

EastWaste

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

WEDNESDAY 26 APRIL 2023

Notice is hereby given that a meeting of the Audit and Risk Management Committee of the Eastern Waste Management Authority will be held in the **Boardroom, Thomson Geer, 7/19 Gouger Street, Adelaide**, on Wednesday 26 April 2023, commencing at 8:00am.



**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.

EASTERN WASTE MANAGEMENT AUTHORITY

AGENDA AUDIT AND RISK MANAGEMENT COMMITTEE

Meeting to be held on Wednesday 26 April 2023
commencing at 8:00am, in the Boardroom, Thomson Geer,
7/19 Gouger Street, Adelaide

1. **PRESENT**
2. **ACKNOWLEDGEMENT OF COUNTRY**
3. **APOLOGIES**
4. **CONFLICTS OF INTEREST**
5. **CONFIRMATION OF THE MINUTES:**
 - 5.1 *MEETING HELD 14 FEBRUARY 2023*
6. **MATTERS ARISING FROM THE MINUTES**
7. **QUESTIONS WITHOUT NOTICE**
8. **PRESENTATIONS**

Nil
9. **REPORTS**
 - 9.1 *FINANCIAL STATEMENTS: BUDGET REVIEW THREEpg.7*
 - 9.2 *TREASURY MANAGEMENT POLICY REVIEWpg.15*
 - 9.3 *MEMBER COUNCIL REBATE AND DISTRIBUTION POLICY REVIEWpg.20*
 - 9.4 *ANNUAL REPORTING CALENDARpg.26*
10. **CONFIDENTIAL REPORTS**

Nil
11. **OTHER BUSINESS**
12. **NEXT MEETING OF THE COMMITTEE**

The next Audit and Risk Management Committee Meeting is to be held on:
Tuesday 13 June 2023, commencing 8:00am, in the Boardroom, Thomson Geer,
7/19 Gouger Street, Adelaide
13. **CLOSURE OF MEETING**



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

held on Tuesday 14 February 2023 in the Boardroom, Thomson Geer,
7/19 Gouger Street, Adelaide

Meeting opened at 7.58am

1. ACKNOWLEDGEMENT OF COUNTRY

2. PRESENT

| | |
|----------------|--------------------------|
| Mrs E Hinchey | Independent Member/Chair |
| Mr F Bell | Independent Board Chair |
| Ms S Di Blasio | Independent Member |
| Ms L Green | Independent Member |

IN ATTENDANCE

| | |
|-----------------|--|
| Mr J Jovicevic | Dean Newbery |
| Mr R Gregory | General Manager |
| Mr D Maywald | Manager Business Services |
| Ms K Vandermoer | Coordinator Finance & Strategic Projects |
| Ms P Foy | Executive Administration Officer |

3. APOLOGIES

Nil.

4. CONFLICTS OF INTEREST

Nil.

5. CONFIRMATION OF THE MINUTES – 25 October 2022

Moved Mr Bell that:

1. The Minutes of the previous meeting held on Tuesday 25 October 2022 be received and noted.
2. That the Confidential Minutes of the previous meeting held on Tuesday 25 October 2022 be received and noted.

Seconded Mrs Hinchey

Carried

6. MATTERS ARISING FROM THE MINUTES

Nil.

7. QUESTIONS WITHOUT NOTICE

Nil.

8. REPORTS

8.1 AUDIT AND RISK CHAIR APPOINTMENT

Moved Mr Bell that the Audit & Risk Management Committee appoints Mrs Hinchey as the East Waste Audit & Risk Management Committee Chair for a period of 24 months.

Seconded Ms Di Blasio

Carried

8.2 FINANCIAL STATEMENTS: BUDGET REVIEW TWO

Moved Ms Green that the Committee notes and accepts the forecasted end of year FY2023 result associated with the 2022/23 Budget Review Two and recommends to the Board for endorsement.

Seconded Mr Bell

Carried

Moved Mrs Hinchey that the Committee requests Management to analyse working capital and determine an appropriate figure for working capital.

Seconded Mr Bell

Carried

8.3 REVIEW OF BUDGET FRAMEWORK POLICY

Moved Ms Di Blasio that the Committee notes and accepts the revised Budget Framework Policy as presented in Attachment A and recommends for presentation to the East Waste Board.

Seconded Ms Green

Carried

8.4 DRAFT 2023/24 ANNUAL PLAN & BUDGET

Moved Mr Bell that:

1. The Committee notes and approves the draft 2023/24 Annual Plan for presentation to the Board.
2. The draft 2023/24 Draft Budget Key Assumptions are noted and supported for presentation to the Board.

Seconded Ms Di Blasio

Carried

Mr Bell left the meeting at 9.09am

Mr Jovicevic left the meeting at 9.16am

9. CONFIDENTIAL REPORTS

Nil.

10. OTHER BUSINESS

10.1 Management to provide an Annual Work Plan for the Audit and Risk Committee Meeting scheduling the presentation of key elements as per the Committee’s Terms of Reference.

11. NEXT MEETING OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

The next Audit and Risk Management Committee Meeting is to be held on: Wednesday 26 April 2023, commencing 8:00am, in the Boardroom, Thomson Geer, 7/19 Gouger Street, Adelaide.

12. CLOSURE OF MEETING

There being no other business the meeting closed at 9.44am

PRESIDING MEMBER

DATE

9.1: FINANCIAL REPORT – BUDGET REVIEW THREE

| | |
|-----------------------|--|
| REPORT AUTHOR: | General Manager |
| ATTACHMENTS: | A: Summary Budget Movement – Budget Review 3 |
| | B: Budgeted Statement of Comprehensive Income FY2023 |
| | C: Budgeted Balance Sheet FY2023 |
| | D: Budgeted Statement of Cash Flow FY2023 |
| | E: Budgeted Statement of Changes in Equity FY2023 |
| | F: Budgeted Uniform Presentation of Finances Statement FY2023 |

Purpose of the Report

To provide the Committee with an opportunity to review the third review undertaken of the budgeted statutory Financial Statements (Budget Review Three) for the financial year ending 30 June 2023 as prescribed by the Regulations.

Background

At the meeting held 26 September 2022, the East Waste Board resolved (in part):

8.1 DRAFT FY2023 ANNUAL PLAN & BUDGET (REVISED)

Moved Cr Holmes-Ross that the Board:

- 1. Endorses the revised 2022/23 Annual Business Plan and Budget, inclusive of all projects and expenditure, as presented in Attachment A, effective from 1 August 2022.*

Seconded Mr Dilena

Carried

Report

Headlining the Budget Review Three figures (refer Attachments A-F) is a projected Year end surplus of \$552k, which is \$397k above the budgeted result and an increase reported at Budget Review 2 of \$126k. Fuel prices remain a key driver for the surplus with the price remaining lower than budgeted and forecasting predicts this to carry through until financial year end.

Members will note that an amendment to the information presented in the Summary Budget Movement Table (refer Attachment A), with both BR1 & BR2 figures included, allowing for greater tracking and transparency of budget movement across the year.

As reported at BR2, a delay in the receipt of trucks has resulted in a depreciation saving against budget of \$115k. This however has been offset by an increase in Fleet Maintenance of \$120k, which is a combination of running existing trucks for longer than anticipated (and incurring greater maintenance costs) and several unanticipated mechanical failures.

Administration proposes returning surplus funds to the Member Councils in line with *Section 61* of the *East Waste Charter* and the *Member Council Rebate & Distribution Policy* (presented for review in Agenda Item 9.3) at the conclusion of the Financial Year when the full end of year position is known.

During March, Administration met with The Local Government Finance Authority (LGFA), who East Waste currently undertake all borrowings and investments with, and discussed the option of utilising a CAD Facility rather than the current approach of 100% fixed borrowings. For East Waste this approach is supported by the LGFA and a brief overview will be provided at the meeting. Further and more detailed information will be provided through the review of the Long Term Financial Plan which will be presented to the June Committee meeting.

RECOMMENDATION

The Committee notes and accepts the forecasted end of year FY2023 result associated with the 2022/23 Budget Review Two and recommends to the Board for endorsement.

ITEM 9.1 - ATTACHMENT A

EAST WASTE Summary Budget Movement Worksheet for the Financial Year Ending 30 June 2023

| | Actual YTD - 31 March 2023 | BR2 | BR1 | Adopted Budget | Actual YTD / BR2 | Proposed BR3 | Proposed Budget Movement |
|------------------------------------|---------------------------------------|--------------------|--------------------|-----------------------|-------------------------|---------------------|-------------------------------------|
| Administration Fee | 193,536 | 255,174 | 255,174 | 255,174 | 76% | 255,174 | - |
| Common Fleet Costing | 11,654,593 | 15,607,203 | 15,607,203 | 15,607,203 | 75% | 15,607,203 | - |
| Processing Income | 4,045,554 | 5,718,759 | 6,197,723 | 6,092,723 | 66% | 5,418,759 | (300,000) |
| Bin Services & Maintenance | 852,274 | 1,008,600 | 1,058,600 | 1,058,600 | 81% | 1,053,600 | 45,000 |
| Profit / (Loss) from Disposal | 7,827 | 100,000 | 200,000 | 200,000 | 4% | 65,000 | (35,000) |
| Grant Income | - | 75,000 | 75,000 | 75,000 | 0% | 75,000 | - |
| Other Income | 34,590 | 33,218 | 23,218 | 23,218 | 149% | 35,468 | 2,250 |
| Total | 16,788,373 | 22,797,953 | 23,416,918 | 23,311,917 | | 22,510,203 | (287,750) |
| Processing Expenses | 4,078,868 | 5,718,759 | 6,197,723 | 6,092,723 | 71% | 5,418,759 | (300,000) |
| Bin Service & Maintenance Expenses | 857,127 | 1,008,600 | 1,058,600 | 1,058,600 | 85% | 1,053,600 | 45,000 |
| Employee Costs | 5,243,599 | 7,226,270 | 7,164,271 | 7,164,271 | 73% | 7,256,270 | 30,000 |
| Fleet Maintenance | 1,442,562 | 1,722,051 | 1,722,051 | 1,722,051 | 84% | 1,842,563 | 120,511.56 |
| Depreciation | 1,558,199 | 2,346,000 | 2,346,000 | 2,346,000 | 66% | 2,231,000 | (115,000) |
| Interest | 244,335 | 371,000 | 371,000 | 406,000 | 66% | 371,000 | - |
| Fuel | 1,630,126 | 2,450,000 | 2,852,172 | 2,852,172 | 67% | 2,150,000 | (300,000) |
| Other Expenses | 1,319,673 | 1,530,574 | 1,515,574 | 1,515,574 | 86% | 1,635,566 | 104,992 |
| Total | 16,374,489 | 22,373,254 | 23,227,391 | 23,157,391 | | 21,958,757 | (414,496) |
| Net Surplus | 413,884 | 424,700 | 189,527 | 154,526 | | 551,446 | 126,746 |
| Non Operating Cash Flow | Actual YTD - 31 March 2023 | BR2 | BR1 | Adopted Budget | Actual YTD / BR2 | Proposed BR3 | Proposed Budget Movement |
| Income | | | | | | | |
| Proceeds from Sale of Assets | - | 100,000 | 200,000 | 200,000 | 0% | 65,000 | (35,000) |
| Proceeds from Borrowings | 4,525,000 | 4,525,000 | 4,525,000 | 4,525,000 | 100% | 4,525,000 | - |
| Total | 4,525,000 | 4,625,000 | 4,725,000 | 4,725,000 | | 4,590,000 | (35,000) |
| Expenses | | | | | | | |
| Fleet Replacement Costs | 2,418,966 | 4,525,000 | 4,525,000 | 4,525,000 | 53% | 4,525,000 | - |
| Motor Vehicle Replacement | 42,765 | 42,765 | 55,000 | 55,000 | 100% | 42,765 | - |
| Office Furniture & Minor Tools | - | 20,000 | 50,000 | 50,000 | 0% | 20,000 | - |
| Operations Office Upgrade | 63,600 | 90,000 | 40,000 | 40,000 | 71% | 90,000 | - |
| Plant Replacement | 5,272 | 25,000 | 25,000 | 25,000 | 21% | 25,000 | - |
| Mechanic's Van Replacement | - | 70,000 | 70,000 | 70,000 | 0% | 70,000 | - |
| Forklift Purchase | - | 55,000 | 55,000 | 55,000 | 0% | 55,000 | - |
| Repayment of Borrowings - LGFA | 1,263,389 | 1,896,000 | 1,896,000 | 1,896,000 | 67% | 1,896,000 | - |
| Repayment of Borrowings - Leases | 200,261 | 263,000 | 263,000 | 263,000 | 76% | 263,000 | - |
| Total | 3,994,253 | 6,986,765 | 6,979,000 | 6,979,000 | | 6,986,765 | - |
| Net Non-Operating Cash Flow | 530,747 | (2,361,765) | (2,254,000) | (2,254,000) | | (2,396,765) | (35,000) |

ITEM 9.1 - ATTACHMENT B

| EAST WASTE | | | | | | |
|--|--|----------------|---------------|---------------|---------------------|--------------|
| Projected Statement of Comprehensive Income (Budgeted) | | | | | | |
| for the Financial Year Ending 30 June 2023 | | | | | | |
| FY2022 | | FY2023 | FY2023 | FY2023 | FY2023 | |
| Audited | | Adopted | BR1 | BR2 | Movement BR3 | |
| Actuals | | Budget | | | V BR2 | |
| \$'000 | | \$'000 | \$'000 | \$'000 | \$'000 | |
| | Income | | | | | |
| 16,579 | User Charges | 21,955 | 22,060 | 21,581 | 21,281 | (300) |
| 10 | Investment income | 13 | 13 | 23 | 25 | 2 |
| 81 | Grants, subsidies and contributions | 75 | 75 | 75 | 75 | - |
| 932 | Other | 1,069 | 1,069 | 1,019 | 1,064 | 45 |
| 17,602 | Total | 23,112 | 23,217 | 22,698 | 22,445 | (253) |
| | Expenses | | | | | |
| 6,386 | Employee Costs | 7,164 | 7,164 | 7,174 | 7,204 | 30 |
| 9,303 | Materials, contracts & other expenses | 13,241 | 13,346 | 12,482 | 12,152 | (330) |
| 2,043 | Depreciation, amortisation & impairment | 2,346 | 2,346 | 2,346 | 2,231 | (115) |
| 246 | Finance costs | 406 | 371 | 371 | 371 | - |
| 17,978 | Total | 23,157 | 23,227 | 22,373 | 21,958 | (415) |
| (376) | Operating Surplus / (Deficit) | (45) | (10) | 325 | 487 | 162 |
| 7 | Asset disposals & fair value adjustments | 200 | 200 | 100 | 65 | (35) |
| (369) | Net Surplus / (Deficit) | 155 | 190 | 425 | 552 | 127 |
| - | Other Comprehensive Income | - | - | - | - | - |
| (369) | Total Comprehensive Income | 155 | 190 | 425 | 552 | 127 |

ITEM 9.1- ATTACHMENT C

EAST WASTE

Projected Balance Sheet (Budgeted)

for the Financial Year Ending 30 June 2023

| FY2022 | | FY2023 | FY2023 | FY2023 | FY2023 | FY2023 |
|-----------------|---|----------------|---------------|---------------|---------------|--------------------|
| Audited Actuals | | Adopted Budget | BR1 | BR2 | BR3 | Movement BR3 V BR2 |
| \$'000 | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| | Assets | | | | | |
| | Current | | | | | |
| 2,001 | Cash & Cash Equivalents | 2,056 | 2,101 | 2,355 | 2,397 | 42 |
| 935 | Trade & Other Receivables | 661 | 935 | 935 | 935 | - |
| 50 | Inventory | - | 50 | 50 | 50 | - |
| 2,986 | Total | 2,717 | 3,086 | 3,340 | 3,382 | 42 |
| | Non-Current | | | | | |
| 8,542 | Infrastructure, Property, Plant & Equipment | 11,022 | 11,016 | 11,024 | 11,139 | 115 |
| 8,542 | Total | 11,022 | 11,016 | 11,024 | 11,139 | 115 |
| 11,528 | Total Assets | 13,739 | 14,102 | 14,364 | 14,521 | 157 |
| | Liabilities | | | | | |
| | Current | | | | | |
| 1,436 | Trade & Other Payables | 1,145 | 1,361 | 1,361 | 1,361 | - |
| 1,940 | Borrowings | 2,355 | 2,355 | 2,355 | 2,355 | - |
| 778 | Provisions | 787 | 825 | 838 | 853 | 15 |
| 4,154 | Total | 4,287 | 4,541 | 4,554 | 4,569 | 15 |
| | Non-Current | | | | | |
| 6,410 | Borrowings | 8,351 | 8,361 | 8,361 | 8,361 | - |
| 114 | Provisions | 137 | 160 | 174 | 189 | 15 |
| 6,524 | Total | 8,488 | 8,521 | 8,535 | 8,550 | 15 |
| 10,678 | Total Liabilities | 12,775 | 13,062 | 13,089 | 13,119 | 30 |
| 850 | Net Assets | 964 | 1,040 | 1,275 | 1,402 | 127 |
| | Equity | | | | | |
| 850 | Accumulated Surplus | 964 | 1,040 | 1,275 | 1,402 | 127 |
| 850 | Total Equity | 964 | 1,040 | 1,275 | 1,402 | 127 |

| EAST WASTE | | | | | | |
|---|---|----------------|----------------|----------------|----------------|------------------|
| Projected Statement of Cashflows (Budgeted) | | | | | | |
| for the Financial Year Ending 30 June 2023 | | | | | | |
| FY2022 | | FY2023 | FY2023 | FY2023 | FY2023 | FY2023 |
| Audited | | Adopted | BR1 | BR2 | BR3 | Movement |
| Actuals | | Budget | | | | BR3 V BR2 |
| \$'000 | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| | Cash Flows from Operating Activities | | | | | |
| | Receipts | | | | | |
| 17,400 | Operating Receipts | 23,024 | 23,129 | 22,600 | 22,345 | (255) |
| 9 | Investment Receipts | 13 | 13 | 23 | 25 | 2 |
| | Payments | | | | | |
| (6,245) | Employee costs | (7,071) | (7,071) | (7,054) | (7,054) | - |
| (9,613) | Materials, contracts & other expenses | (13,241) | (13,346) | (12,482) | (12,152) | 330 |
| (258) | Interest Payments | (406) | (371) | (371) | (371) | - |
| 1,293 | Net Cash Flows from Operating Activities | 2,319 | 2,354 | 2,716 | 2,793 | 77 |
| | Cash Flows from Investing Activities | | | | | |
| | Receipts | | | | | |
| 86 | Sale of Replaced Assets | 200 | 200 | 100 | 65 | (35) |
| | Payments | | | | | |
| (2,305) | Expenditure on Renewal/Replaced Assets | (2,223) | (2,223) | (2,231) | (2,231) | - |
| (244) | Expenditure of New/Upgraded Assets | (2,597) | (2,597) | (2,597) | (2,597) | - |
| (2,463) | Net Cash Flows from Investing Activities | (4,620) | (4,620) | (4,728) | (4,763) | (35) |
| | Cash Flow from Financing Activities | | | | | |
| | Receipts | | | | | |
| 2,031 | Proceeds from Borrowings | 4,525 | 4,525 | 4,525 | 4,525 | - |
| | Payments | | | | | |
| (237) | Repayment of Lease Liabilities | (263) | (263) | (263) | (263) | - |
| (1,791) | Repayment of Borrowings | (1,896) | (1,896) | (1,896) | (1,896) | - |
| 3 | Net Cash Flow from Financing Activities | 2,366 | 2,366 | 2,366 | 2,366 | - |
| (1,167) | Net Increase (Decrease) in cash held | 65 | 100 | 354 | 396 | 42 |
| 3,168 | Cash & cash equivalents at beginning of period | 1,991 | 2,001 | 2,001 | 2,001 | - |
| 2,001 | Cash & cash equivalents at end of period | 2,056 | 2,101 | 2,355 | 2,397 | 42 |

| EAST WASTE | | | | | | |
|---|--|----------------|---------------|---------------|-------------------------------|------------|
| Projected Statement of Changes in Equity (Budgeted) | | | | | | |
| for the Financial Year Ending 30 June 2023 | | | | | | |
| FY2022 | | FY2023 | FY2023 | FY2023 | FY2023 | |
| Audited | | Adopted | BR1 | BR2 | BR3 | |
| Actuals | | Budget | | | | |
| \$ | | \$'000 | \$'000 | \$'000 | \$'000 | |
| | | | | | Movement BR3 V BR2 | |
| | | | | | \$'000 | |
| 1,219 | Balance at Start of Period - 1 July | 809 | 850 | 850 | 850 | - |
| (369) | Net Surplus / (Deficit) for Year | 155 | 190 | 425 | 552 | 127 |
| - | Contributed Equity | - | - | - | - | - |
| - | Distribution to Councils | - | - | - | - | - |
| 850 | Balance at End of Period - 30 June | 964 | 1,040 | 1,275 | 1,402 | 127 |

ITEM 9.1 - ATTACHMENT F

EAST WASTE

Projected Uniform Presentation of Finances (Budgeted)
for the Financial Year Ending 30 June 2023

| FY2022 | | FY2023 | FY2023 | FY2023 | FY2023 |
|---|---|----------------|----------------|----------------|----------------|
| Audited Actuals | | Adopted Budget | BR1 | BR2 | BR3 |
| \$'000 | | \$'000 | \$'000 | \$'000 | \$'000 |
| 17,602 | Income | 23,112 | 23,217 | 22,698 | 22,445 |
| (17,978) | Expenses | (23,157) | (23,227) | (22,373) | (21,958) |
| (376) | Operating Surplus / (Deficit) | (45) | (10) | 325 | 487 |
| Net Outlays on Existing Assets | | | | | |
| (2,305) | Capital Expenditure on Renewal and Replacement of Existing Assets | (2,223) | (2,223) | (2,231) | (2,231) |
| 2,043 | Depreciation, Amortisation and Impairment | 2,346 | 2,346 | 2,346 | 2,231 |
| 86 | Proceeds from Sale of Replaced Assets | 200 | 200 | 100 | 65 |
| (176) | | 323 | 323 | 215 | 65 |
| Net Outlays on New and Upgraded Assets | | | | | |
| (244) | Capital Expenditure on New and Upgraded Assets | (2,597) | (2,597) | (2,597) | (2,597) |
| - | Amounts Specifically for New and Upgraded Assets | - | - | - | - |
| - | Proceeds from Sale of Surplus Assets | - | - | - | - |
| (244) | | (2,597) | (2,597) | (2,597) | (2,597) |
| (796) | Net Lending / (Borrowing) for Financial Year | (2,319) | (2,284) | (2,057) | (2,045) |

9.2: TREASURY MANAGEMENT POLICY REVIEW

REPORT AUTHOR: Manager Business Services
ATTACHMENTS: A: Draft Treasury Management Policy

Purpose of the Report

To provide the Audit & Risk Management Committee (the Committee) with an opportunity to review the revised *East Waste Treasury Management Policy (the Policy)*, prior to being presented to the East Waste Board for endorsement.

Background

The Policy was first developed in 2018, to provide clear direction on how required borrowings will be raised, if relevant, when and how reserves are created and maintained and how cash and investments will be managed to fund East Waste operations.

The Policy was last reviewed in April 2021 and is now due for cyclic review.

Report

The revised Policy is presented in Attachment A, with the proposed changes being highlighted in red font for ease of reference.

Administration have deemed that the Policy is still relevant and the suggested changes ensure the Policy references the current Charter and assists in providing greater clarity and/or consistency with other like policies and do not change the intent of the Policy.

RECOMMENDATION

The Audit & Risk Management Committee notes and recommends the revised *Treasury Management Policy* as presented in Attachment A, for presentation to the East Waste Board.

Purpose

The Eastern Waste Management Authority (East Waste) is committed to operating in a financially sustainable manner, at all times. The Treasury Management Policy (the Policy) sets out the key principles and criteria with regard to East Waste's treasury function and assists with provides a framework which underpins East Waste's decision-making activities relating to regarding the financial operations as included in the Annual Budget, Long Term Financial Plan (LTFP) and associated projected and actual cash receipts and outlays.

The Policy it outlines how the required borrowings will be raised, if relevant, when and how reserves are created and maintained and how cash and investments will be managed to fund East Waste operations.

~~This Treasury Management~~ The Policy establishes a decision framework to ensure that:

- Funds are available as, and when required to support approved outlays; and
- Risks around Interest rates and other risks are acknowledged and responsibly managed.

This policy applies to all financial assets/liabilities and reserves, including finance leases except for the following specific exclusions:

- Creditors and Provisions (liabilities); and
- Bank Guarantees.

Background

~~The Eastern Waste Management Authority (herein referred to as East Waste) East Waste recognises its obligation to continuously improve management systems, as an integral process in its Officers meeting due diligence requirements.~~

~~As such, the organisation is committed to implementing this process and assisting its Officers to meet due diligence requirements through the organisations long term / annual plan and budget.~~

~~This policy provides a framework relating to the treasury requirements of the organisation.~~

Definitions

Refer to the East Waste Charter, Budget Framework Policy and Australian Accounting Standards for definitions where required.

Principles

1. Investments

The following statement is made with consideration to, and in accordance with, the requirements of Clause 61 of the East Waste Charter – Distributions to Constituent Councils. Clause 61 states:

~~'The Authority must pay or credit surplus funds to the Constituent Councils in proportion to their shares to the extent the Board determines the Authority can afford to pay having regard to future expenditure the Business Plan anticipates be incurred.'~~

~~'The Authority must pay or credit surplus funds to the Constituent Councils in proportion to their Common Fleet Collection Percentages to the extent the Board determines the Authority~~

can afford to pay having regard to future expenditure the Business Plan anticipates be incurred.'

Any surplus funds that are not immediately required to meet ~~for~~ operational expenditure needs and which cannot be applied to either reduce existing borrowings or ~~avoid the raising of new borrowings~~ will be invested in accordance with this Policy.

Investments will be made in a prudent manner having regard for the prevailing economic climate, projected interest rate movements and future cash requirements.

Cash investments are to be limited to:

- Deposits with the Local Government Finance Authority.

Unless it is financially advantageous to do so, the maturity date for fixed term investments should not exceed a point in time where the funds could otherwise be applied cost effectively to either defer the need to raise new borrowings, access existing overdraft facilities or reduce the level of East Waste's existing borrowings.

All investments are to be made exercising care, diligence and skill taking into consideration:

- The purpose of the investment.
- The likely income return and timing of income return.
- The period in which the investment is likely to be required.
- The cost of making and maintaining the investment.
- An assessment on future interest rate movements.
- The liquidity and marketability of the proposed investment; and
- An assessment of future cash flow requirements.

2. Borrowings

Borrowings are not a form of revenue and do not replace the need for East Waste to generate sufficient operating revenue to service ~~daily~~ operating requirements. Borrowings are a useful and valid mechanism to:

- acquire and / or construct new long-term assets that will be used to provide services; and
- manage short-term timing differences between operating cash inflows and outflows.

East Waste manages its funds holistically within the constraints of the Annual ~~Business Plan~~ and adopted Budget and LTFP.

All borrowings are to be made exercising care, diligence and skill in the consideration of:

- Current risk profile.
- Current economic factors.
- The period over which the funds are likely to be required.
- Expected short and long term view of interest rate trends.
- East Waste's overall debt maturity profile and mix.
- Cost of funding.
- Cost differentials between fixed and variable facilities.
- Long term capacity of repayment of loans.
- The rationale for the borrowings; and

- The cost of making and maintaining the borrowing.

3. Authority to Borrow

In accordance with Clause 11.3 of the East Waste Charter, the Board may not delegate the power to borrow money or obtain any other form of financial accommodation unless authorised in an Annual **Business Plan**.

Budgeted borrowings that are not taken out within the financial year for which they are approved are not carried over into the following year and the delegated authority to borrow those funds lapse. A new budgeted borrowings limit is then established as part of the following year's budget.

As per the requirements of the Local Government Finance Authority, the East Waste Board must authorise all borrowings by way of resolution (typically through the endorsement of the Annual Business Plan).

4. Quotations

East Waste will utilise the Local Government Finance Authority as its **primary preferred** supplier when undertaking new borrowings or investment of surplus cash. The Local Government Finance Authority provides significant support to the industry and applies bonus return payments to Councils and Subsidiaries from its profits.

From time to time, at intervals of no more than every **two three (3)** years, **East Waste will undertake a market testing exercise for borrowings to** compare against the Local Government Finance Authority to ensure they continue to deliver the value to the community (after taking into account all relevant factors, including bonus amounts paid and bonus discounts received).

5. Maintain Sufficient Funds to Meet Liabilities

~~In order to~~ To ensure liabilities are met as and when they fall due and to maintain business continuity, East Waste shall maintain a suitable balance of funds held in any operating account on an 'at call' basis to meet current period projected financial obligations. These limits shall be considered when preparing the Annual Plan and Budget, Budget Reviews and LTFFP.

East Waste's Executive Management team will monitor the level of cash and working capital requirements on a weekly basis.

6. Reporting

On or before 30 November each year, the East Waste Board shall receive, via the Audit and Risk Management Committee, a specific report regarding treasury management performance relative to the criteria specified in this policy.

The report will highlight:

- The amount of each East Waste borrowing and investment, its interest rate, maturity date and any changes in holdings since the previous report; and
- If applicable, the proportion of fixed interest rate and variable interest rate borrowings at the end of the reporting period.

9.3: REBATE AND DISTRIBUTION POLICY REVIEW

REPORT AUTHOR: Manager Business Services

ATTACHMENTS: A: Draft Rebate & Distribution Policy (Revised)

Purpose of the Report

To provide the Audit & Risk Management Committee (the Committee) with an opportunity to review and comment on the revised East Waste Rebate & Distribution Policy (the Policy), prior to presentation to the Board for endorsement.

Background

In April 2021 a Rebate & Distribution Policy was developed to provide further clarity and consistency above and beyond the Charter on when and how any additional funds will be returned to the Constituent Councils.

The Policy has now been in place for two (2) years and is now due for cyclic review.

Report

Since the Policy was first adopted a review and amendment of the Charter has provided greater clarity on how additional funds are distributed to Constituent Councils. Previously Section 61 of the Charter stated that Surplus funds are to be returned to Council's based on their share value which is an even split between all Constituent Councils. However, the current Charter has been updated/amended to state that surplus funds must be paid or credited to Constituent Council's based on their Common fleet Percentages as per the below extract from the Charter:

'The Authority must pay or credit surplus funds to the Constituent Councils in proportion to their Common Fleet Collection Percentages to the extent the Board determines the Authority can afford to pay having regard to future expenditure the Business Plan anticipates be incurred.'

The revised Policy as presented has been updated to reflect the amended Charter along with other changes which are designed to provide additional clarity, guidance and take into consideration if a Member Council joins East Waste part way through a financial year.

For the Committee's reference changes to the Policy have been highlighted in red font (refer Attachment A – Draft Rebate & Distribution Policy).

RECOMMENDATION

The Committee notes and recommends the revised Rebate & Distribution Policy as presented in Attachment A, for presentation to the East Waste Board.

MEMBER COUNCIL REBATE & DISTRIBUTION POLICY



| | |
|--------------------------------|--|
| Type | Governance |
| Category | Finance |
| First Issued/Adopted | April 2021 |
| Minutes Reference | |
| Review Period | 24 36 Months |
| Last Reviewed | April 2023 |
| Next reviewed | April 2026 |
| Applicable Legislation | <ul style="list-style-type: none"> • Local Government Act 1999 • Local Government (Financial Management) Regulations 2011 |
| Related Documents | <ul style="list-style-type: none"> • East Waste Charter • East Waste Strategic Plan 2030 • East Waste Long Term Financial Plan • Budget Framework Policy • Treasury Management Policy |
| Consultation Undertaken | Audit & Risk Management Committee |
| Responsible Officer | Manager, Corporate Services Business Services |

SIGNED:
General Manager

.....
Chairperson

Date: ____ / ____ / ____

Date: ____ / ____ / ____

Purpose

This Policy establishes a framework, ~~which is to be applied~~ when issuing ~~applying~~ Rebates to Constituent Councils ~~for~~ waste management charges and/or ~~paying~~ment of Distributions ~~from retained earning balances held by East Waste.~~

The Policy serves to provide guidance to ~~the~~ Constituent Councils, ~~the~~ Board and Administration of East Waste to ~~assist in the assessment and calculation of any determine on what grounds a Member Council is entitled to receive a~~ waste collection Rebates and/or Distribution of funds.

~~This Policy outlines the matters to be considered by East Waste when determining whether a rebate and/or distribution is to be applied.~~

Background

Each year, East Waste sets a budget for the following financial year in accordance with ~~the~~ East Waste's Charter, ~~the~~ requirements of the Local Government Act 1999, Local Government (Financial Management) Regulations 2011 and the principles outlined within the Budget Framework Policy.

Despite ~~the~~ undertaking a rigorous budgeting process and ~~implementing~~ diligent financial management ~~practices~~, external factors, cost overruns and/or the implementation of efficiencies will result in end of year variations.

Section 61 of the Charter states:

61. DISTRIBUTIONS TO CONSTITUENT COUNCILS

~~The Authority must pay or credit surplus funds to the Constituent Councils in proportion to their Shares to the extent the Board determines the Authority can afford to pay having regard to future expenditure the Business Plan anticipates be incurred.~~

~~The Authority must pay or credit surplus funds to the Constituent Councils in proportion to their Common Fleet Collection Percentages to the extent the Board determines the Authority can afford to pay having regard to future expenditure the Business Plan anticipates be incurred.~~

~~As Member Councils have an equal share in the assets, liabilities and revenue of the Authority, it is appropriate that any significant distributions are done so equally.~~

Where net surpluses are derived these are to be returned on the same basis they were generated: that is the Common Fleet Percentages or the year they were generated., ~~these are provided by the Councils on their Common Fleet Costing Charge and therefore any return should be on the same basis.~~

Definitions

| | |
|---|--|
| <p>Common Fleet Costing Charge</p> | <p>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.</p> <p>The Common Fleet Costing Charge also incorporates an additional charge to Member Councils to incorporate any Return on Revenue targets imposed by this Policy.</p> |
| <p>Common Fleet Costs</p> | <p>Common Fleet Costs represent 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.</p> |
| <p>Common Fleet Percentage</p> | <p>Calculated from data collected from each East Waste Fleet Truck over the previous 12-month period. 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, for the previous 12 months and is used as a basis for the Common Fleet Costing Charge.</p> <p>Revised CFP allocations are applied to Common Fleet Cost charges annually or when significant variations occur (eg. new service added or new Council enters commences with East Waste).</p> |
| <p>Constituent Council Share</p> | <p>As detailed in <i>Section 57</i> of the <i>East Waste Charter</i>, all Member Councils hold an equal equitable ownership interest share in East Waste.</p> |
| <p>Distribution</p> | <p>Refers to cash payments made by East Waste to Constituent Councils which represent a return on equity. Distributions are paid to Constituent Councils based the principles set out in <i>Section 61</i> of the <i>East Waste Charter</i>.</p> |
| <p>Member Councils</p> | <p>Also known as Constituent Councils, are those Councils which are referred to in <i>Section 1</i> of the <i>East Waste Charter</i>.</p> |
| <p>Model Financial Statements</p> | <p>Refers to the Model Financial Statements described in Regulation 4(3) of the <i>Local Government (Financial Management) Regulations 2011</i>.</p> |
| <p>Net Surplus</p> | <p>Refers to the Net Surplus as calculated on the Statement of Comprehensive Income per the Model Financial Statements.</p> |
| <p>Non-Member Councils</p> | <p>Councils, organisations or waste related services, provided outside of existing Constituent Councils (as referred to in <i>Section 1</i> of the <i>East</i></p> |

MEMBER COUNCIL REBATE & DISTRIBUTION POLICY

| | |
|----------------------|---|
| | <i>Waste Charter</i>). A differential rate is to be applied to activities provided to non-Member Councils. |
| 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. |
| Rebate | Represents a reduction in waste collection fees charged to Constituent Councils. Rebates can be represented by either a reduction in future Common Fleet Costing Charge or by a physical payment of funds. A rebate is reflected as operating expense to East Waste in the financial year it is either paid and/or applied against Common Fleet Costing Charges. |

Principles

East Waste's The Board will assess at each budget review whether:

- Adopted Common Fleet Charges are appropriately set to recover all costs in accordance with the principles set in the Budget Framework Policy.
- Whether there are surplus cash funds held by East Waste for which consideration should be given to returning those funds to Member Councils.

Any/all distributions paid must conform with the requirements of the Charter **and this Policy**.

A rebate may be returned to the Member Councils in line with the most appropriate set of Member Council Common Fleet percentages. **In instances where a new Council joins East Waste, the Common Fleet Percentage will be adjusted to reflect the portion of time that they have been a member of East Waste.**

In assessing whether East Waste has a deemed surplus cash reserve which can be returned to Member Councils, the following at minimum should be considered:

1. Assessment of Projected Current & Future Working Capital Requirements

The Board will review the projected short-term and long-term working capital requirements of East Waste giving regard to the adopted budget and LTFP to ensure that at all times, East Waste has appropriate levels of cash reserves to meet all current and future financial (actual and anticipated) obligations (this includes for loan repayments and for future capital expenditure not funded via loan borrowings).

2. Compliance with East Waste Policies

Prior to any return of cash funds, assessment as to East Waste's compliance with other applicable Policies is to be considered. In particular, compliance with Treasury Management and Budget Framework Policies is to be factored in the decision-making process.

3. Adopted Budget & Long Term Financial Plan (LTFP)

In assessing whether East Waste has the financial capacity to return any surplus cash funds reserves held, consideration of the financial impact of such a payment on the adopted budget and / or the LTFP is to be assessed depending on the nature of the payment.

At minimum, the following will be considered as part of the Board's decision-making process:

- For the payment of a rebate, an assessment of the financial impact on the adopted budget will be required.

END.

DRAFT

9.4: ANNUAL REPORTING CALENDAR

REPORT AUTHOR: Coordinator Finance & Strategic Projects

ATTACHMENTS: A: Annual Reporting Calendar

Purpose of the Report

To provide the Committee with a schedule and tracking calendar that details East Waste's key Annual Reporting requirements.

Report

At the February Audit & Risk Management Committee (the Committee) meeting, a request was made for Administration to develop an Annual Work Plan schedule for the Committee's reference. In developing this, Administration identified value in expanding this to include requirements for the Board, and therefore have all annual reporting requirements combined into a single holistic document.

The attached schedule (refer to attachment A) provides a snapshot of East Waste's key agenda items for both the Audit & Risk Management Committee and Board Meetings for the calendar year. The schedule will be updated each meeting to reflect the status of items, which will provide confidence to the Audit and Risk Management Committee and the Board that all key legislative requirements are identified and met. Administration acknowledge additional actions and reporting will be required under the Risk Management section, once a separate piece of work currently being undertaken in this space is complete.

It is intended that the report will be a standing item on the Audit & Risk and Board Agendas and feedback on the Annual Reporting calendar will be sought at the meeting.

Recommendation

That the Committee supports the *East Waste Annual Reporting Calendar*, as presented in Attachment A, as a base document for tracking the key legislative and governance reporting requirements.

Attachment A – East Waste Annual Reporting Calendar

East Waste Annual Reporting Calendar Board and Audit & Risk Management Committee 2023

| | Feb | Apr/May | Jun | Sep | Nov |
|---|--------|---------|--------|--------|--------|
| Audit & Risk Committee Meeting | Feb 14 | Apr 26 | Jun 13 | Sep 12 | Nov 14 |
| Board Meeting | Feb 23 | May 04 | Jun 22 | Sep 21 | Nov 23 |

| Meeting | Financial | Feb | Apr/May | Jun | Sep | Nov |
|-------------------|-----------|---|---------|-----|-----|-----|
| B | A&R | Budget Review 2 | ✓ | | | |
| B | A&R | Draft Annual Plan & Budget Assumptions | ✓ | | | |
| B | A&R | Budget Review 3 | | | | |
| B | A&R | Interim Audit Report | | | | |
| B | | Annual Plan and Budget Endorsement | | | | |
| B | | Review of Confidential Orders | | | | |
| B | A&R | Presentation of Draft Audited Financial Statements & Meeting with Auditor | | | | |
| B | A&R | Regulation 10 Financial Report | | | | |
| B | A&R | Presentation of Draft Annual Report for Endorsement | | | | |
| B | A&R | Budget Review 1 | | | | |
| B | A&R | Treasury Management Performance Report | | | | |
| Governance | | | | | | |
| B | A&R | Board & Committee Appointments | | | | |
| B | | Annual Education Summary Report | | | | |
| B | | Lodgment of RPD, Primary, and Ordinary Returns | | | | |
| B | A&R | General Manager Performance Review | | | | |
| B | A&R | Risk Management Framework | | | | |
| B | A&R | Policy Review Schedule | | | | |
| B | A&R | Audit & Risk Management Committee Performance Evaluation | | | | |
| B | | Board Performance Evaluation | | | | |
| B | A&R | Proposed Meeting Schedule for Proceeding Year | | | | |
| Risk | | | | | | |
| B | A&R | Strategic Risk Register Review | | | | |