



**EASTERN WASTE MANAGEMENT AUTHORITY
AUDIT & RISK MANAGEMENT COMMITTEE MEETING**

WEDNESDAY 17 FEBRUARY 2021

Notice is hereby given that a meeting of the Audit and Risk Management Committee of the Eastern Waste Management Authority will be held at Tirkanthi Kuu Board Room, Payinhi, 128 Prospect Road, Prospect, on Wednesday 17 February 2021 commencing at 8:30am.

A handwritten signature in blue ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

**ROB GREGORY
GENERAL MANAGER**

Acknowledgement of Country

We would like to acknowledge this land that we meet on today is the traditional lands for the Kurna people and that we respect their spiritual relationship with their country.

We also acknowledge the Kurna people as the custodians of the Adelaide region and that their cultural and heritage beliefs are still as important to the living Kurna people today.



AGENDA

EASTERN WASTE MANAGEMENT AUTHORITY AUDIT AND RISK MANAGEMENT COMMITTEE

Meeting to be held on Wednesday 17 February 2021, commencing at 8:30am, at Tirkanthi Kuu Board Room, Payinthe, 128 Prospect Road, Prospect, SA 5082

1. **ACKNOWLEDGEMENT OF COUNTRY**
2. **PRESENT**
3. **APOLOGIES**
4. **CONFLICTS OF INTEREST**
5. **CONFIRMATION OF THE MINUTES:**
 - 5.1 *MEETING HELD 18 NOVEMBER 2020*
6. **MATTERS ARISING FROM THE MINUTES**
7. **QUESTIONS WITHOUT NOTICE**
8. **REPORTS**
 - 8.1 *FINANCIAL STATEMENTS – BUDGET REVIEW TWOpg.6*
 - 8.2 *2021/22 DRAFT ANNUAL PLAN & BUDGET ASSUMPTIONSpg.14*
9. **CONFIDENTIAL REPORTS**
 - 9.1 *EXTERNAL AUDITOR CONTRACT EXTENSIONpg.25*
10. **OTHER BUSINESS**
11. **NEXT MEETING OF THE AUDIT COMMITTEE**
 - 11.1 The next Audit and Risk Management Committee Meeting is scheduled to be held on:

Wednesday 21 April 2021, commencing 8:30am, at Tirkanthi Kuu Board Room Payinthe, 128 Prospect Road, Prospect SA 5082.
12. **CLOSURE OF MEETING**

MINUTES OF THE MEETING OF THE AUDIT & RISK MANAGEMENT COMMITTEE OF THE EASTERN WASTE MANAGEMENT AUTHORITY

Held on Wednesday 18 November 2020, via Zoom.

Meeting opened at 8:30am.

1. PRESENT

Mr F Bell	Independent Chairperson
Mr T Muhlhausler	Independent Member
Ms S Di Blasio	Independent Member
Mr M Barone	Committee Member
Cr L Green	Committee Member

IN ATTENDANCE

Mr R Gregory	General Manager
Mr S Raymond	Manager, Corporate Services
Miss K Vandermoer	Finance & Executive Administration Officer
Mr J Jovicevic	Dean Newbery & Partners

2. APOLOGIES

Nil

3. CONFLICTS OF INTEREST

Mr Jovicevic raised a perceived conflict of interest in item 8.1, due to his personal relationship with one of the candidates, and did not participate in any discussion on the matter.

Cr Green raised a perceived conflict of interest in item 8.1, due to her association with Adelaide Hills Council.

Mr Muhlhausler raised a perceived conflict of interest in item 8.1, due to his position on the City of Mitcham Audit & Risk Management Committee.

4. CONFIRMATION OF THE MINUTES – 16 September 2020

Moved Cr Green that the Minutes of the previous meeting held on Wednesday 16 September 2020 be received and noted.

Seconded Mr Muhlhausler

Carried

5. MATTERS ARISING FROM THE MINUTES

Nil

6. QUESTIONS WITHOUT NOTICE

Nil

7. REPORTS

7.1 FINANCIAL REPORT – BUDGET REVIEW ONE

RECOMMENDATION

Moved Mr Muhlhausler that The Committee notes and accepts the forecasted end of year FY2021 Operating Surplus increase of \$26,000 associated with the 2020/21 Budget Review One and recommends to the Board for endorsement.

Seconded Ms Di Blasio

Carried

Mr Barone entered the meeting at 8:41am.

7.2 LONG TERM FINANCIAL PLAN

RECOMMENDATION

Moved Mr Muhlhausler that The Committee recommend that the Long Term Financial Plan assumptions and financial statements, as presented in Attachment A, are endorsed for inclusion in a public facing document and presentation to the East Waste Board.

Seconded Cr Green

Carried

Item 8.1 was brought forward for discussion.

8. CONFIDENTIAL REPORTS

8.1 AUDIT & RISK COMMITTEE INDEPENDENT MEMBER TERM EXPIRY

RECOMMENDATION 1

Moved Mr Muhlhausler that Pursuant to Section 90(2) and (3) of the Local Government Act, 1999 the East Waste Audit & Risk Management Committee orders that the public, with the exception of the East Waste staff present, be excluded from the meeting on the basis that the East Waste Audit & Risk Management Committee will receive, discuss and consider:

- (a) information the disclosure of which would involve the unreasonable disclosure of information concerning the personal affairs of any person (living or dead);

and the East Waste Audit & Risk Management Committee is satisfied that, the principle that the meeting should be conducted in a place open to the public, has been outweighed by the need to keep the receipt/discussion/consideration of the information confidential.

Seconded Ms Di Blasio

Carried

RECOMMENDATION 3

Moved Mr Barone that Under Section 91(7) and (9) of the Local Government Act 1999 the East Waste Audit & Risk Management Committee orders that the attachment and discussion be kept confidential for a period not exceeding 12 months, after which time the order will be reviewed by the East Waste Board.

Seconded Ms Di Blasio

Cr Green left the meeting at 8:56am.

7.3 TREASURY MANAGEMENT PERFORMANCE REPORT

RECOMMENDATION

Moved Mr Muhlhausler that The Committee recommend that the Performance Report as presented in Attachment A is endorsed and presented to the East Waste Board.

Seconded Ms Di Blasio

Carried

7.4 UNREASONABLE COMPLAINANT CONDUCT POLICY

RECOMMENDATION

Moved Ms Di Blasio that The Committee recommend that the DRAFT Unreasonable Complainant Conduct Policy, as amended in Attachment A, is endorsed for presentation to the East Waste Board.

Seconded Mr Muhlhausler

Carried

7.5 PROCEDURE VALIDATION – INCIDENT REPORTING AND INVESTIGATION PROCEDURE

RECOMMENDATION

Moved Ms Di Blasio that that the Committee note and receive the Procedure Validation Report.

Seconded Mr Barone

Carried

7.6 2021 MEETING SCHEDULE

RECOMMENDATION

Moved Mr Barone that that the Committee note and receive the Report.

Seconded Ms Di Blasio

Carried

9. OTHER BUSINESS

Mr Bell informed the Committee of Mr Mario Barone's upcoming term expiry as a Board Director of East Waste. He acknowledged Mr Barone's invaluable contribution to both the Audit & Risk Management Committee, and East Waste Board throughout his appointment.

Mr Bell also acknowledged Mr. Tim Muhlhausler for his valued and articulate contribution throughout his term on the East Waste Audit & Risk Management Committee and noted he will be a significant loss to the Committee and East Waste.

10. NEXT MEETING OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

The next Audit and Risk Management Committee Meeting is scheduled to be held in February 2020 (indicative).

11. CLOSURE OF MEETING

There being no other business the meeting closed at 9:09am.

PRESIDING MEMBER

DATE

8.1: FINANCIAL REPORT – BUDGET REVIEW TWO

REPORT AUTHOR:	General Manager
ATTACHMENTS:	A: Budgeted Statement of Comprehensive Income
	B: Budgeted Balance Sheet
	C: Budgeted Statement of Cash Flow
	D: Budgeted Statement of Changes in Equity
	E: Budgeted Uniform Presentation of Finances Statement

Purpose of the Report

To provide the Committee with an opportunity to review the second review undertaken of the budgeted statutory Financial Statements (Budget Review Two) for the financial year ending 30 June 2021 as prescribed by the Regulations.

Background

At the meeting held 25 June 2020, the East Waste Board resolved (in part):

2020/21 ANNUAL BUSINESS PLAN & BUDGET

Moved Mr Bradley that the Board endorses the 2020/21 Annual Business Plan and revised Budget as presented in Attachment A, noting that an increase to the Education budget is to be considered through the quarterly budget review process.

Seconded Cr Carbone

Carried

Report

Following several adjustments (detailed below), Budget Review Two is forecasting a revised FY2021 Operating Surplus of \$215,300 which is A \$204,000 increase on the FY2021 Adopted Budget (budget movement compared to the adopted FY2021 Budget Review 1). Key financial risks and most material budget items continue to be closely monitored and tracked by the Administration. This does not consider any potential return to Member Councils of the \$193,000 FY2020 budget surplus.

Table 1 summarises the year to date performance and key variations as at 30 December 2020 against full year budget for key material budget items being monitored by the Administration along with commentary regarding the proposed budget variations.

Table 1: Key Budget Item Year to Date and End of Year Forecast

Item	YTD Actuals (as at 31/12/2020)	Proposed Budget Variation	Notes
Depreciation	\$0.863M	-\$0.328	Amended the treatment of all truck assets following adoption of the long-term Financial Plan, resulting in positive result. Truck assets depreciated over eight-year replacement cycle.
Processing Fees- Green Organics & Hard Waste	\$1.207M	\$-	Increased yields against budget have seen higher than expected processing fees for both streams. Increase in processing fees offset, by increased income from Member Councils.
Fuel, Gas & Oil	\$0.582M	\$-	Continued depressed world oil markets resulting from COVID-19 have resulted in lower than budgeted fuel pricing, albeit increase in pricing noticed in past month. Adjustment to be considered at BR3.
Recycling Processing Fee	\$1.254M	\$-	A favourable rise and fall rate (comparative to budget), driven largely on the back of a recovering fibre market results in a reduced cost. Reduction in costs balanced by reduced income. Importantly overall favourable result for Member Councils. Adjustment to be considered at BR3.
Registration & Insurance	\$0.124	\$-	Low year to date spend the result of an invoice timing. Full expenditure against budget expected at years end.
Wages & Salaries (incl. Casual Staff)	\$2.994	\$0.150	Increase of \$150,000 in Casual Wages due predominately to the increase service need for hard waste and green organics.
Sundry Income	\$0.016M	-\$0.022M	Reduction in additional services of events resulting in reduced income.
Sale of Fixed Assets	\$0.103M	\$0.049M	Improved truck sales against adopted budget.

Based on the positive BR2 result (\$204,000 increase on the FY2021 Adopted Budget) and the forecast of key expenditure areas remaining stable or favourable, it is proposed to return the 2019/20 Operating Surplus of \$193,000 in full to the Member Councils via a reduction in Quarter 4 Common Fleet Collection Charges. As per the process for the past two financial years, the amount remitted for each Council will be in line with their 2019/20 common fleet percentage.

Forecast Cash Reserves

East Waste's operating cash balance is favourable, with a December closing cash balance of \$2.78M. This balance is consistent with previous years and provides a sound positive basis through until the end of the financial year.

RECOMMENDATION

The Committee:

- 1. Notes and accepts the operating surplus of \$204,100 associated with the 2020/21 Budget Review Two and recommends for presentation to the Board for endorsement.**
- 2. Recommends to the Board the 2019/20 Operating Surplus amount of \$193,000 be returned to the Member Councils in line with their 2019/20 Common Fleet percentages.**

ITEM 8.1 - ATTACHMENT A

EAST WASTE

PROJECTED STATEMENT OF COMPREHENSIVE INCOME (BUDGET)

for the Financial Year Ending 30 June 2021

FY2020		FY2021	FY2021	FY2021
Audited Actuals		Adopted Budget	BR1	BR2
\$'000		\$'000	\$'000	\$'000
	INCOME			
16,756	User Charges	17,635	17,635	17,655
21	Investment income	9	9	3
-	Grants, subsidies and contributions	30	30	-
677	Other	794	794	772
17,454	TOTAL INCOME	18,467	18,468	18,429
	EXPENSES			
5,851	Employee Costs	5,890	5,980	6,130
9,120	Materials, contracts & other expenses	9,935	9,845	9,865
2,069	Depreciation, amortisation & impairment	2,347	2,347	2,009
281	Finance costs	335	335	275
17,321	TOTAL EXPENSES	18,506	18,507	18,279
133	OPERATING SURPLUS / (DEFICIT)	(39)	(39)	150
60	Asset disposals & fair value adjustments	50	76	125
193	NET SURPLUS / (DEFICIT)	11	37	275
-	Other Comprehensive Income	-	-	-
193	TOTAL COMPREHENSIVE INCOME	11	37	275

ITEM 8.1 - ATTACHMENT B

EAST WASTE

PROJECTED BALANCE SHEET (BUDGET)

for the Financial Year Ending 30 June 2021

FY2020		FY2021	FY2021	FY2021
Audited Actuals		Adopted Budget	BR1	BR2
\$'000		\$'000	\$'000	\$'000
ASSETS				
CURRENT ASSETS				
2,322	Cash & Cash Equivalents	2,156	2,314	2,215
1,019	Trade & Other Receivables	717	1,019	1,019
-	Other Financial Assets	-	-	-
3,341	TOTAL CURRENT ASSETS	2,873	3,333	3,234
NON-CURRENT ASSETS				
7,652	Infrastructure, Property, Plant & Equipment	8,093	8,096	8,317
7,652	TOTAL NON-CURRENT ASSETS	8,093	8,096	8,317
10,993	TOTAL ASSETS	10,966	11,429	11,551
LIABILITIES				
CURRENT LIABILITIES				
1,205	Trade & Other Payables	771	1,224	1,224
1,929	Borrowings	2,176	2,287	2,287
597	Provisions	633	642	642
3,731	TOTAL CURRENT LIABILITIES	3,580	4,153	4,153
NON-CURRENT LIABILITIES				
6,221	Borrowings	6,192	6,153	6,037
77	Provisions	156	122	122
6,298	TOTAL NON-CURRENT LIABILITIES	6,348	6,275	6,159
10,029	TOTAL LIABILITIES	9,928	10,428	10,312
964	NET ASSETS	1,038	1,001	1,239
EQUITY				
964	Accumulated Surplus	1,038	1,001	1,239
964	TOTAL EQUITY	1,038	1,001	1,239

ITEM 8.1 - ATTACHMENT C

EAST WASTE				
PROJECTED STATEMENT OF CASH FLOWS (BUDGET)				
for the Financial Year Ending 30 June 2021				
FY2020		FY2021	FY2021	FY2021
Audited Actuals		Adopted Budget	BR1	BR2
\$'000		\$'000	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
RECEIPTS				
17,136	Operating Receipts	18,408	18,458	18,427
16	Investment Receipts	9	9	3
PAYMENTS				
(5,795)	Employee costs	(5,890)	(5,890)	(6,040)
(8,677)	Materials, contracts & other expenses	(9,845)	(9,845)	(9,865)
(291)	Interest Payments	(300)	(335)	(275)
2,389	NET CASH PROVIDED BY (OR USED IN) OPERATING ACTIVITIES	2,382	2,397	2,250
CASH FLOWS FROM INVESTING ACTIVITIES				
RECEIPTS				
81	Sale of Replaced Assets	50	95	145
PAYMENTS				
(2,297)	Expenditure on Renewal/Replaced Assets	(2,730)	(2,790)	(2,675)
-	Expenditure of New/Upgraded Assets	-	-	-
(2,216)	NET CASH PROVIDED BY (OR USED IN) INVESTING ACTIVITIES	(2,680)	(2,695)	(2,530)
CASH FLOWS FROM FINANCING ACTIVITIES				
RECEIPTS				
65	Capital Contributed by Member Councils	-	-	-
2,171	Proceeds from Borrowings	2,400	2,400	2,284
PAYMENTS				
(220)	Repayment of Lease Liabilities	(265)	(265)	(265)
(1,834)	Repayment of Borrowings	(1,845)	(1,845)	(1,845)
182	NET CASH PROVIDED BY (OR USED IN) FINANCING ACTIVITIES	290	290	174
355	NET INCREASE (DECREASE) IN CASH HELD	(8)	(8)	(107)
1,967	CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,163	2,322	2,322
2,322	CASH & CASH EQUIVALENTS AT END OF PERIOD	2,155	2,314	2,215

ITEM 8.1 - ATTACHMENT D

EAST WASTE

PROJECTED STATEMENT OF CHANGES IN EQUITY (BUDGET)

for the Financial Year Ending 30 June 2021

FY2020		FY2021	FY2021	FY2021
Audited Actuals		Adopted Budget	BR1	BR2
\$		\$'000	\$'000	\$'000
706	BALANCE AT END OF PREVIOUS REPORTING PERIOD	1,026	964	964
193	Net Surplus / (Deficit) for Year	11	37	275
65	Contributed Equity	-	-	-
-	Distribution to Councils	-	-	-
964	BALANCE AT END OF REPORTING PERIOD	1,037	1,001	1,239

ITEM 8.1 - ATTACHMENT E

EAST WASTE

PROJECTED UNIFORM PRESENTATION OF FINANCES STATEMENT (BUDGET)

for the Financial Year Ending 30 June 2021

FY2020		FY2021	FY2021	FY 2020
Audited Actuals		Adopted Budget	BR1	BR2
\$'000		\$'000	\$'000	\$'000
17,454	Income	18,467	18,467	18,429
(17,321)	Expenses	(18,506)	(18,506)	(18,279)
133	Operating Surplus / (Deficit)	(39)	(39)	150
Net Outlays on Existing Assets				
(2,297)	Capital Expenditure on Renewal and Replacement of Existing Assets	(2,730)	(2,790)	(2,675)
2,069	Depreciation, Amortisation and Impairment	2,347	2,347	2,009
81	Proceeds from Sale of Replaced Assets	50	95	145
(147)		(333)	(348)	(521)
Net Outlays on New and Upgraded Assets				
-	Capital Expenditure on New and Upgraded Assets	-	-	-
-	Amounts Specifically for New and Upgraded Assets	-	-	-
-	Proceeds from Sale of Surplus Assets	-	-	-
-		-	-	-
(14)	Net Lending / (Borrowing) for Financial Year	(372)	(387)	(371)

8.2: DRAFT 2021/22 ANNUAL PLAN & BUDGET

REPORT AUTHOR: General Manager
ATTACHMENTS: A: East Waste 2030 Strategic Plan Overview
B: East Waste Budget Framework Policy

Purpose of the Report

To consult with the Authority's Audit and Risk Management Committee (the Committee) on the key assumptions applied in the development of the Draft 2021/22 Annual Plan and Budget prior to being presented to the East Waste Board.

Background

Section 51 of the Eastern Waste Management Authority Charter requires the Authority to have an Annual Plan which supports and informs its Budget. The draft Annual Plan and Budget will be presented to the Board on 25 February 2021 seeking endorsement to distribute to Member Councils for their review prior to the mandated 31 May timeframe (*Section 52.3 of the Charter*). Additionally, *Section 53* requires the Authority to advise Constituent Councils of proposed fees for the next financial year by April 1. Worthy of note, the Member Councils are only required to endorse the Annual Plan, not the Budget itself.

Report

Draft 2021/22 Annual Plan

East Waste endorsed a new Strategic Plan in 2020 and as such the draft 2021/22 Annual Plan is the first to flow from this.

The core intent of the Annual Plan is to progress towards the Key Performance Indicators and Vision of the 2030 Strategic Plan (refer Attachment 1 for the Strategic Plan Overview).

The Plan and budget have been developed on the basis that there are no known extraordinary or abnormal items that need to be accounted for. The Activities within the Plan have been developed following consultation with Member Councils (through the Operations Assistance Committee), Board direction over the past 12 months, feedback via the General Manager's Performance Review Committee and the undertaking of an industry horizon scan by Administration.

Draft 2021/22 Budget

The Draft 2021/22 Budget has been developed with reference to several key guiding documents and assumptions which are detailed below.

Key Guiding Documents:

- East Waste Strategic Plan 2030;
- East Waste Budget Framework Policy (refer Attachment B);
- East Waste's Long-Term Financial Plan; and
- East Waste's Fleet Asset Management Plan.

The budget has been built with a zero-based budget approach ensuring a forensic assessment of all cost centre expenditure (evidenced by a number of reductions) and commitment to our efficiency and cost-effective services mantra. Key Assumptions & rationale for the key budget areas are detailed below.

General

- Business as usual approach to all key activities, albeit, continue to pursue 'gaps' in the existing Service Matrix, whilst being open to expanding services.
- CPI increase of 2.0% has been applied to all situations where required.
- Financial Target 1 of the *East Waste Budget Framework Policy* requires the application of a 1 -2% return on revenue based on the draft FY2022 Common Fleet Costing charges (~\$13,000,000). As yet this has not been incorporated into the draft budget figures. Incorporation of this will add an additional \$130,000 - \$260,000 to the total fees charged. Through the implementation of efficiencies and favourable results in key expenditure areas (eg. Fuel, interest and depreciation) Administration have been able to return a surplus to Member Councils over the past three financial years. While undoubtedly positive, this cannot always be guaranteed. Administration remains an advocate for retention of this principle, however, believes that in an economic time where the impacts of COVID-19 are still being felt, it is not appropriate to apply it to the 201/22 budget.

Waste Collection Activities

- A 2% increase to the **Corporate Administration Fee** has been applied for the purpose of the draft budget. The Budget Framework Policy requires *"the Administration Fee is to be annually increased by the Local Government Price Index (LGPI), or the annual average percentage movement in the Common Fleet Costing Charge."* The final percentage will be set following endorsement of the draft budget by the Board.
- **Depreciation** - A substantial decrease in depreciation occurs with the proposed FY22 budget. This results from the revised treatment of all truck assets following adoption of the Long-term Financial Plan and Truck assets being depreciated over an eight-year replacement cycle.
- **Material Processing Fees** – As a result of COVID and residents being home more collection tonnes across 2020 increased significantly for Green Organics, Recycling and Hard Waste . These increased collections are forecast to be retained for at least the first half of the financial year (FY22). Based on this assumption, Administration have used the 2020 collection volumes as the base yield figure (no tonnage increase applied) and applied a 2% increase in price.

The applied rate for Recycling Processing is lower than the budgeted rate for the current financial year. While the market remains highly variable and export bans will commence, recent favourable commodity prices, a scan of national and international markets and some potential technology improvements at Northern Adelaide Waste Management Authority provide a degree of confidence to set a lower than current year rate.

The processing fees are cost neutral for East Waste (in and out cost) as the expense of processing is recovered from the Member Councils, however it is important that accurate figures are provided to assist Council's with their internal budget processes.

- **Fuel Gas and Oil** – Fuel use rose to our highest level on record in 2020, principally as a result of increased Organics and Hard rubbish collections. This is anticipated to remain stable, but not increase. While usage increased the price has remained relatively low on the back of depressed world oil market. As such no increase in the budget price of the current financial year has been applied.
- **Interest Expense** – Reduction in expense applied due to the interest rate drop and deferral of borrowings.

Wages & Salaries

- Given the Authority's business model and high reliance on labour, unsurprisingly **Wages and Salaries** results in the single largest cost centre. The proposed increase incorporates predicted Enterprise Agreement rises and other predicted salary increases (2% or less), along with an additional driver and runner to cater for increased hard waste collections.

The mandatory increase in Superannuation to 10% has also been applied.

Capital Expenditure

- Replacement of five (5) trucks as per the Fleet Asset Management Plan. As per the requirement in the Budget Framework Policy, "*Vehicle Capital Expenditure is to be funded solely via external loan borrowings. An annual review of this principle is to be confirmed through budget adoption process.*" With the recent change to the Fleet Asset Management Plan and vehicles now being retained for eight years, the loans for these vehicles will also be taken over eight years.
- Other main capital expenditure item is a provision for the upgrade to the hardware system of the Waste Trak II System.

Administration have developed a fiscally responsible budget, yet still provided for East Waste to be a leader in innovation, technology and ultimately investment in activities which will work towards the minimisation of material going to landfill.

RECOMMENDATION

The Committee supports:

1. The draft 2020/21 Draft Budget Key Assumptions are noted and supported for presentation to the Board;
2. That the Operating Surplus requirement of the Budget Framework Policy is not applied to the draft 2021/22 Budget, given the current economic environment.

VISION

To be the leading waste logistics company in Australia through the delivery of innovative collection and resource management services to our Member Councils & their Communities.

OBJECTIVES

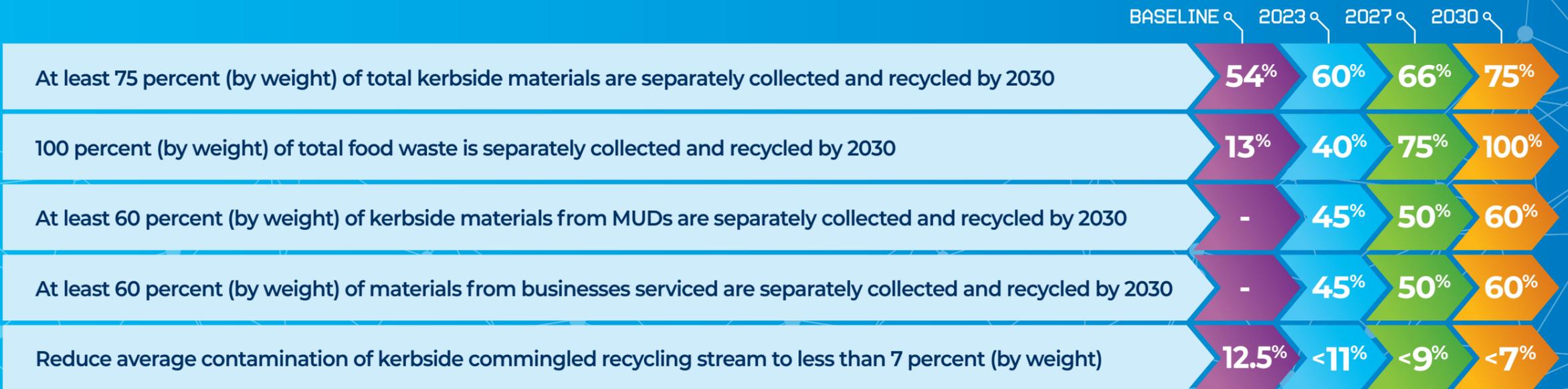
- 
1. Deliver cost-effective and efficient services facilities
- 
2. Maximise source separation and recycling
- 
3. Provide leading and innovative behaviour change and education
- 
4. Help develop a local circular economy
- 
5. Provide leadership

STRATEGIES

- | | | | | |
|--|---|--|--|--|
| <ul style="list-style-type: none"> 1.1 Attract additional services and/or new councils where further economies of-scale can be achieved 1.2 Offer a single contract for the management of the residual waste to all member councils 1.3 Partner with other councils and organisations to achieve greater synergies and economies of scale in service delivery 1.4 Investigate and implement collection technologies and innovation 1.5 Provide a consistently high standard of Customer Service | <ul style="list-style-type: none"> 2.1 Provide more service choice and flexibility to residents on kerbside services to support them to increase their recycling levels 2.2 Provide a tailored 3-stream service to Multi-Unit Dwellings (MUDs) to support waste reduction and increased recycling 2.3 Pilot a tailored service delivery model across a business precinct(s) to support waste reduction and increased recycling | <ul style="list-style-type: none"> 3.1 Engage in research and projects delivering evidence-based data which increases behaviour change decision making 3.2 Develop an integrated and tailored long-term community behaviour change and education program 3.3 Identify and trial behaviour change programs aimed at reducing contamination 3.4 Encourage and support councils to introduce an incentive(s) to households to reduce their landfill volumes 3.5 Engage schools in behaviour change & waste education | <ul style="list-style-type: none"> 4.1 Support local reprocessing and procurement of recycled content products 4.2 Encourage and support councils to procure and use recycled content products 4.3 Support councils to implement sharing economy and reuse initiatives 4.4 Investigate options to process and extract the highest value from collected resources | <ul style="list-style-type: none"> 5.1 Implement best practice safety standards 5.2 Advocate on behalf of our Member Councils 5.3 Invest in our people 5.4 Quality and transparent Corporate (Governance & Financial) Activities |
|--|---|--|--|--|

KPIs

We will measure our success in reaching our objectives through the following KPIs...



BUDGET FRAMEWORK POLICY	
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Type	Governance
Category	Finance
First Issued/Adopted	Board:13 December 2018
Minutes Reference	
Review Period	12 months
Last Reviewed	N/A
Next reviewed	December 2019
Applicable Legislation	<ul style="list-style-type: none"> • <i>Local Government Act 1999</i> • <i>Local Government (Financial Management) Regulations 2011</i>
Related Documents	<ul style="list-style-type: none"> • East Waste Charter • East Waste Business Plan 2015-2024 • East Waste Long Term Financial Plan
Consultation Undertaken	Audit & Risk Management Committee
Responsible Officer	Manager Corporate Services

SIGNED:

General Manager
East Waste Chairperson

Date: ___/___/___
Date: ___/___/___

Purpose

East Waste as a Regional Subsidiary seeks to be accountable in all aspects of the budget development process and meet Member Council expectations of transparency, clarity, consistency, responsible financial management and reporting.

Importantly the Framework will assist with the retention of corporate knowledge and consistency across financial years in the accounting treatment and disclosure applied to services and events undertaken by the Authority.

As detailed below it is important to note that the Framework does not, and will not abdicate from any applicable legislative or regulatory requirements (including for applicable Australian Accounting Standards where applicable). The Policy is intended to further enhance the governance structure surrounding the management and reporting of the Authority's budget activities, which are detailed in *the East Waste Charter, Local Government Act 1999 S.123* and the Local Government (Financial Management) Regulations 2011.

Background

The East Waste Charter and specifically Sections 51-55, set out the Annual requirements for the Development of an Annual Plan and Budget. In summary:

- The Authority must, each financial year have an Annual Plan which supports and informs the budget;
- The Draft Annual Plan must be provided to Constituent Councils and consented to by an absolute majority of Constituent Councils before 31 May each year;
- The Authority must advise Constituent Councils of the proposed fees for the following Financial Year by April 1 of the preceding financial year.

The budget must also comply with the standards and principles prescribed by the *Local Government Act 1999* and applicable Regulations. The budget shall include budgeted financial statements, which must be presented, in a manner consistent with the Model Financial Statements.

Definitions

Common Fleet Costing Charge	The charge to each Member Council which represents all direct and administrative costs associated with the delivery of waste collection, fleet maintenance, waste management administration, education & promotions activities, regulatory compliance and funding debt servicing obligations related to common fleet plant & equipment related activities. The actual charge is apportioned based on the Common Fleet Percentage of the Member Council.
Common Fleet Percentage	<p>Calculated from GPS data collected from each East Waste Fleet Truck. The Common Fleet Percentage (CFP) is the portion of time taken to undertake the 5 core services (household kerbside collections (waste, recycling & organics), street & reserve litter bins and hard rubbish) for each Member Council. This is represented as a percentage of the total time and is used as a basis for the Common Fleet Costing Charge.</p> <p>CFP data is reviewed and updated each month. Revised CFP allocations are applied to Common Fleet Cost charges annually or when significant variations occur (eg. new service added or new Council enters).</p>
Constituent Council Share	As detailed in S.57 of the <i>East Waste Charter</i> , all Member Councils hold an equal equitable ownership interest share in East Waste.
Corporate Administration Fee	Refer to latter section titled <i>Corporate Administration Fee</i> for explanation.
Local Government Price Index	The Local Government Price Index (LGPI) measures price movements faced by Local Government in South Australia in respect of their purchases of goods and services. As the mix of goods and services purchased by Local Councils/Regional Subsidiaries is quite different from that typically consumed by households, overall price movements faced by Local Councils may differ markedly from those faced by households.
Member Councils	Also known as Constituent Councils, are those Councils which are referred to in <i>Section 1</i> of the <i>East Waste Charter</i> .
Model Financial Statements	Refers to the Model Financial Statements described in Regulation 4(3) of the <i>Local Government (Financial Management) Regulations 2011</i> .
Proposed Fees	The indicative Common Fleet Costing Charge, Corporate Administration Fee, waste and processing fees (where applicable) and any other charges which the Authority intends to charge Member Councils in the subsequent Financial Year.

Return on Revenue	Calculated as being the total Net surplus generated on common fleet costing fees charged to Constituent Councils for common fleet waste collections activities provided.
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Preparation Schedule

The following timetable is to be annually applied in the development of the Annual Budget:

Month	Activity
November:	Review Budget Framework Policy if required
December/January:	Develop Draft Annual Plan
January:	Draft Annual Budget developed
February:	Board consideration and endorsement of Draft Annual Plan & Budget
March:	Draft Annual Plan & Budget sent to Member Councils for consideration
April/May:	Member Council endorsement of Draft Annual Plan
June:	East Waste Board adoption of Annual Plan & Budget
June/July:	Member Councils formally notified of Fees and provided endorsed copy of Annual Plan.

Budget Reviews

Legislation requires a budget update at least twice per year and a mid-year budget review. East Waste will present to the Audit & Risk Management Committee and Ordinary Board Meeting (and subsequently Member Councils), quarterly budget reviews at the meetings immediately following the following period ended:

- 30 September;
- 31 December; and
- 31 March

Preparation and presentation of budget information will be consistent with the Board's requested demands to ensure users are provided with the necessary information to discharge their duties and Member Council reporting requirements. Budget work papers will also ensure to comply with any reporting legislative requirements relating to the presentation and timing of budget revisions conducted, whilst at the same time acknowledging and protecting the financial integrity of East Waste operating in a commercially competitive environment

Financial Targets

1. Operating Result: 1 - 2% Return on Revenue (based on Common Fleet Costing Charge).
2. Working capital requirements: retention of cash reserves equal to funding one quarter of estimated operational expenses requirements (including loan repayments).
3. Authority to maintain a \$1m bank overdraft facility for emergency purposes only.
4. The Authority shall remain in a positive Net Asset/Equity position at all times.
5. The Authority is to ensure it complies with the principles contained within the adopted Treasury Management Policy when considering the development and revision of the budget.

Principles

The following Principles underpin the Budget Development and budget review process.

1. Projected operating income is set to ensure sufficient funds are raised to meet all financial obligations (operating and capital) for the relevant financial year, taking into account the activities listed in the draft Annual Plan.
2. All expenditure decisions will align with the East Waste 10 year Strategic Plan.
3. Zero-based budget approach is to be adopted for the development of the annual budget in order to ensure each activity allocation remains relevant for the coming year.
4. A full cost recovery model to be employed for all services and activities. Budgets will be based on meeting agreed service levels or program activity commitments.
5. The Budget is to be established and reported upon according to the following four (4) key Business Units:

Common Fleet Costing: Represents all direct and Administrative costs associated with the Delivery of waste collection, fleet maintenance, waste management administration, education & promotions activities, regulatory compliance activities and funding debt servicing obligations related to common fleet plant & equipment (across 5 streams). Charged in accordance with common fleet allocation.

Bin Maintenance Activities: A cost recovery service charged to each individual Council for services directly associated with bin renewal, replacement and maintenance.

Waste Disposal Activities: A cost recovery activity against each individual Council for disposal costs incurred. Occurs only where the Member Council is not invoiced directly.

Corporate Administration: A set Administrative Fee charged equally amongst Member Councils (further detail below), along with ancillary income (interest, grants, asset sales etc).

6. Loans will be used to fund long term asset creation and not to fund or support recurrent service delivery.
7. Vehicle Capital Expenditure is to be funded solely via external loan borrowings. An annual review of this principle is to be confirmed through budget adoption process.
8. Capitalisation threshold for all assets to be set for items that cost greater than \$3,000;
9. Term of loan borrowings to be taken over a period equal to the expected useful life of the asset or for items with an indefinite life, a period as determined by the Board.
10. Assets depreciation is to be set over the expected life of the assets in accordance with Australian Accounting Standards (AASB) 116 Property, Plant and Equipment. Residual values will be applied to assets where there is an estimated 'salvage or trade-in' value for the asset at the end of its expected useful life.
11. The Corporate Administration Fee, along with the Common Fleet Costing charge for the five key services (kerbside collection, hard rubbish and street and reserve litter bins), to Member Councils is to be processed quarterly in advance based on the adopted Fees and Charges. All other charges to Member Councils are for reimbursement of costs incurred by the Authority which are invoiced at the end of the month incurred, following reconciliation. All invoices issued to Member Councils have payment terms of 30 days payable from the date of the invoice issued.
12. The Common Fleet costing Charge is determined based on the usage of the previous financial year. Where there is a new service or incomplete data (ie. the service was not undertaken for a full 12 months), an evidence-based approach will be used to calculate the Common Fleet percentage.
13. Where applicable the provision of non-core services to non-member Councils are to include a margin which reflects the risk, asset renewal and fair and reasonable administrative charges incurred.

Corporate Administration Fee

East Waste operates on a full cost recovery model for all services and activities. This is either direct recovery (eg. disposal and processing fees) or via the common fleet percentage (eg. collection fees and maintenance costs). The exception is the Corporate Administration Fee which is split equally (Constituent Council Share) across Member Councils.

For the 2019/20 budget process, the established base Administration Fee of \$225,000 is to be applied. For future years, the Administration Fee is to be annually increased by the Local Government Price Index (LGPI), or the annual average percentage movement in the Common Fleet Costing Charge, whichever is greater. The Corporate Administrative Fee is to be reviewed through each Annual Budget process.

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