and feedback on the financial statement and performance audit coverage proposed by external audit, and providing feedback on the external audit services provided;
- c) reviewing all external plans and reports in respect of planned or completed external audits, and monitoring the implementation of audit recommendations by management;
- d) providing advice to Council on action taken on significant issues raised in relevant external audit reports and better practice guides;

Audit, Risk and Improvement Committee Charter



- e) meeting at least annually, with the NSW Auditor General (or contract agent) "in- camera" without the presence of management; and
- f) considering significant issues raised in relevant external audit reports and better practice guides, and ensuring appropriate action is taken.

Responsibilities of Members

41. All members of the Committee are expected to:

- a) have a high level of personal integrity and ethics, as well as acting honestly and in good faith;
- b) make themselves available as required to attend and participate in meetings;
- c) perform their duties in a manner that engenders public trust in the integrity, objectivity, and impartiality of the Committee;
- d) comply with this Charter;
- e) have strong interpersonal skills;
- f) have strong skills in oral and written communication;
- g) understand the relevant legislative and regulatory environment of Audit and Risk Management in NSW Local Government and any requirements appropriate to Central Coast Council, particularly as these pertain to individual matters under consideration by the Committee;
- h) contribute the time needed to study and understand the papers provided, and to devote to their responsibilities as a Committee Member;
- i) apply good analytical skills, objectivity and with good judgment;
- j) express opinions frankly and ask questions that go to the fundamental core of issues;
- k) pursue independent lines of enquiry when required;
- l) review the risks, progress, controls, finances and performance surrounding major projects;
- m) have an understanding of management principles required recognising and evaluating the materiality and significance of deviations from good business practices;
- n) have an appreciation of fundamental concepts in areas such as accounting, economics, commercial law, taxation, finance, quantitative methods and IT; and
- o) assist the Council and the Chief Operating Officer with the formulation of Finance, Audit and related policies and procedures.

42. Expressions of Interest appointment as an independent member of the Committee are to be invited by public advertisement and/or written invitation from persons eligible to be members of the Committee as outlined by this Charter.

43. Any such nominations will be received and reviewed by the Chief Executive Officer who will prepare a report for Council's consideration.

44. The recruitment of those members of the Committee is to be based on merit, and it is important that the selection process used is transparent and accountable.

45. All Committee members will be appointed by Council. Once the Independent External Member(s) is/are appointed, they will receive a letter of appointment clearly detailing the terms of their appointment and their award remuneration rates, as well as a copy of this

Audit, Risk and Improvement Committee Charter



Charter.

46. Committee members must also decline any request to act as referee to any applicants for vacant positions on the Committee.

Reporting

47. At the first Committee meeting post 30 October each year, a performance report will be provided to the Committee dealing with:
- a) an overall assessment of Council's risk, control and compliance framework, including details of any significant emerging risks or legislative changes impacting Council;
 - b) a summary of the work the Committee performed to fully discharge its responsibilities during the preceding year;
 - c) details of meetings, including the number of meetings held during the relevant period, and the number of meetings each member attended;
 - d) a summary of Council's progress in addressing the findings and recommendations made in internal and external audit reports;
 - e) the performance of Internal Audit for the financial year as measured against agreed key performance indicators; and
 - f) the approved Internal Audit Plan of work for the previous financial year showing the current status of each audit.
 - g) any other matters deemed to be of sufficient importance.
48. The Committee should report regularly to Council on the internal audit function, on the management of risk and on internal controls as and when required. The Committee may also make recommendations to Council and the Chief Executive Officer.
49. At a minimum the Committee will report to Council on its activities at least yearly coinciding with the financial year and the annual statement time.
50. The Annual and Three-Year Audit Plans will also be submitted to Council as part of the Committee's report to Council.
51. Council may request the Chair of the Committee to address Council and to answer any enquiries about the operation of the Committee. In consultation with the Chair some or all of the Committee's annual report will form part of Council's Annual Report.

Administrative arrangements

Meetings of the Committee

52. The Committee is bound by Council's adopted [Code of Conduct](#).
53. All Committee meetings must be run fairly, and the procedures used should improve decision making and not be used for personal or political advantage.

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54. All matters should be considered consistently, fairly, promptly, and on their individual merits.
55. A forward meeting plan for the following year, including meeting dates and agenda items, will be agreed by the Committee in December of each year. The forward meeting plan will cover all Committee responsibilities as detailed in this Charter.
56. The Committee will meet at least four times per year. A special additional meeting may be held for the review and endorsement of the annual audited financial reports and external audit opinion.
57. The need for any additional meetings will be determined by resolution of the Committee. Such resolutions do not bind the Council to commit additional resources to the conduct of those meetings unless the Chief Executive Officer or the Council, by resolution, agrees to those additional meetings.
58. It is expected that Committee meetings will be attended by each voting Committee member in person. However, if there is a valid reason and with the prior approval of the Chair, a voting Committee member may attend by telephone or by video conference.
59. Non-voting participants at Committee meetings will also be expected to attend in person, however where this is not practical and with the prior approval of the Chair, they may attend by telephone or by video conference.
60. Committee meetings are closed to the public.

Attendance at meetings and quorums

61. The quorum for a meeting of the Committee will be the majority of the voting members of the Committee. A quorum must include at least two Independent External Members.
62. If it is determined two days prior to the Committee meeting that a quorum will not be achieved, the Committee meeting is to be reconvened to a later date. If for any reason a quorum is not present within half an hour of the scheduled commencement of the meeting, the meeting shall be rescheduled.
63. A Committee member will be deemed to have relinquished their membership of the Committee if they do not attend two consecutive meetings of the Committee without notice or satisfactory (as determined by the Chair – or in the case of the Chair the majority of the Committee) explanation.
64. Section 376 of the [LG Act](#) relevantly provides:
 - (2) *The general manager is entitled to attend a meeting of any other committee of the council and may, if a member of the committee, exercise a vote.*
 - (3) *However, the general manager may be excluded from a meeting of the council or a committee while the council or committee deals with a matter relating to the*

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standard of performance of the general manager or the terms of the employment of the general manager.

65. The Chief Executive Officer (Council's General Manager) may only be excluded from the meeting as set out above or while the Committee deals with a matter relating to the standard of performance of the Chief Executive Officer or the terms of the employment of the Chief Executive Officer.
66. The Chief Executive Officer will permit the Committee to meet separately with the Chief Internal Auditor and any External Auditor(s) in the absence of management on at least one occasion per year, should the Committee resolve that such meetings are appropriate and necessary.
67. The Committee may also request any other Council Official to participate in meetings should the Committee deem this necessary.
68. All employees of Council are subject to the direction of the Chief Executive Officer and not the Committee or any of its members. In this regard all correspondence or contact with staff is to be through the Chair of the Committee addressed to the Chief Executive Officer.

Secretariat

69. The Director, **Corporate Affairs and Chief Financial Officer Governance** is to ensure adequate Secretariat support to the Committee is provided.
70. The Committee Secretariat will ensure the agenda for each meeting and supporting papers are circulated, at least one week before the meeting, and ensure minutes of the meetings are prepared, maintained, approved and distributed as required.

Agendas, Minutes, Internal Audit Reports and Supporting Papers

71. The agenda for meetings of the Committee will be set by the Chair (in consultation with the Chief Executive Officer and the Chief Internal Auditor) at least two weeks before a meeting.
72. The agenda must specify the time and place at which, and the date on which, the meeting is to be held and the business proposed to be transacted at the meeting.
73. If a Committee member wishes to raise an urgent/late item that is not on the agenda, the Chair shall determine the appropriate manner for dealing with the matter in accordance with Council's adopted Code of Meeting Practice.
74. The Committee must ensure that full and accurate minutes of the proceedings of its meetings are kept. In particular, the Committee Secretariat must ensure that the following matters are recorded (at a minimum) in the minutes:
 - a) a date and time of meetings, attendees and any apologies;
 - b) the endorsement (or otherwise) of the minutes from previous the meeting;
 - c) whether there was business arising from previous minutes;

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- d) notation of reports or correspondence;
 - e) details of each motion moved at a meeting and of any amendments moved to it;
 - f) whether the motion or amendment is passed or lost;
 - g) Committee recommendations;
 - h) items of general business; and
 - i) the time meeting closed, date and venue for next meeting.
75. Minutes shall be approved by the Chair and circulated to all Committee members and Councillors within three weeks of the meeting being held and are to be confirmed at the next Committee meeting.
76. All meeting minutes that are approved by the Committee will be reported to the next available Council Meeting for information purposes
77. All Committee Agendas set by the Chair and Minutes confirmed by the Committee will be recorded in Council's electronic document management system and made publicly available on Council's website.
78. Supporting papers to the agenda considered by the Committee will be made publicly available on Council's website unless the business is of the following kind:
- a) Personnel matters concerning particular individuals;
 - b) Personal hardship of any resident or ratepayer;
 - c) Information that would, if disclosed, confer a commercial advantage on a person with whom Council is conducting (or proposes to conduct) business;
 - d) Commercial information of a confidential nature that would, if disclosed:
 - i. prejudice the commercial position of a person who supplied it; or
 - ii. confer a commercial advantage on a competitor of Council; or
 - iii. reveal a trade secret; or
 - iv. prejudice the position or activities of Council;
 - e) Information that would, if disclosed, prejudice the maintenance of law;
 - f) Matters affecting the security of Council, Council Officials and Council property;
 - g) Advice concerning litigation, or advice that would otherwise be privileged from production in legal proceedings on the grounds of legal professional privilege;
 - h) Information that is determined by the Committee or the Chief Executive Officer (or their delegate) to be confidential or unsuitable to be published; or
 - i) Information concerning the nature and location of a place or an item of Aboriginal significance on community land.
79. If the subject business is of a kind listed above, then those documents will be issued under separate cover to the Agenda and are to be treated as confidential.
80. The grounds for restricting public access to documents will be stated in the Agenda along with an explanation provided as to why public access would be, on balance, contrary to the public interest.

Confidential matters received outside the Charter

81. When the Committee receives confidential referrals/requests that do not fall within the ambit of this Charter or the Committee's responsibilities, the Committee will refer such

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matters (with any suitable recommendations) to the Chief Executive Officer to deal with appropriately.

82. The Chief Executive Officer will advise the Committee of the outcome of any matters referred to the Chief Executive Officer for action under Clause 81 at the next available Committee Meeting.

Privacy and Conflicts of Interest

83. The Committee Charter will comply with Council Policies and the LG Act in relation to confidentiality, privacy and reporting.
84. Members of the Committee will not disclose matters dealt with by the Committee to third parties except with the express approval of the Committee.
85. A conflict of interest exists where a reasonable and informed person would perceive that members of the Committee could be influenced by a private interest when carrying out their public duty.
86. All members of the Committee must avoid or appropriately manage any conflict of interests. The onus is on members of the Committee to identify a conflict of interest and take the appropriate action to manage the conflict in favour of their public duty. All members of the Committee must comply with Council's Code of Conduct at all times.
87. Committee members, attendees, invitees, observers and Council Officials must declare any conflicts of interest at the start of each meeting or before discussion of a relevant agenda item or topic. Details of any conflicts of interest should be appropriately minuted and be dealt with in accordance with Council's adopted Code of Conduct.
88. Where Committee members, attendees, invitees, observers or Council Officials at Committee meetings are deemed by the Chair (or in the case of the Chair by the majority of the Committee) to have a real or perceived conflict of interest, they will be excused from Committee deliberations and leave the meeting on the issue where the conflict of interest may exist in accordance with Council's adopted Code of Conduct.

Health and Safety

89. Council is responsible for providing a safe work environment and gives priority to the health, safety and welfare of Council Officials and of Committee members. Committee members should protect their safety and that of others in the work environment and public areas as required. All safety concerns should be reported immediately to Council Officials.
90. No one should take part in activities or attend Committee meetings while under the influence of alcohol or other drugs which could impair abilities or cause danger to themselves or others.

Public comment and media statements

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91. All public comments and media statements representing Central Coast Council must be approved by the Chief Executive Officer.

Induction

92. It is a condition of Committee membership that all members undertake Code of Conduct and Protected Disclosure training.
93. The Director, **Corporate Affairs and Chief Financial Officer** Governance will ensure that all new Committee members receive all relevant information, training and briefings on their appointment to assist them to meet their Committee responsibilities.

Assessment Arrangements

94. In consultation with the Committee members and the Council, the Chief Executive Officer will establish performance measures for the Committee and implement measurement, feedback, reporting and review mechanisms relating to those measures.
95. Additionally, the Chair will initiate a review of the performance of the Committee at least once every two years. The review will be conducted on a self-assessment basis (unless otherwise determined by the Chair), with appropriate input from Council's Senior Management and any other relevant stakeholders, as determined by the Chair.
96. The review will also consider and report to Council on this Charter and the Internal Audit Charter, and it is to be included in the Committee's annual report to Council.

Vacancy

97. If for any reason a vacancy in the Committee membership occurs, the position(s) shall be filled in accordance with this Charter.

Endorsed by the Committee

Date: 17 June 2020 to be updated

Item No: 6.1
Title: Q3 2020/2021 - Complaints and Compliments Report
Department: Connected Communities



24 June 2021 Audit Risk and Improvement Committee Meeting

Reference: F2021/00030 - D14635159
Author: Lisa Champion, Section Manager Customer Relationships
Manager: Sue Ledingham, Unit Manager Customer Service and Communication
Executive: Natalia Cowley, Director Corporate Affairs and Chief Financial Officer

Recommendation

- 1 *That the Committee note the report on Q3 2020/2021 - Complaints and Compliments Report.*
- 2 *That the Committee make a recommendation that this report and the supporting papers to this report be made publicly available as the nature or content of the report does not fall within any listed exceptions, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

The information provided in this report is current as at 13/05/2021.

Summary

The purpose of this report is to provide an overview of complaints and compliments received during the third quarter period, 1 January to 31 March 2021, to the Audit Risk and Improvement Committee (Committee). The information included in this report is based on reports from Council's Customer Experience (CX) system.

Background

Central Coast Council has a Customer Feedback Management Policy adopted March 2017. This policy sets out the approach that Council takes to ensuring that all customers are given the opportunity to make complaint or provide feedback about issues they may have regarding potentially inappropriate, unethical or unfair behaviours or practices committed by Council Officials. This policy incorporates the principles of the Australian / New Zealand standard: Guidelines for Complaint Management in Organisations (AS/NZS 10002:2014) and the NSW Ombudsman's Complaint Management Framework (2015).

Feedback from our community provides Council with valuable insights into areas where service standards are meeting customer's expectations or where service standards have not been met and improvements need to be made.

Complaints and Compliments are categorised at a high level as follows:

- Council Decision
- General Feedback
- Level of Service
- Quality of Work
- Response Time
- Value of Fees and Charges
- Staff Performance

Reporting

Evaluation of the type of complaints and compliments received.

Complaint Types

A total of 133 complaints were received in the third quarter 2020/21 (including 33 sensitive complaints):

- Most complaints related to Level of Service (35% of all complaints) followed by General Feedback.
- On average in the third quarter of 20/21 approximately 47 complaints were received per month (including sensitive complaints) which is a slight increase from Q2 that had an average of 44 per month.
- The number of complaints relating to Value of Fees and Charges remains low (two in Q3) followed by Council Decision with 7 complaints.
- On average in the third quarter of 20/21 approximately 47 complaints were received per month (incl sensitive complaints). Although there was no real change in the number of community complaints from the previous quarter (Q2), there was a 30% increase in staff complaints in Q3. Our initial review of these complaints shows a likely cause is staff stress with the current financial situation and the impacts on their own resilience. This has been discussed at a senior level to implement some strategies to support staff and to also encourage staff to complete the Customer Experience training module. We will continue to monitor during Q4 to determine any trends and potential mitigation.
- On average 11 Sensitive (staff) complaints were received per month for Q3 period.

Compliment Types

A total of 131 compliments were received in the third quarter (including 57 relating to staff performance):

- Once again, most of our compliments (43%) relate to Staff Performance, followed by General Feedback and Quality of Work
- An average of 19 staff compliments were received per month in Q3.

There was a 14% increase in overall compliments from the previous quarter.

Service Levels

The majority of community and staff complaints (78%) are responded to within the service level of ten working days. More detail on types are available in the attached document.

Mode of Contact

- Complaints - 48% are received via Email followed by phone (26%) and Online Customer Portal (18%)
- Compliments - Email (44%) and Online Customer Portal (27%) remain the popular mode followed by Phone (21%).

Phone and email channels are the most expensive to service our customers. Email continues to be the highest and the most preferred channel for contact. Our strategy going forward is to direct our customers through the Online Customer Service Centre (portal) to reduce costs that are occurring through double handling of contact as all compliments and complaints are entered into the CX system. Council will undertake a new digital campaign commencing in July 2021 as an "always on" program to encourage customers to use the Online Customer Service Centre.

Improvement Program

The Online Customer Service Centre has now been operating for six months and received 108 feedback requests (complaints or compliments) for the second 12-week reporting period, more than twice as many from the first quarter. This is an average of 9 feedback requests per week and a high conversion rate of 67.92% from web views to Service Request creation. With continued promotion of the Online Customer Service Centre we expect to see further improvement.

The Customer Effort Score (CES) survey shows 58% of customers state it was moderately or extremely easy to use the Online Customer Service Centre and 70% of customers state they are likely or very likely to use it again. Council has received 124 survey responses to the end of March, almost three times as many since the last report. Council worked with the Oracle vendor to address the main issue raised by customers with the 'Captcha function' which has reduced the number of customers stating it is easy or very easy to use from 70% to 58%. This has now been resolved.

External Complaints Management

The Centium Internal Audit Report - Complaints Management also identified several recommendations to improve the effective management of external customer complaints about service delivery and staff conduct. Work continues to implement high and medium risk recommendations to improve the overall management of community complaints and improving the sensitive complaints management processes within Council.

This work includes:

Recommendation	Action
1. Reconfigure one central reporting inbox, telephone number, online form and mailing address	Complete
2. Include clear directions into the Complaints and Compliments procedure registering all feedback into CX	Finalising policy and procedure for approval in June.
3. Provide training on new complaints procedure	Upon final approval of policy/procedure
4. Expand complaints management role to include quality assurance and improved reporting	Ongoing
5. Establish library of complaints templates	Basic templates have been reviewed and are in place
6. Unit Managers and Directors to quality assure community and staff complaints before being sent to customers	Ongoing
7. Establish live tracking of complaints reporting in CX	Complete
14. Adopt comprehensive complaints report format	Commenced with ongoing quarterly report updates.
17. Update Complaint and Feedback Management procedure to include additional detail based on other recommendations within report.	30 May 2021

Internal Complaints Management

The Centium Internal Audit Report - Complaints Management identified several areas for improvement and highlighted internal complaints as an area also for review. As this relates to internal staff complaints, this is not part of the community complaints or customer staff conduct complaints that are managed within CX, this is managed through People and Culture.

Link to Community Strategic Plan

Theme 4: Responsible

G4: Serve the community by providing great customer experience, value for money and quality services.

Attachments

- 1 Q3 2021 - Complaints and Compliments Data – 1 January to 31 March 2021 D14635176

Q3 Complaints and Compliments

1 January 2021 – 31 March 2021

The below is a report of the complaints and compliments as registered in CX system for the second quarter period 1 January 2021 to 31 March 2021.

Feedback is captured in Council's Customer Experience (CX) system. Real-time data is available to Directors to evaluate the complaints and compliments their Directorates are receiving.

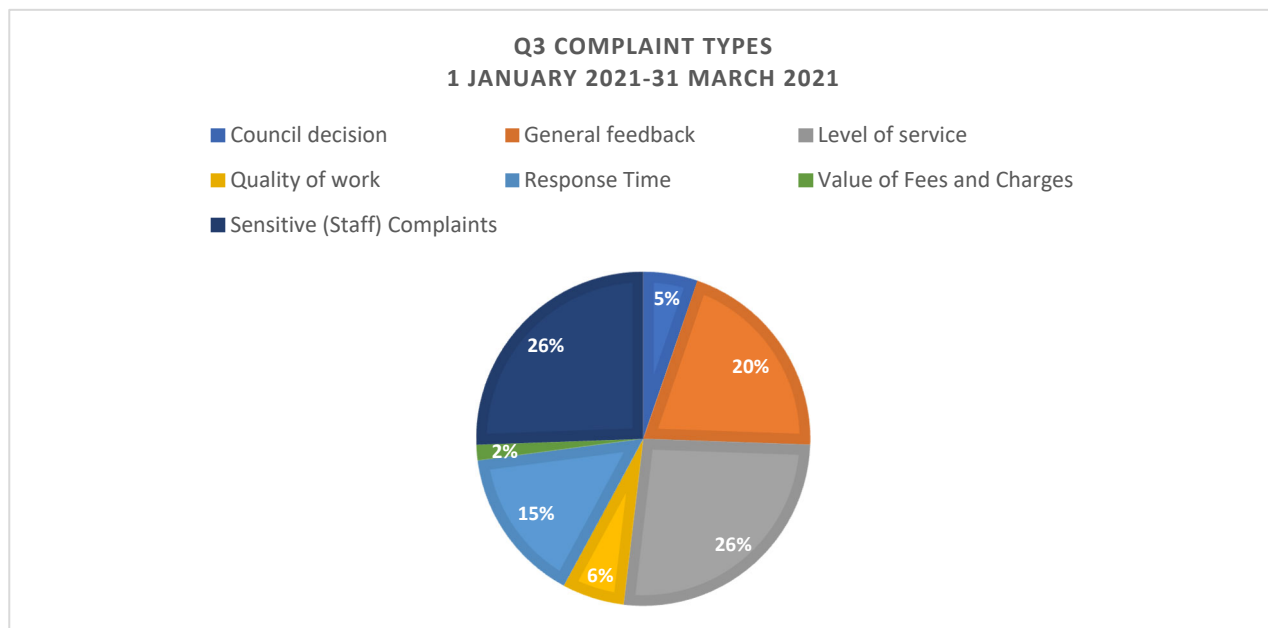
Complaints and Compliments are categorised at a high level as follows:

- Council Decision
- General Feedback
- Level of Service
- Quality of Work
- Response Time
- Value of Fees and Charges
- Staff Performance

Complaints and Compliments from CX system			
1 January – 31 March 2021			
LIST BY COMPLAINT TYPES	No	LIST BY COMPLIMENT TYPES	No
Council Decision	7	Council Decision	1
General Feedback	27	General Feedback	30
Level of Service	35		
Quality of Work	8	Quality of Work	28
Response Time	20	Response Time	15
Value of Fees and Charges	2	Value of Fees and charges	0
Sensitive (staff) Complaints	33	Staff Performance	57
Total Exc Sensitive	99	Total	131

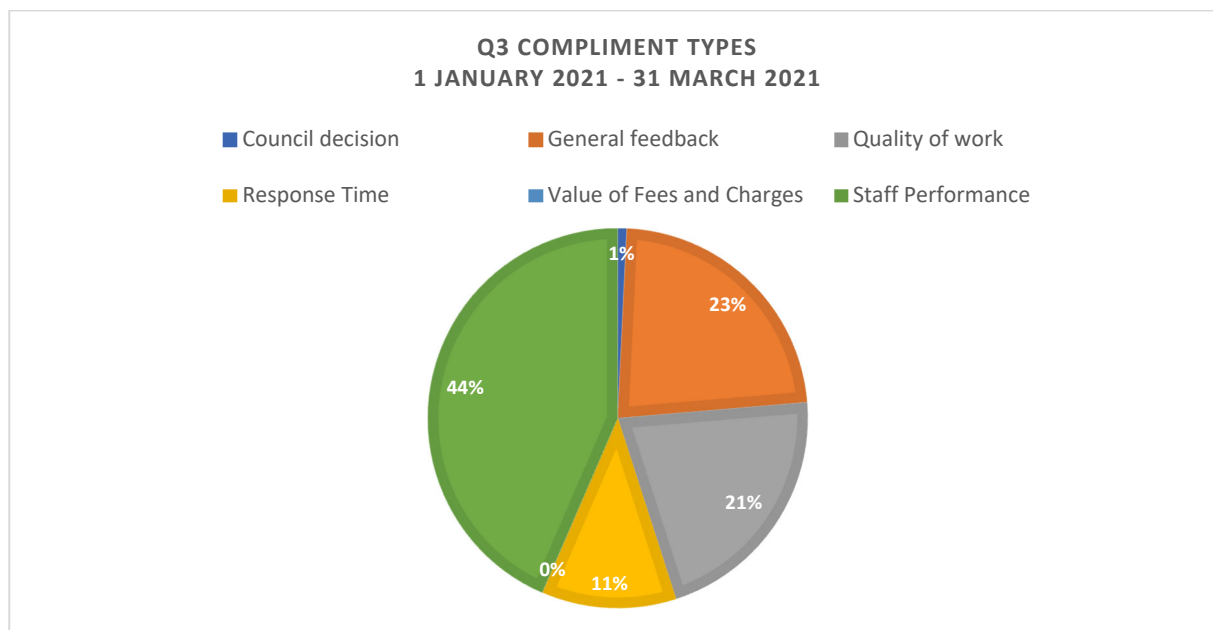
Complaint Types

- On average in the third quarter of 20/21 approximately 47 complaints were received per month (incl sensitive complaints). Although there was no real change in the number of community complaints from the previous quarter (Q2), there was a 30% increase in staff complaints in Q3. At this stage it is unclear what has caused this increase, but this will be monitored in Q4 to determine any trends and potential mitigation.
- There were only 2 complaints received regarding fees and charges and again, complaints regarding quality of work and Council decisions remained low with numbers similar to Q2.



Compliment Types

- Staff performance makes up 43% of our overall compliments followed by General Feedback (23%) and Quality of work (21%) – No change from Q2

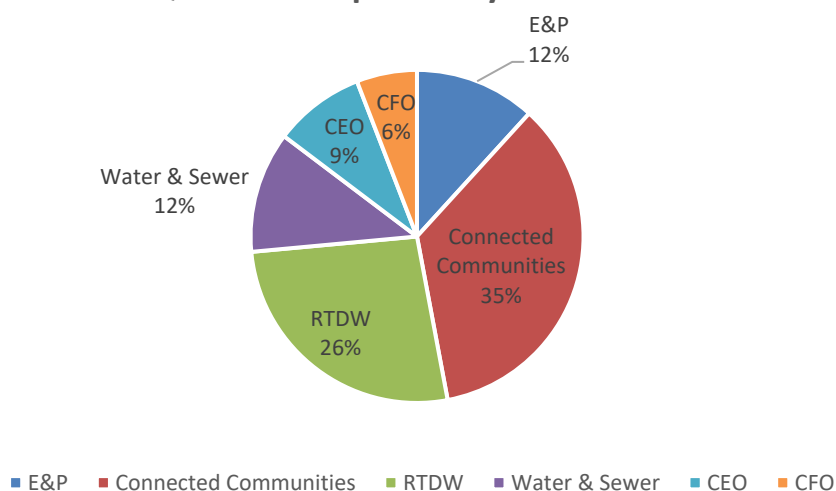


The following tables categorise the complaints received by Directorate.

Community Complaints by Directorate	Received	Completed within SLA
Environment & Planning	32	52%
Connected Communities	19	77%
Roads Transport Drainage & Waste	20	65%
Water & Sewer	12	58%
CEO	8	50%
CFO	8	75%
Total Exc Sensitive	99	Avg 63%

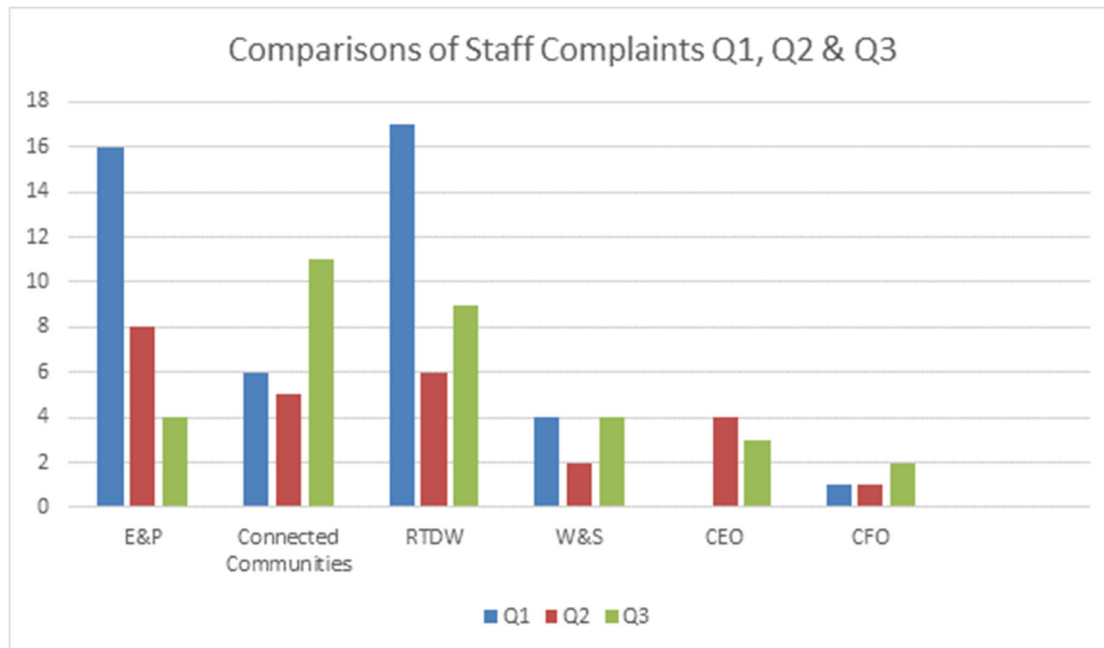
Staff Complaints by Directorate	Received	Completed within SLA
Environment & Planning	4	75%
Connected Communities	11	78%
Roads Transport Drainage & Waste	9	13%
Water & Sewer	4	67%
CEO	3	100%
CFO	2	100%
Total	33	Avg 72%

Q3 Staff Complaints by Directorate



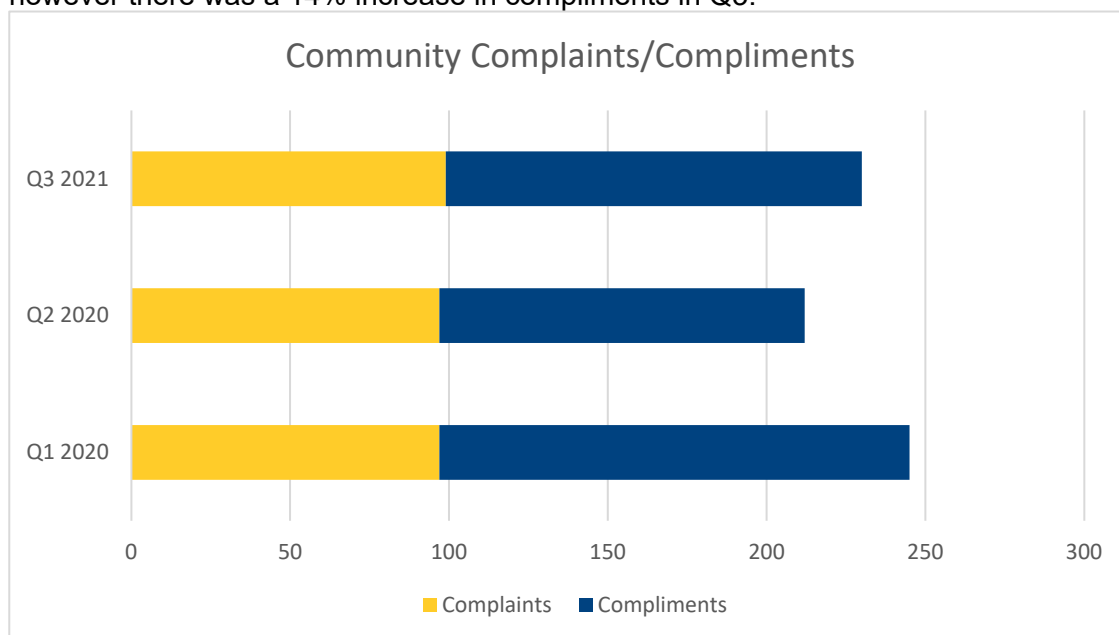
The following is a comparison between Q1, Q2 and Q3 in staff complaints by Directorate.

Although there was no real change in the number of community complaints from the previous quarter (Q2), there was a 30% increase in staff complaints in Q3. At this stage it is unclear what has caused this increase, but this will be monitored in Q4 to determine any trends and potential mitigation.



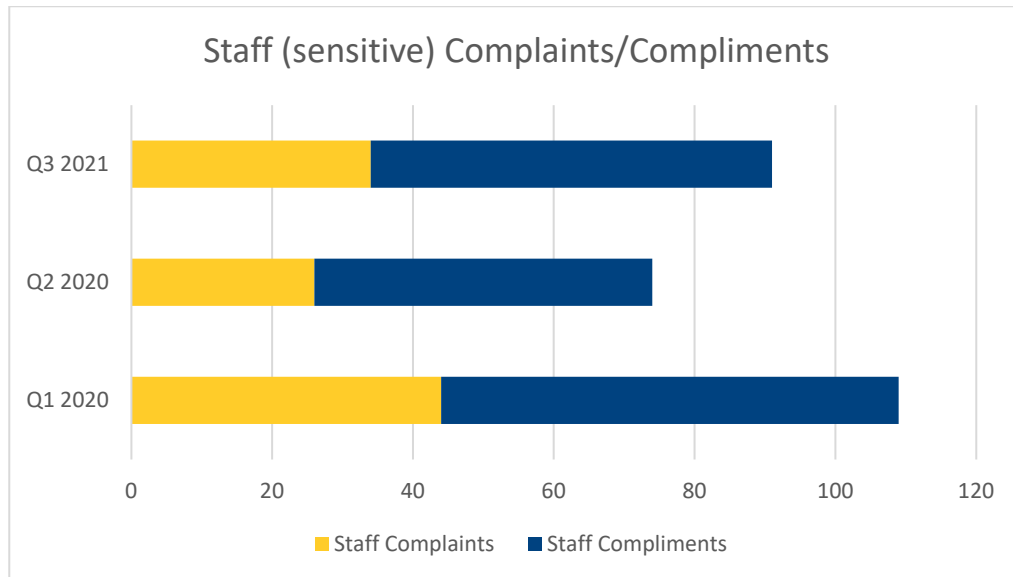
This next graph is a comparison between Q2 2020 and Q3 2021 community complaints and compliments.

The graph shows that again there is no real change in the number of community complaints however there was a 14% increase in compliments in Q3.



This graph is a comparison of the first three quarters of 20/21 staff feedback.

Although there was an increase in staff complaints (30%) this quarter compared to Q2, there was also an 18% increase in staff compliments.



How our customer contact us to provide feedback

Email continues to be the highest the most preferred channel for contact. Our strategy going forward is to direct our Customers through the Online Customer Service Centre (portal) to reduce costs that are occurring through double handling of contact as all compliments and complaints are entered into the CX system.

