

His Worship the Mayor
Councillors
CITY OF MARION



**NOTICE OF
AUDIT COMMITTEE MEETING**

Notice is hereby given pursuant to the provisions under Section 83 of the Local Government Act 1999 that a General Council meeting will be held

Tuesday 14 April 2014

Commencing at 3.00 p.m.

In the Council Chamber

Council Administration Centre

245 Sturt Road, Sturt

A copy of the Agenda for this meeting is attached in accordance with Section 83 of the Act.

Meetings of the Council are open to the public and interested members of this community are welcome to attend. Access to the Council Chamber is via the main entrance to the Administration building on Sturt Road, Sturt.

Geoff Whitbread
ACTING CHIEF EXECUTIVE OFFICER

10 April 2015

(This page has been left blank intentionally)

**CITY OF MARION
AUDIT COMMITTEE AGENDA
FOR THE MEETING TO BE HELD ON
TUESDAY 14 APRIL 2015
COMMENCING AT 3.00 PM
CHAMBER, ADMINISTRATION CENTRE
245 STURT ROAD, STURT**



1. OPEN MEETING

2. KAURNA ACKNOWLEDGEMENT

We would like to begin by acknowledging the Kurna people, the traditional custodians of this land and pay our respects to their elders past and present.

3. MEMBER'S DECLARATION OF INTEREST (if any)

4. CONFIRMATION OF MINUTES

Confirmation of the Minutes for the Audit Committee meeting
held 16 December 2014 5

5. BUSINESS ARISING

5.1 Review of the Action Statement & Improvement Plan identifying business
arising from previous meetings of the Audit Committee..... 12

6. REPORTS

Matters for Discussion

Corporate & Financial Management

6.1 Draft Long Term Financial Plan and Annual Business Plan & Budget 2015-16
AC140415R6.1 18

6.2 Outstanding Debtors Report
AC140415R6.2 36

6.3 Asset Management Plans Preliminary Report
AC140415R6.3 40

6.4 Community Facilities Partnership Program
AC140415R6.4 46

6.5 Acquisition and Disposal of Land Assets Policy
AC140415R6.5 50

Risk Management

6.6	Corporate Risk Profile AC140415R6.6	66
6.7	Ombudsman Annual Report AC140415R6.7	68

Program Evaluation

6.8	Review Recommendations Update (Core Assurance Service Reviews) AC140415R6.8.....	76
6.9	Grants Management Review AC140415R6.9.....	95
6.10	Funding to the Community Review AC140415R6.10.....	117

7. CONFIDENTIAL ITEMS

Nil

8. ANY OTHER BUSINESS

8.1	CEO KPI's AC140415R8.1	Distributed Separately
-----	---------------------------------	------------------------

9. MEETING CLOSURE

The Audit Committee meeting shall conclude on or before 6.00 pm unless there is a specific motion adopted at the meeting to continue beyond that time.

10. NEXT MEETING

The next meeting of the Audit Committee is scheduled to be held on:

Time: 3.00pm – 6.00pm

Date: 9 June 2015

Venue: Chamber, Administration Building, 245 Sturt Road, Sturt

**MINUTES OF THE AUDIT COMMITTEE MEETING
HELD AT THE ADMINISTRATION CENTRE
245 STURT ROAD, STURT
ON TUESDAY 16 DECEMBER 2014**



PRESENT

Mr Greg Connor (Chair), Mr Lew Owens, Councillor Tim Pfeiffer

In Attendance

Mr Mark Searle	Chief Executive Officer
Mr Vincent Mifsud	Director
Ms Kathy Jarrett	Director
Ms Kate McKenzie	Manager Governance
Mr Ray Barnwell	Manager Finance

1. OPEN MEETING

The meeting commenced at 2.02 pm. The Chair welcomed all those present to the meeting.

2. KAURNA ACKNOWLEDGEMENT

We would like to begin by acknowledging the Kaurna people, the traditional custodians of this land and pay our respects to their elders past and present.

3. MEMBERS DECLARATION OF INTEREST

The Chair asked if any Member wished to disclose an interest in relation to any item being considered at the meeting.

No interests were declared.

4. CONFIRMATION OF MINUTES

Moved Mr Owens, Seconded Councillor Pfeiffer that the minutes of the Audit Committee meeting held on 14 October 2014 be confirmed as a true and correct record of proceedings.

The Committee noted that the minutes from the previous meeting stated that a truncated version of the Local Government Association Mutual Liability Scheme Risk Review was completed. A formal report has not been received to date. The Committee noted that the Scheme has provided a rebate to the Council of approximately \$120,000 due to the performance of the scheme.

Action: Follow up and report to the Committee if a formal report will be received regarding the truncated risk review.

Carried

Elected Member Representative Report to Audit Committee **Report Reference: AC161214R4.1**

Councillor Pfeiffer presented the report as read noting that much of this last period was in Caretaker mode because of the local government elections held in November 2014.

Notwithstanding this, Council had adopted the end of year financial statements for the period ending June 2014 and the associated investment performance report. He noted that this was a great result and thanked the finance team for their work.

Councillor Pfeiffer advised the Committee that the new Council was significantly different with a new Mayor and seven new Councillors. The new Council has a positive achievement focus with a strong financial drive. The Council has expressed an interest in savings and lower rate rises. This will require discipline, especially if Council wishes to deliver capital projects.

Finally, Councillor Pfeiffer also advised the Committee that \$750,000 grant funding had been received from the Department of Planning, Transport and Infrastructure (DPTI) following election pledges made during the state government election earlier in 2014. This creates a significant opportunity for improvement infrastructure and enables Council to progress with a number of key projects. These grants require no financial contribution from the Council.

The Audit Committee welcomed the approach and offered to assist Council wherever the Committee can provide advice and support, including attendance at Elected Member Forums as part of the development of the Annual Business Plan and Budget 2015/16.

Moved Councillor Pfeiffer, Seconded Mr Owens the Audit Committee note the report.

Carried

5. BUSINESS ARISING

The statement identifying business arising from previous meetings of the Committee was reviewed and progress achieved against identified actions was noted. The following was noted by the Committee;

- The revised due date in item 1 requires changing to April 2015.
- The Acquisition and Disposal of Land Policy was discussed in the context of the excess land at City Services. It was noted that this would be considered by Council in the new year with a decision to be made regarding the strategy and approach for disposal of the excess land.
- Three of the five audit recommendations relating to ICT have been closed. The other two are in progress. A progress report will be brought to the Audit Committee in June 2015.

Action: Progress report to be presented to the June 2015 Audit Committee meeting, including a formal response from Civica.

- The work scheduled had been amended with the Corporate Risk Review and the Ombudsman Annual Report being reported to the April 2015 meeting.

The Committee requested that the size of the agenda for the April meeting be manageable and not too large.

6. REPORTS

Corporate and Financial Management

The Chief Executive advised the Committee that clear direction had been received from Council regarding lower rates, efficiencies and effectiveness. The previous Council had resolved to progress the preparation of the Annual Business Plan and Budget for 2015/16 with a savings target of 5% and the new Council has expressed a focus on openness, outcomes and frugality.

Budget preparation will progress through the Christmas period. Savings of \$3.8m are being targeted, without any impact on service delivery.

6.1 Financial Indicators – Summary Report **Report Reference: AC161214R6.1**

In May 2014, the Committee noted that the current mandated financial indicators were not entirely reflective of the Council's true financial position. At this time, the Committee requested that research be completed on a set of indicators that would represent a more holistic approach and look beyond the operating statement and consider Council's long term cashflow and funding position.

After research, three indicators have been presented for consideration. These are:

- Working Capital Ratio (Quick Ratio)
- Debt Service Coverage Ratio
- Operating Cash Flow Coverage Ratio

The Committee made the following comments about the proposed ratios:

- The ratios are a step in the right direction but are concerned that the underpinning philosophy reflects a cautious and conservative approach towards borrowings.
- Consideration should be given for debt to contribute towards assets if the debt is associated with extending the life of the asset. The cost will therefore be shared across the generations that will use the asset into the future.
- The concept of 'intergenerational fairness' should be explored further and reflected within Council's Treasury Management Policy to ensure Council is not asking too much of today's residents.
- A reasonable amount of debt is appropriate, taking into consideration the environment in which Council operates. This should be considered in the context of what is an appropriate level of debt based on the Council's risk appetite and profile. Further consideration should be given regarding the target ranges.

Further explanation was provided to the Committee stating that:

- Councils approach has been to fund maintenance and renewal of assets from operating cash flow as this is a large part of Councils 'normal' business. It is not the intent to have zero borrowings. If Council chooses to fund a new strategic initiative, there is a case to borrow funds.

- The indicators need to be considered as a suite. The importance of cash flow and funding is critical to ensure that Council can service any new loans.
- The Debt Service Coverage ratio is useful as it demonstrates what 'good debt' can be. Long term infrastructure costs could potentially be funded by an appropriate level of debt, if Council can afford the loan service requirements.

The Committee noted it would be useful to see what the ratios would present with either historical or projected figures. This would assist the Committee to have meaningful discussion.

ACTION:

1. **Review the current treasury management policy in conjunction with the debt servicing ratio and incorporate the concept of intergenerational funding.**
2. **Use the proposed ratios as part of the preparation of the Annual Business Plan and Budget for 2015/16 as a test of their usefulness.**

Moved Mr Owens, Seconded Councillor Pfeiffer that:

1. **The Audit Committee accepts the ratios provided within the report but that further work be progressed regarding the target ranges (in particular for the Debt Service Coverage ratio).**
2. **Category 3 being an Operating Surplus ratio of 0% to 5%, is to be retained as an indicator.**

Carried

**6.2 Savings Strategy Discussion – Summary Report
Report Reference: AC161214R6.2**

The Committee noted the approach and provided the following comments:

- The previous Council set a rate rise of 4.1% for the 2014/15 financial year that required a budget saving of \$564,000. Savings of this nature were presented to Council with just over half being derived from the capital budget. Council requested that this money be reinvested into capital and the savings be found within operations with no impact on services.
- The likelihood of the introduction of economic regulation for local government was high. Implementing rate increases of CPI would create a sustainable future and set Marion as the sector leader in this space. This was a good discipline to consider into the future.

The following comments were provided to the Committee:

- The Council is focused on achieving efficiency savings which will enable it to be in the position to provide lower rate rises to the community. Budget officers are looking for areas where these might be found so savings can be passed onto the rate payer to reduce the financial burden on the community.
- Council's approach to budgeting is 'zero based' and this will be applied with appropriate robustness and rigour.

- Savings should be ongoing (ie. recurrent) wherever possible.

6.3 Review Recommendations Update (Core Assurance and Service Reviews) Report Reference: AC161214R6.3

The Committee noted progress achieved and that this program was critical for the savings targets of Council. It was noted that the tender for this contract will be released in the new year.

Part of Council's continuous improvement opportunities is to build an ongoing process of continuous review and improvement into operations to maintain and sustain savings and efficiencies into the future.

The Committee noted that the Project management review was to be presented to the Committee at this meeting. Two bodies of work have been completed, one by BDO and one by Thinc Projects. Work is progressing on combining these two pieces of work and bringing these as a combined report to the April 2015 Audit Committee meeting.

ACTION: Project Management Report to be presented to the April Audit Committee Meeting.

The Committee queried the Expense, Benefit and Entitlement Procedures review, asking whether this was a compliance or service review. It was noted that this was a compliance review, forming part of good governance practices associated with a change in Council. The new Council will review the Policy position within the next 6 months.

Moved Councillor Pfeiffer, Seconded Mr Owens that the Audit Committee:

1. Note the progress achieved against Council's Core Assurance and Service Review program.

Carried

6.4 Core Assurance Health Check: Goods & Services Tax (GST) and Fringe Benefits Tax (FBT) (Deferred GC141014R6.8) Report Reference: AC161214R6.4

Overall Council performed well in this review with only minor areas recommended for improvement. The Committee queried and noted the following:

- If the Council was audited by the Taxation Department it would be well placed to respond to an audit
- The Use of Council's Asset Policy may require further work to manage risk associated with employees using Council equipment for personal use. It was noted that this had been significantly restricted in recent years and employees could not borrow any equipment that they did not have appropriate 'tickets' to operate. It was confirmed that no Council equipment is used for commercial gain.

6.5 Service Review Project Briefs Grant Management

Funding to the Community **Report Reference: AC161214R6.5**

The Committee noted the two scopes for Grants (funding being received) and funding/sponsorship (funding being given out). It was noted that the reviews are different and will be conducted as two separate reviews. The Committee noted the scopes and requested that the following be addressed:

Grants:

- Who can apply for grants on behalf of Council?
- How the grant is controlled and approved for submission?
- Quality of the application.

Funding/Sponsorship

- Are the relevant guidelines adequate when funding and sponsorship is provided?
- Are there circumstances when small monetary amounts are provided without the need for a report back to Council to avoid red tape and bureaucracy?
- Does Council have Corporate Citizen responsibilities and how is this applied in this function?

The Committee requested that the due dates be reviewed.

6.6 Audit Committee Work Program & Meeting Schedule for 2015 **Reference No: AC161214R6.6**

The Committee noted that the Council would be focusing on the Business Plan and Budget throughout February and March 2015 and hence the first Audit Committee Meeting for 2015 was scheduled for April.

This was noted by the Committee and it was proposed that if required, a special meeting of the Audit Committee be held in this period to focus on the budget or alternatively, Audit Committee Members may be invited to attend relevant Elected Member Forums to support the Council in this process.

The Committee also queried the timing of the Annual accounts and if this could be reviewed by the Committee earlier than October. It was noted that the accounts need to be lodged by 30 November each year and management is progressing towards bringing this timing forward each year. The Committee requested if there would be any benefit in reviewing the unaudited statements in August and it was agreed this could be a good approach to adopt.

Moved Councillor Pfeiffer, Seconded Mr Owens that the Audit Committee:

1. Notes the proposed work program for 2015 identified at Appendix 1 to the report.
2. If required, hold a special meeting of the Audit Committee in February 2015 to focus on budget preparations.
3. Adopts the following indicative schedule of meetings for 2014;
 - a) TUESDAY, 14 April 2015 (3.00 – 6.00 pm)
 - b) TUESDAY, 9 June 2015 (3.00 – 6.00 pm)
 - c) TUESDAY, 18 August 2015 (4.00 – 6.00 pm, followed by joint workshop with Council from 7.00 – 9.00 pm)
 - d) TUESDAY, 13 October 2015 (3.00 – 6.00 pm)
 - e) TUESDAY 15 December 2015 (3.00 – 6.00 pm)

7. CONFIDENTIAL ITEMS

Nil

8. ANY OTHER BUSINESS

The Committee thanked Ms Cathy Cooper for her services and contribution to the City of Marion Audit Committee for the past eight years. The Committee noted she was a strong supporter and valuable member.

The Committee noted that the recruitment process to replace Ms Cooper would commence in the new year with the intent to have a new independent member appointed by the April 2015 Audit Committee Meeting.

Mr Owens advised the committee that he would be absent for the 9 June 2015 meeting.

9. MEETING CLOSURE

The meeting was declared closed at 3.33 pm

10. NEXT MEETING

The next meeting of the Audit Committee is scheduled to be held on:

Time: 3.00 pm - 6.00 pm

Date: 14 April 2015

Venue: Chamber

.....
CHAIRPERSON

/ /

CITY OF MARION
BUSINESS ARISING FROM AUDIT COMMITTEE MEETINGS
AS AT 10 April 2015



	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
1.	11 February 2014	A status update be provided to the Committee on the progress and estimated completion date of the Asset Management Plans.	Manager, Strategic Assets	May 2014	It is still anticipated that the Asset Management Plans will be finalised by the end of 2014/15 financial year. Progress report included in the April 2015 meeting as a separate report	June 2015
2.	27 May 2014	<p>The Committee requested Management to advance consideration of the issues it had raised and to bring to the July meeting the necessary papers which outline a program of work to address its concerns. This will include the review of:</p> <ul style="list-style-type: none"> • Further discussion regarding a budgeted savings target • Acquisition and Disposal Of Land Assets Policy • The Community Facilities Partnership Program Policy. 	<p>Manager Finance</p> <p>Director (Heather Montogomerie)</p>	<p>July 2014</p> <p>July 2014</p>	<p>Budgeted Savings Target Report were reported to the Committee in December 2014.</p> <p>Reports on the Acquisition and Disposal of Land Asset Policy and the Community Facilities Partnership Program Policy are included as separate reports in the April 2015 agenda.</p>	<p>Completed</p> <p>Completed</p>

	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
3.	29 July 2014	As part of the review of core assurance and service reviews and the tender/contract arrangements, include options regarding the approach for selecting areas of focus for review.	Manager Organisational Excellence	March 2015	The tender brief is a separate report in the April 2015 Audit Committee Agenda for consideration and feedback .	Completed
4a.	14 October 2014	Civica be requested to respond formally to the audit recommendations and their response be provided to the Committee to ensure it is actioned appropriately.	Manager, ICT	June 2015	3 of the 5 recommendations are complete. The remaining recommendations are in progress. ICT continue with Civica to close out the matters raised. It is anticipated that these recommendations will be completed by June 2015.	
4b.	16 December 2015	A progress report to be presented to the June 2015 Audit Committee meeting, including a formal response from Civica regarding progress of ICT audit recommendations.	Manager, ICT	June 2015	This report will be presented in June 2015	
5.	14 October 2014	A report on debts (including debtors age and debt collection) be brought to the February 2015 meeting.	Manager, Finance	February 2015	The debtors report is a separate report in the April 2015 Audit Committee Agenda for consideration and feedback.	Completed
6.	16 December 2015	Follow up and report to the Committee if a formal report will be received regarding the truncated risk review completed by the LGA MLS in 2014	Manager, Governance	April 2015	A formal report on the truncated risk review from 2014 will not be provide. Feedback from the LGA MLS stated that Councils were requested to focus on the implementation of the Action Plans from the 2013 Risk Review. Information received by the Scheme from the truncated review would be used to understand the level of risk maturity across the sector and informed the 2015 review which is due to commence shortly.	Completed
7.	16 December 2015	Review the current treasury management policy in conjunction with the debt servicing ratio and incorporate the concept of	Manager, Finance	June 2015	This will be reported in June 2015	

City of Marion
Audit Committee Action Arising Statement as at 10 April 2015

	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
		intergenerational funding.				
	16 December 2015	Use the proposed ratios as part of the preparation of the Annual Business Plan and Budget for 2015-16 as a test of their usefulness	Manager, Finance	June 2015		
	16 December 2015	BDO Project Management Report to be presented to the April Audit Committee Meeting	Manager, Strategy	April 2015	The development of an integrated program/project prioritisation and management system has begun, based on the review of the project management in CoM. The system brings together key processes to support decision making on project and program priorities, prudential management, funding and resourcing options, and program/project management and review. A report will be brought to the Audit Committee in June providing further information on the implementation of this system.	June 2015

* completed items to be removed are shaded

SCHEDULE OF MEETINGS 2015			
Day	Date	Time	Venue
Tuesday	14 April 2015	3.00 – 6.00 pm	Administration Centre
Tuesday	9 June 2015	3.00 – 6.00 pm	Administration Centre
Tuesday	18 August 2015	4.00 – 6.00 pm Followed by 7.00 – 9.00 pm (Joint workshop with Council and the Strategic Directions Committee)	Administration Centre
Tuesday	13 October 2015	3.00 – 6.00 pm	Administration Centre
Tuesday	15 December 2015	2.00 – 5.00 pm	Administration Centre

INDICATIVE AUDIT COMMITTEE WORK PROGRAM - 2015

TUESDAY, 14 April 2015

Topic	Action
Outcomes and Action Plan for Audit Committee	Review and Feedback
Annual Business Plan and Budget 2015/16	Review and Feedback
Corporate Risk Profile	Review and Feedback
Asset Management Plans & Associated Policies – Update	Review and Feedback
Community Facilitates Partnership Program	Review and Feedback
Acquisition and Disposal of Land/Assets	Review and Feedback
Program Evaluation (Internal Audit Tender)	Review and Feedback
Outstanding Debtors Report	Review and Feedback
Program Evaluation (Scopes and Reports)	Review and Note

TUESDAY, 9 June 2015

Topic	Action
Outcomes and Action Plan for Audit Committee	Review and Feedback
Audit Engagement for the Year Ending 30 June 2015	Review and Recommendation to Council
Draft Annual Business Plan and Budget (after public consultation) & Draft Long Term Financial Plan	Review and Feedback
Program Evaluation (Scopes and Reports)	Review and Note

Annual Review of WHS Program	Review and Feedback
Asset Management Plans – Final Draft	Review and Feedback

TUESDAY, 18 August 2015

Topic	Action
Outcomes and Action Plan for Audit Committee	Review and Feedback
Annual Claims and Insurance Renewal Report	Review and Feedback
Valuations of Buildings and Assets	Review and Feedback
Program Evaluation (Scopes and Reports)	Review and Note
Meeting with internal auditors in camera	Seeking feedback from Auditors

TUESDAY, 13 October 2015

Topic	Action
Outcomes and Action Plan for Audit Committee	Review and Feedback
Audit Committee Annual Report to Council	Review and Refer to Council
Independence of Council's Auditor for the year end 30 June 2015	Review and Recommendation to Council
Audited Annual Financial Statements for the year end 30 June 2015	Review and Recommendation to Council
Meeting with external auditors in camera	Seeking feedback from Auditors
Program Evaluation (Scopes and Reports)	Review and Notes
LGA MLS Risk Review	Review and Feedback
Investment Performance 2014/15	Noting

Tuesday, 15 December 2015

Topic	Action
Outcomes and Action Plan for Audit Committee	Review and Feedback
Program Evaluation (Scopes and Reports)	Review and Feedback
Corporate Risk Profile	Review and Feedback
Work Program and Meeting Schedule 2016	Review and Feedback
Long Term Financial Plan – Half yearly update	Review and Feedback
Ombudsman SA Annual Report 2014-15	Review and Feedback

CITY OF MARION

AUDIT COMMITTEE IMPROVEMENT PLAN JULY 2013



	Identified Improvement Opportunity (Audit Committee Effectiveness Survey)	Identified Improvement Activity	Responsible Officer	Original Due Date	Revised Due Date	Status	Completed

The Committee agreed at its meeting of 29 July 2014 to completed/remove the remaining item from the improvement plan. There are currently no outstanding items on the Audit Committee Improvement Plan.

**CITY OF MARION
AUDIT COMMITTEE MEETING
14 April 2015**

Originating Officer: David Harman, Financial Accountant

Corporate Manager: Fiona Harvey, Manager Strategy
Ray Barnwell, Manager Finance

Director: Kathy Jarrett
Vincent Mifsud

Subject: Annual Business Plan & Budget 2015/16, and Long Term Financial Plan

Report Reference: AC140415R6.1

REPORT OBJECTIVES & EXECUTIVE SUMMARY:

The purpose of this report is to provide the Audit Committee with an overview of Council's Annual Business Plan & Budget (ABP&B) process for 2015/16 and to provide a coinciding update of the development of the Draft Long Term Financial Plan 2015/16 to 2024/25 (LTFP) and the Draft ABP&B 2015/16.

Feedback and guidance is sought from the Audit Committee regarding the:

- Impact of the current operating environment as per the environmental scan (attached as Appendix 1)
- Reporting schedule under which the ABP&B 2015/16 and the LTFP are prepared (attached as Appendix 2)
- The reasonableness, fairness and equity of the potential rating approaches for 2015/16 (as per rate modelling contained in this report), including in the context of Council's LTFP and on-going financial sustainability.
- Alignment of the rate modelling options provided in this report to Council's Budget and Treasury policies, which are centred on achieving a breakeven funding position or better whilst adopting and maintaining a LTFP which ensures Council operates in a financially sustainable manner.
- Council's Strategic Financial Framework and Assumptions.
- Financial ratios - Council's financial framework includes having "a primary focus being on Cash Flow and Funding". Amongst other things, this is because adequate Operating Surpluses are required to ensure sufficient funding for Council's planned forward capital renewal requirements, in accordance with the current iteration of the Asset Management Plans (AMP's). Restricting the Operating Surplus Ratio to no more than 5% will limit Council's funding capability to do this. A positive operating cash flow is vital to support operating requirements, renewal of existing assets over time and maintain community service standards.
- An appropriate approach to the use of draft funding surpluses forecast in the rate modelling included in this report.

Council's Draft Annual Business Plan & Budget for 2015/16 is set to follow the same process as the previous year. The timeline for this process is set out in Appendix 2 and meets all legislative requirements.

RECOMMENDATIONS (3)**DUE DATES**

That the Audit Committee:

- | | |
|---|---------------|
| 1. Provide feedback on the Environmental Scan (Appendix 1) in relation to the Draft ABP&B 2015/16 and the Draft LTFP. | 14 April 2015 |
| 2. Provide feedback on the approach outlined for the ABP&B 2015/16 process reporting schedule (Appendix 2) | 14 April 2015 |
| 3. Provide feedback and guidance in regards to the: | |
| <ul style="list-style-type: none"> • Reasonableness, fairness and equity of the potential rating approaches for 2015/16 (as per rate modelling contained in this report), including in the context of Council's LTFP and on-going financial sustainability • Alignment of the rate modelling options provided in this report to Council's Budget and Treasury policies which, are centred on achieving a breakeven funding position or better whilst adopting and maintaining a LTFP which ensures Council operates in a financially sustainable manner • Council's Strategic Financial Framework and Assumptions • Financial ratios • An appropriate approach to the use of draft funding surpluses forecast in the rate modelling included in this report. | 14 April 2015 |

BACKGROUND:

Council is required by the Local Government Act 1999 to prepare and adopt an ABP&B each year, and in doing so determine the key strategic priorities for the ensuing 12 months in the context of Council's Community Plan. The LTFP and ABP&B are an integral part of Council's suite of Strategic Management Plans. The city's Community Plan - a high-level statement of Community aspiration and vision for their City towards 2040, and the final draft 10-year Council Plan, set the foundation for the development of the LTFP and ABP&B.

The Draft LTFP and Draft ABP&B 2015/16 are being developed in accordance with the refined Strategic Financial Framework as adopted at the 24 June 2014 General Council Meeting (GC240614R03). This encompasses maintaining current services and service delivery levels for the community, as well as meeting Council's planned capital renewal programs over the life of the LTFP.

Discussion

The Annual Business Plan is Council's statement of its intended programs and outcomes for the year. It links long-term planning, as set out in the Community Plan and draft Council Plan, with the allocation of resources in the budget. It also establishes the basis for review of the Council's performance over the year published in its annual report.

The development of an ABP&B is required under Section 123 of the Local Government Act. The document should include the following:

- a summary of Council's longer term objectives, as set out in the Strategic Plan;
- significant influences for the year including financial factors, asset renewal needs and progress on continuing projects;
- Council's specific objectives for the next year against which its performance will be measured;
- the activities (services and projects) that Council intends to undertake to achieve its objectives;
- a summary of the proposed sources of revenue for the year;
- Council's proposed approach to rating for the year and what it means for ratepayers.

The ABP&B is being prepared in accordance with the requirements of the Local Government Act and Local Government (Financial Management) Regulations. It will include appropriate information about the rates and charges that Council intends to levy as well as a range of other information required by the Local Government (Financial Management) Regulations. The budget will include statutory statements being Income Statement, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows. In addition to these statements, a 'Funding Statement' will be provided that details funding sources and a net overall funding position.

In the development of the ABP&B 2015/16, consideration has been given to Council's strategic management framework, financial parameters and key issues identified through the environmental scanning process, as well as the relevant federal, state and regional strategies and plans.

Environmental Scanning

Environmental scanning is a key input into the development of the Annual Business Plan and Budget. A review of opportunities and challenges from current and emerging internal and external trends and influences was conducted in February - March 2015 to ensure that the consideration of strategic priorities and responses reflect the emerging priority pressures and opportunities.

The ABP&B focuses on maximising public value and delivering effective efficient services in the current economic climate which affects the ability of the community to pay increased rates. There is an emphasis on enabling the economic growth of our city through co-working, small business support, and greater access to technology, data and information including the opening of Cove Civic Centre. There is a focus on urban development priorities in the context of examining mixed use and density considerations for our changing population. Climate change impact mitigation will continue through water management, including the new Oaklands wetlands and our Resilient South regional partnership. Our service delivery models must meet the changing needs of our population including an ageing population which has a desire to remain independent, as well as increasing numbers of young families and changing ethnicity.

This information is also feeding into the strategic prioritisation process, the review of Council's strategic risk register and the agenda setting of Council's Strategic Directions Committee to better support aligned planning and prioritisation in the future. A summary of the critical outputs of the environmental scan is provided in the table below. The full environmental scan is attached as Appendix 1.

Key external issues and opportunities:	
Political <ul style="list-style-type: none"> • Maximising public value • Ongoing changes to Federal, State and Local Government policies and funding programs • Potential for community governance models • Potential future direction, structure and amalgamation of local government 	Economic <ul style="list-style-type: none"> • Compromised financial capacity of ratepayers in economic climate • The number of GST registered businesses in Marion is falling • The number of jobs in Marion remains static although our population is increasing • Maximising opportunities to support small business
Social and Cultural <ul style="list-style-type: none"> • Population growth and changing demographics • Increasing community interest in volunteerism is providing a varied skill base • Place-making opportunities where communities have a leadership role 	Technological <ul style="list-style-type: none"> • Rapid technological change, specifically the rollout of NBN in some City of Marion areas • Digital divide • Access to data and information
Natural environment <ul style="list-style-type: none"> • Impacts of climate change • SA Government energy and waste legislation • Opportunities in biophilia and green infrastructure • Growth of localism • Adverse impacts of pest plants and animals on natural ecosystems 	Urban environment <ul style="list-style-type: none"> • Changing Urban Development Policy direction of both State and Federal Governments • Increased traffic and limited on-street parking • Increasing demands on public places and spaces and public services • Limited mixed land use • Limited housing options that enable ageing in place • Growth in student accommodation

Transport & Connectivity <ul style="list-style-type: none"> • Opportunity for better integrated transport network • Potential risk of isolation to residents that are ageing and mobility impaired • Poor transport linkages to public places and spaces, goods and services, local business and industry • Insufficient and poorly integrated walking & cycling networks • Darlington Interchange development 	Public Health <ul style="list-style-type: none"> • HACC transitioning to national and regional customer led wellbeing and reablement home support programs • Reconsideration of place based urban design and other Council services to encourage active living, healthy lifestyles and social connectivity for all age profiles • Reduced focus on primary health services and facilities yet increased demand across all age profiles • Consideration of healthy eating habits, food security and ready access to fresh food within our City • Site contamination issues in areas of the City of Marion
--	--

Key internal pressures and opportunities:	
Service provision <ul style="list-style-type: none"> • More insightful understanding of customer value and service needs • Continued focus on driving innovation and continuous improvement in a constrained budgetary environment 	Risk and strategic alignment <ul style="list-style-type: none"> • Opportunity to maximise public value focussed around the aspirations of the community • Alignment of risk management throughout the organisation
Long Term Financial sustainability <ul style="list-style-type: none"> • Need for greater collaboration, partnering and innovative funding solutions to achieve community outcomes in a challenging fiscal environment • Significant reliance on rates as primary funding source • Decreasing revenue from grants 	Asset reliability and sustainability <ul style="list-style-type: none"> • Significant ageing infrastructure and assets • Investigating innovative asset management/ownership models • Potential for asset disposals • Potential for non-asset solutions for service delivery
Employer of Choice <ul style="list-style-type: none"> • Strategically aligned workforce planning • Requirements of Work Health & Safety Act 	

The Audit Committee's feedback is sought in regards to whether there are any key issues or considerations they believe are missing from the Environmental Scan as it currently stands. As the LTFP and ABP&B 2015/16 continue to be developed, further work will be undertaken in analysing these external and internal influences, and determining Council's response to them.

Annual Business Plan & Budget 2015/16 Process

Public consultation of the Draft Annual Business Plan and Budget is due to commence on Wednesday 6 May, closing on Tuesday 26 May 2015, with the Draft ABP&B 2015/16 being available from the Making Marion website (www.makingmarion.com.au).

An 'inform' approach will be taken for consultation on the Draft ABP&B 2015/16, encompassing a 'pre-release' notice in the Guardian Messenger Press on 22 April 2015 informing of the preparation of the Draft ABP&B and providing the timeframes for the Report Reference: AC140415R

consultation period. The notice will also specify the council meeting on 26 May 2015 as the meeting where interested parties can attend to ask questions and make submissions in relation to the Draft ABP&B for at least one hour. This approach is in accordance with the requirements of the Local Government Act 1999.

Basis of Preparation of Draft LTFP and Draft ABP&B 2015/16:

The Draft LTFP and Draft ABP&B 2015/16 have been prepared in accordance with Council's Framework and Assumptions with some proposed minor amendments to ensure alignment with Council's Budget and Treasury Policies. The framework and assumptions are listed below with any proposed amendments highlighted.

Framework and Assumptions

The Draft LTFP and Draft ABP&B 2015/16 have been prepared under the framework adopted by Council at the 24 June 2014 General Council Meeting (GC240614R03). The LTFP is an on-going iterative process and the framework and assumptions are updated annually based upon the most current data and information prevailing at the time.

Framework:

- Supports the achievement of the City of Marion's Strategic Directions.
Comments: No change proposed
- Addresses issues arising from the internal audit reviews and business excellence assessments.
Comments: No change proposed
- Maintain a financial position at an average of category 3 (Operating Surplus of between 0 – 5%) over any five consecutive years, with a primary focus being on Cash Flow and Funding.
Comments: Restricting the Operating Surplus to no more than 5% will limit Council's funding capability to ensure sufficient funding for Council's planned forward capital renewal requirements, in accordance with the current iteration of the AMP's. A positive operating cash flow is vital to support operating requirements, renewal of existing assets over time and maintain community service standards.
- Continue to improve the maintenance of assets in accordance with Council's Asset Management Plans, with a priority on maintenance before renewal, and renewal before new when it is cost effective to do so
Comments: This prioritisation has been embedded in Council's Asset Management Policy, which in turn has informed the development of Council's next iteration of its AMP's which are due to be completed by the end of 2014/15. This will enable further integration of these plans into the next iteration of the LTFP.
- Reviews existing services and assets to ensure they meet prioritised community needs.
Comments: The current proposed project brief for the provision of Business Review Services will deliver a review program with the key objective of maximising public value by improving the efficiency and effectiveness of Council services. A report on Business Review Services is presented at this Audit Committee meeting.

- Council only considers new Major Projects where it has the identified funding capacity to do so
Comments: No change proposed
- Maintain Councils position for average residential rate between mid-range and 5th lowest rating metropolitan Council.
Comments: It is recommended that this be changed to "Maintain Council's position for average residential rate at mid-range or lower rating Metropolitan Council". This will give Council the flexibility to set lower average annual rate rises should it wish to do so.
- Implements responses for progressing liveable cities strategies and funding opportunities within Marion.
Comments: No change proposed.

Assumptions

In developing the Draft LTFFP and Draft ABP&B 2015/16, a number of key assumptions and variables were applied:

- Service delivery levels are forecast to be maintained at current levels (any new service improvements are prioritised and approved separately by Council subject to financial capacity).
- A 3% increase per annum is applied to operating expenditures/income to allow for inflation and growth, based on the current Reserve Bank inflation forecast of 2.25-3.25%, with the following exceptions:
- Employee operating costs – taking into account enterprise bargaining increases of 3.5% and allowing 1.0% for award increments, reclassifications and labour market conditions, movements in grant funded positions and growth – a total of 4.5%. This is a significant reduction on prior years where the previously forecast increase was set at a total of 6.0%. This has resulted in a significant reduction in forecast employee costs of \$28.9m over the 10 years of the LTFFP. This assumption is based on information that is currently available and will be updated accordingly in future iterations of the LTFFP to reflect new enterprise bargaining agreements as they are implemented.
- Interest expenses are directly related to Council borrowings and cash flows.
- Rates – This report contains a rate modelling table in addition to the two detailed rate models presented. The Audit Committee's feedback is sought in regards to this rate modelling in terms of maintaining long term financial sustainability.
- Interest revenue is directly related to Council investments and cash flows and in light of recent global economic forecasts will be carefully monitored in line with interest rate movements.
- An adjustments schedule has been developed to account for any future variations in operating activities (e.g. an adjustment is made for election expenses to reflect that they only occur once every 4 years).

- Contributed assets from developers of \$1.5m have been forecast for 2015/16 – 2024/25 (includes roads, footpaths, drains etc. provided by developer or new subdivisions occurring in the Council area). This figure does not include any contributed assets from the Tonsley development – governance arrangements for this are currently being worked through with the Government of South Australia.
- Capital Grants, subsidies and monetary contributions reflect tied monies received in relation to the purchase/construction of new assets and are budgeted in accordance with information known at the time of preparing this document.

Targeted Savings

Following the adoption of the 2014/15 budget there has been a concerted effort and strong focus on achieving efficiency and effectiveness savings across the organisation, with the intention that identified on-going savings can be passed onto rate payers to reduce their financial burden. Forecasted gross savings of \$2,646k have been identified to date in on-going operational expenditure and have now been incorporated into the Draft ABP&B 2015/16.

All rate models presented in this report result in a forecast funding surplus for 2015/16, with the incorporation of the savings identified. Feedback is sought from the Audit Committee as to appropriate uses for the funding surplus. In this regard potential uses may include:

1. Reducing the requirement for future new borrowings in regards to approved major strategic projects.
2. Quarantining the surplus in the Asset Sustainability Reserve pending the outcome of the further development of the AMP's.

The next iteration of Council's AMP's are nearing completion and will present Council with updated information with regard to future funding requirements necessary to renew and maintain its assets over the long term.

Processes for delivering further efficiency and effectiveness savings to ensure we are maximising public value for our ratepayers are continuing. This process of continual improvement will incorporate undertaking a series of Business Service reviews with the objective of delivering future on-going savings beyond 2015/16.

Rate Modelling

A number of rating scenarios have been modelled as detailed in the table below.

Column 4 shows the impact on the cumulative funding position over the life of the LTFF for each rate if it were to be consistently maintained over the 10 years of the Plan. Should a rate increase other than an on-going average 3.3% increase be adopted in 2015/16 column 5 shows the rate increase required in years 2 to 10 to achieve a balanced cumulative funding position over the life of the LTFF with column 6 showing the cumulative funding position over the LTFF for each scenario.

(1) % Increase 2015/16	(2) Total Rate Revenue 2015/16 (\$000's)	(3) Funding Position (ABP&B) (\$000's)	(4) Cumulative funding position of LTFF if rate is maintained for 10 years (\$000's)	(5) Required % increase in future years to maintain an ongoing average balanced funding position	(6) Cumulative funding position of LTFF (\$000's)
1.70%	67,369	2,657	(70,318)	3.60%	930
2.00%	67,568	2,856	(57,258)	3.55%	1,420
2.25%	67,733	3,021	(46,184)	3.50%	1,505
2.50%	67,889	3,187	(34,951)	3.45%	1,571
3.00%	68,230	3,518	(11,959)	3.35%	1,714
3.30%	68,429	3,717	2,179	3.30%	2,179
3.50%	68,561	3,849	11,755	3.25%	1,823
4.00%	68,893	4,181	36,160	3.15%	1,924
5.00%	69,555	4,843	87,281	2.90%	106

It should be noted that the previously adopted LTFF was based on an annual average rate rise of 5% throughout the term of the LTFF. This underpinned projected funding requirements for new borrowings for approved Major Projects, increased levels of funding for asset renewal, play space upgrades in addition to supporting operational requirements and maintaining service standards expected by the community.

The following provides detailed financial modelling for two rating scenarios:-

Rate increase of 3.3% on-going – Average Balanced Funding Position (Breakeven over 10 Years of LTFF)

Advantages

- Provides a reasonable degree of stability and no major spikes in rate rises across the term of the LTFF and ABP&B with a consistent average rate rise of 3.3% throughout the LTFF.
- Provides a cumulative breakeven funding position or better over the 10 years of the LTFF ensuring long-term financial sustainability as required under Council's Budget and Treasury Policies.
- Ensures Accounting Reserves are 100% cash backed in addition to having adequate funding required for existing operational requirements throughout the LTFF.

Disadvantages

- Does not ensure a funding surplus for every year within the LTFP with projected funding deficits forecast in the years 2018/19 to 2022/23 peaking at a funding deficit of \$2.655m in 2022/23.
- Community may view an average annual rate rise of 3.3% as excessive.

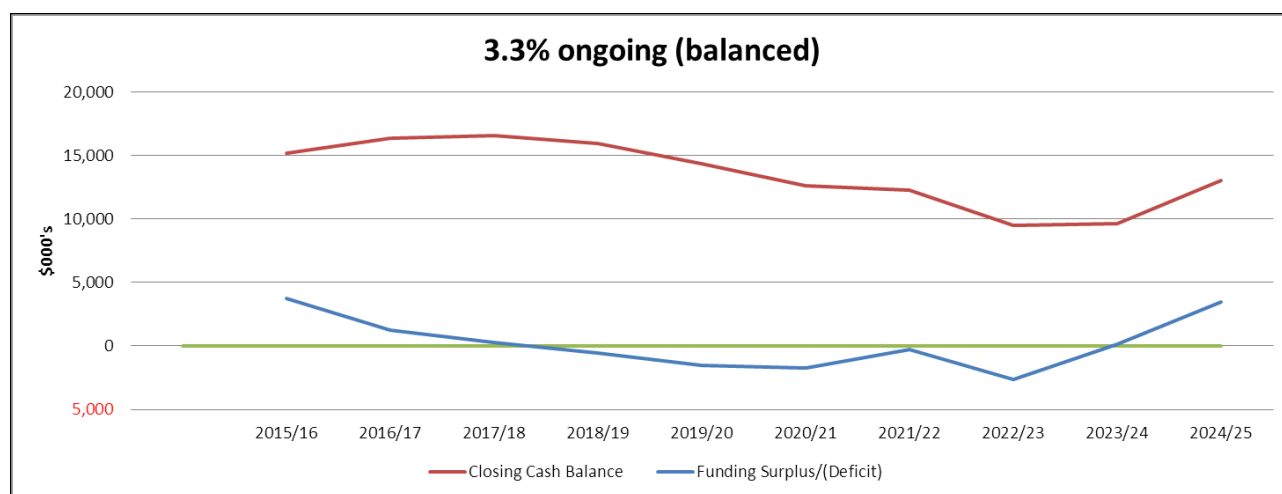
Rate increase 3.3% ongoing – Average Balanced Funding Position (Breakeven over 10 Years of LTFP)

		Draft ABP&B 2015/16 \$000's	2016/17 \$000's	2017/18 \$000's	2018/19 \$000's	2019/20 \$000's	2020/21 \$000's	2021/22 \$000's	2022/23 \$000's	2023/24 \$000's	2024/2025 \$000's
	Operating Revenue	81,196	83,755	87,266	90,927	94,746	98,729	102,886	107,220	111,741	116,456
Less	Operating Expenses	73,248	77,354	80,257	84,100	86,956	90,167	93,565	97,730	100,970	104,729
	Operating Surplus/(Deficit) before Capital Revenues	7,948	6,401	7,009	6,827	7,790	8,562	9,321	9,490	10,771	11,727
	Capital										
Add	Depreciation	13,816	14,368	14,942	15,539	16,160	16,806	17,479	18,179	18,906	19,662
Less	Capital Expenditure (Net of Capital Revenues)	21,261	20,795	19,741	21,019	23,463	24,921	25,280	28,394	27,449	26,393
Equals	Net Overall funding Surplus/(Deficit)	503	(26)	2,210	1,347	487	447	1,520	(725)	2,228	4,996
Funding transactions associated with accommodating the above net overall funding deficit (or applying the net overall funding surplus) are as follows:											
	Loans - Increase/(Decrease)	3,236	1,206	(1,986)	(1,947)	(2,080)	(2,221)	(1,875)	(2,002)	(2,138)	(1,608)
Less	Reserves Transfer from/(Transfer to)	(22)	72	72	72	72	72	72	72	72	92
Less	Funding Surplus / (Deficit)	3,717	1,252	296	(528)	(1,521)	(1,702)	(283)	(2,655)	162	3,480
Equals	Funding Transactions	(503)	26	(2,210)	(1,347)	(487)	(447)	(1,520)	725	(2,228)	(4,996)
	Closing Cash Balance	15,174	16,354	16,577	15,976	14,383	12,609	12,255	9,529	9,620	13,007

Note:

- City of Marion's Accounting Reserves of \$4.8m are currently 100% cash backed.
- Funding requirements in the order of \$3m are needed to fund existing operations.

The table below illustrates the funding surplus / (deficit) and the closing cash position for each year over the LTFP for this model



Rate increase of 2.25% for next 4 years reverting to 4.8% for years 5 – 10 of the LTFPAdvantages

- Provides stability and no major spikes in rate rises over the next 4 years holding a low rate of 2.25% up until 2019/20 when it subsequently reverts to 4.8%
- Provides a cumulative breakeven funding position or better over the 10 years of the LTFP ensuring long-term financial sustainability as required under Council's Budget and Treasury Policies.
- Community may view an average annual rate rise of 2.25% as appealing.

Disadvantages

- Does not ensure a funding surplus for every year within the LTFP with consistent funding deficits forecast from 2016/17 running right through to 2022/23 peaking at \$3.649m in 2018/19.
- Will require a sharp increase in rates in 2019/20 to 4.8%, more than double the average rate increase in the first 4 years.
- Will present Council with a significant challenge of having to lift rates significantly in order to move out of projected funding deficit positions.
- Very dependent on large surpluses in the last two years of the LTFP to ensure a cumulative breakeven or better funding position over the 10 year term of the LTFP
- The projected drawdown on Council's cash reserves is significant and will require Council to access short term borrowings for general operational requirements for at least the three years 2020/21 to 2022/23 with accounting reserves no longer being cash backed in those years.

The table below illustrates this particular model over the term of the LTFP.

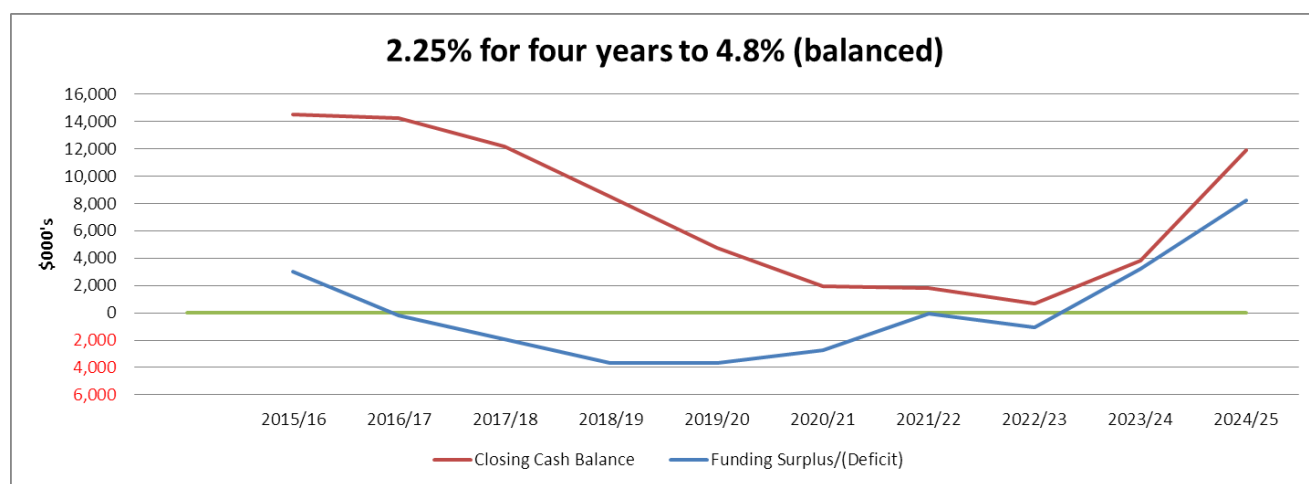
Rate increase 2.25% ongoing for first four years, reverting to 4.8% Average Balanced Funding Position.

		Draft ABP&B	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/2025
			\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
	Operating Revenue		80,500	82,309	85,013	87,806	92,621	97,712	103,097	108,790	114,810	121,176
Less	Operating Expenses		73,248	77,354	80,257	84,100	86,956	90,167	93,565	97,730	100,970	104,729
	Operating Surplus/(Deficit) before Capital Revenues		7,252	4,955	4,756	3,706	5,665	7,545	9,532	11,060	13,840	16,447
	Capital											
Add	Depreciation		13,816	14,368	14,942	15,539	16,160	16,806	17,479	18,179	18,906	19,662
Less	Capital Expenditure (Net of Capital Revenues)		21,261	20,795	19,741	21,019	23,463	24,921	25,280	28,394	27,449	26,393
Equals	Net Overall funding Surplus/(Deficit)		(193)	(1,472)	(43)	(1,774)	(1,638)	(570)	1,731	845	5,297	9,716
Funding transactions associated with accommodating the above net overall funding deficit (or applying the net overall funding surplus) are as follows:												
	Loans - Increase/(Decrease)		3,236	1,206	(1,986)	(1,947)	(2,080)	(2,221)	(1,875)	(2,002)	(2,138)	(1,608)
Less	Reserves Transfer from/(Transfer to)		(22)	72	72	72	72	72	72	72	72	92
Less	Funding Surplus / (Deficit)		3,021	(194)	(1,957)	(3,649)	(3,646)	(2,719)	(72)	(1,085)	3,231	8,200
Equals	Funding Transactions		193	1,472	43	1,774	1,638	570	(1,731)	(845)	(5,297)	(9,716)
Closing Cash Balance			14,478	14,212	12,182	8,461	4,743	1,952	1,809	652	3,812	11,919

Note:

- City of Marion's Accounting Reserves of \$4.8m are currently 100% cash backed.
- Funding requirements in the order of \$3m are needed to fund existing operations.

The table below illustrates the funding surplus / (deficit) and the closing cash position for each year over the LTFP for this model



Financial Ratios

A positive operating cash flow is vital to support operating requirements in addition to providing for renewal of existing assets over time to maintain community service standards.

Once the new AMP's are adopted and fully integrated with the LTFP, a greater degree of clarity as to Council's capital renewal requirements will be defined.

The table below illustrates the key financial indicators and benchmarks established by Council to monitor performance over the term of the financial plan.

Ratio	Target	Actual	On Track
Operating Surplus (5 year average)	0% - 5%	8.4%	*
Net Financial Liabilities	0% - 50%	22.7%	✓
Interest Cover	0% - 5%	2.0%	✓
Asset Sustainability	95% - 100%	101.4%	✓
Asset Consumption	80% - 100%	89.5%	✓

* The Operating Surplus Ratio is forecast to exceed the currently adopted target, however this is the level required to support operating requirements in addition to providing for renewal of existing assets over time to maintain community service standards.

All other ratios are within their targeted ranges with the exception of the Asset Sustainability ratio which is marginally above the established benchmark. Meeting these targeted ranges is consistent with Council meeting its objective of long-term financial sustainability.

CONCLUSION:

Feedback from the Audit Committee in regards to the inputs and assumptions used in the preparation of the draft ABP&B 2015/16 and draft LTFP will be incorporated into the on-going development of these documents prior to their presentation to Council on 28 April 2015. The LTFP and the Annual Business Plan & Budget 2015/16 are scheduled to be adopted by Council on 23 June 2015.

Appendix 1 – Environmental Scan

Appendix 2 – Reporting Schedule for ABP&B 2015/16 and the LTFP

Appendix 3 – Summarised Draft LTFP (including Draft ABP&B 2015/16 in year 1)

Environmental Scan – Strategic context

Key external issues:	
Area	Current or emerging issues and opportunities
Political environment	<ul style="list-style-type: none"> Enabling potential changes in new Council's delivery role / models to maximise public value
	<ul style="list-style-type: none"> Ongoing changes to Federal, State and Local Government policies and funding programs
	<ul style="list-style-type: none"> Community governance – growing expectation and desire to be effectively engaged in decision making requiring more active stakeholder management
	<ul style="list-style-type: none"> Participating in the 'Council of the future' review regarding the potential future direction, structure and amalgamation of local government, regional approaches and the ongoing debate regarding constitutional recognition for local government
Economic environment	<ul style="list-style-type: none"> National & international trends include: <ul style="list-style-type: none"> Greening supply chains Collaborative consumption, co-working spaces and sharing economy Retail everywhere – e-commerce and pop-up shops
	<ul style="list-style-type: none"> Marion's economic contribution to the State is well below our population percentage and the number of GST registered businesses in Marion is falling. There are now more Marion residents that work in Adelaide than in Marion. Our working population's level of education is generally higher than that required by the jobs available in Marion so we have many more working residents employed in higher level jobs than are available in Marion.
	<ul style="list-style-type: none"> Real pressures on the sustainability of local jobs. Targeted key growth areas are clean technology, advanced manufacturing and innovative technologies, particularly at Tonsley. The number of jobs in Marion remains static although our population is increasing. There is only one job in the City of Marion for every two working residents. The Marion unemployment rate is now significantly higher than the State average whereas for the past few years it has been lower.
	<ul style="list-style-type: none"> Opportunities to support small business through opening the Cove Civic Centre in 2015, improving the attractiveness of retail precincts and strips and through urban planning policy setting
	<ul style="list-style-type: none"> Compromised financial capacity of ratepayers in economic climate due to rising utility costs and declining interest rates.
Social and cultural environment	<ul style="list-style-type: none"> Population growth and changing demographics: <ul style="list-style-type: none"> Increase in 85+ year olds and pensioners Growth in education attainment levels Increase in young families Increase in new arrivals with lower disposable income Changing ethnicity
	<ul style="list-style-type: none"> Providing opportunities to build creativity, engagement and connectedness through the National Cultural Policy (2013) and National Arts Framework
	<ul style="list-style-type: none"> Increasing community interest in volunteerism is providing a varied skill base: <ul style="list-style-type: none"> Opportunities for all generations and inter-generational social connection Higher expectations of volunteers within workplaces Appropriate work health and safety, development and deployment of volunteers Longer working hours reducing the capacity for long-term volunteering and increasing the desire for more flexible periodic and short-term volunteering opportunities
	<ul style="list-style-type: none"> Place-making opportunities in Tonsley, transport hubs, local and main streets also linked with community governance approaches
Technological environment	<ul style="list-style-type: none"> Rapid technological change and wide application of social media, mobile devices and wireless and broadband networks <ul style="list-style-type: none"> Implications for Council's e-resources, communications and engagement strategy Changing digital economic conditions and global employment opportunities Increased access to data and information
	<ul style="list-style-type: none"> The increasing "Digital divide" within our community given varied levels of digital literacy to access services, employment opportunities, social and cultural networks, lifelong learning, teleworking and information.
Natural environment	<ul style="list-style-type: none"> SA Government energy and waste legislation: <ul style="list-style-type: none"> Draft terms of reference for the Nuclear Royal Commission – out for public comment SA Government 50% renewables commitment by 2025 SA retailer energy efficiency scheme for the commercial and residential sectors Zero Waste SA to be wound up on 30 June 2015 New proposed Green industries SA Bill to be drafted soon
	<ul style="list-style-type: none"> Impacts of a changing climate (increasing temperatures and longer heatwaves, reduced rainfall but increased rainfall intensity, increased fire danger days and increased sea levels) on: <ul style="list-style-type: none"> natural resources and ecosystems (including coastal and marine environments and water resources) infrastructure and built environment (urban heat islands) service level expectations for the public realm essential services emergency services manufacturing and business (business continuity support) community health and wellbeing
	<ul style="list-style-type: none"> Opportunities in biophilia and green infrastructure including whole-of-government green infrastructure strategy (SA) and the Living Adelaide initiative to mitigate the adverse impacts of urban planning and infill development on biodiversity/natural environments/ecosystems/water resources management/renewable energy and stormwater

	<p>infrastructure requirements 31</p> <ul style="list-style-type: none"> • Growth of localism - links to community gardening, urban bee keeping, verge gardening, food forager movement etc. • Emergence of Nature Play - this is particularly connected to our Biophilic aspiration in particular • Adverse impacts of pest plants and animals on natural ecosystems
Urban environment	<ul style="list-style-type: none"> • Changing Urban Development Policy direction of both State and Federal Governments: • SA Government planning system reform (Expert panel) • Boundary on urban sprawl – urban growth boundary • Renewal of social housing stock constructed before 1968 in next 15 years • Update of 30 Year Plan for Greater Adelaide and review of Southern Growth Corridor: <ul style="list-style-type: none"> • Ensure alignment with Council development plans: <ul style="list-style-type: none"> - Primary renewal areas identified in Edwardstown, Woodlands Park, South Plympton, Tonsley, Clovelly Park, Bedford Park, Mitchell Park, Marion, Oaklands and Warradale - Limited character and heritage areas – 4% at risk given proximity to Southern Rail corridor - Commercial development potential of Sheidow Park, Marion Road and Sturt Road - Unique topography of the Southern area requires different urban solutions - Limited open space in North
	<ul style="list-style-type: none"> • Population growth and urban infill <ul style="list-style-type: none"> - Increased traffic and limited on-street parking - Increasing demands on public places and spaces and public services - Competing pressures on open space and cultural heritage. - Predominantly low density housing - Limited mixed land use - Limited housing options that enable ageing in place - Growth in student accommodation - Higher than metropolitan average proportion of Housing SA tenants in central and northern Marion (<i>LGA Population Health Profile, November 2013</i>) - Impacts on stormwater, parking, biodiversity, urban heat islands
Transport and connectivity	<ul style="list-style-type: none"> • National/international transport trends (<i>TheFifthEstate.com.au</i>): <ul style="list-style-type: none"> - Dominance of cars causing congestion on roads and increased on-street parking demands - Driverless cars - SA legislation reform underway (Motor Vehicles Act, Road Traffic Act) - Fewer drivers – downward trend particularly with young people - Increased walking, cycling and public transport usage - Lightweight vehicles developed - Smart parking systems – greater use of technology - Big data, smarter transport for trucking and freight etc. - Car and bike sharing e.g. GoGet (Sydney) and Flexicar (Melbourne) • Road/rail/freight network: <ul style="list-style-type: none"> - South Road and Darlington interchange upgrades - Competing/overlapping transport systems within Marion - Partnership opportunities to promote healthier, active transport alternatives and to improve integration of transport options – walk, park & ride (leverage DPTI process) - Multiple arterial roads carrying high volume of through traffic - Transit corridors dividing communities - Rail corridor, Lonsdale Road, South Road, Sturt drain - Poor east-west connectivity - Unique terrain of the South combined with current transport services poses potential risk of isolation to residents that are ageing and mobility impaired increasing demand on community bus, neighbourhood centres and mobile library • Individual transport: <ul style="list-style-type: none"> - Narrow footpaths with limited resting/seating places – poor accessibility for mobility impaired Inefficient public transport services and long commute to work times - Poor transport linkages to public places and spaces, goods and services, local business and industry - Insufficient and poorly integrated walking & cycling networks - Inadequate car parking for public transport commuters • Maximise connectivity in and around major projects (Tonsley Park, Flinders, Westfield, Seaclyff Redevelopment, Castle Plaza/Edwardstown, Hallett Cove, Oaklands Wetland, regional sport and community facilities) to address: <ul style="list-style-type: none"> - physical activity - isolation and disadvantage - poor health outcomes - access to education, training and employment - access to open space and recreational facilities - access to arts and culture - public safety

Public health	<ul style="list-style-type: none"> • National and international trends on people redefining independent as they age – opportunity to focus more on individual wellbeing: <ul style="list-style-type: none"> - HACC transitioning to national and regional customer led wellbeing and reablement home support programs offering more choice of suppliers – impact on our services yet to be determined.
	<ul style="list-style-type: none"> • Aligning to the Four priority areas of Public Health legislation (South Australia a Better Place to live): <ul style="list-style-type: none"> - Increasing Opportunities for Healthy Living, Healthy Eating and Being Active - Preparing for Climate Change - Sustaining and Improving Public and Environmental Health Protection - Stronger and Healthier Communities and Neighbourhoods for All Generations, through: • Reconsideration of place based urban design and other Council services to encourage active living, healthy lifestyles and social connectivity for all age profiles • Need to continue and expand Crime Prevention Through Environmental Design • Opportunity to work more collaboratively with regional Councils
	<ul style="list-style-type: none"> • Reduced focus by State and Federal Governments on primary health services and facilities yet increased demand across all age profiles
	<ul style="list-style-type: none"> • Potential health issues around noise and air pollution around major traffic routes
	<ul style="list-style-type: none"> • Site contamination impact on residents in City of Marion – people displaced from their homes and potential for house values to be reduced
	<ul style="list-style-type: none"> • Higher than metropolitan average proportion of people with physically chronic conditions, mental health problems and psychological distress particularly in central and northern Marion (<i>LGA Population Health Profile, Nov 2013</i>)
	<ul style="list-style-type: none"> • Consideration of healthy eating habits, food security and ready access to fresh food within our City <ul style="list-style-type: none"> - Higher proportion than metropolitan average of overweight or obese people (<i>SAMSS data, May 2013</i>) - Higher proportion than metropolitan average of daily consumption of fruit and vegetables (<i>SAMSS data, May 2013</i>)
	<ul style="list-style-type: none"> • Higher proportion than metropolitan average of children not achieving recommended amount of physical activity (<i>SAMSS data, May 2013</i>)

Key internal pressures and opportunities:	
Area	Current or emerging issues and opportunities
Service provision	<ul style="list-style-type: none"> • Opportunity to develop more insightful understanding of customer value and service needs, including customer perspective in the development of service range and required service levels: <ul style="list-style-type: none"> - Accurate assessment of public value contribution and customer satisfaction levels - Greater effective use evidence for decision making - Continued focus on driving innovation and continuous improvement in a constrained budgetary environment • Funding and social and cultural impetus to adopt more collaborative service delivery models and better empower the community to participate and engage in place making and social enterprise
	<ul style="list-style-type: none"> • Opportunity to maximise public value focussed around the aspirations of the community as captured in the Community Plan • Alignment of risk management throughout the organisation
Long Term Financial sustainability	<ul style="list-style-type: none"> • Limited funding capacity for new strategic projects or incremental service improvements given current rates assumptions and funding position - need for greater collaboration, partnering and innovative funding solutions to achieve community outcomes in a challenging fiscal environment
	<ul style="list-style-type: none"> • Uncertainty of future interest rates and its impact on our future loan portfolio.
	<ul style="list-style-type: none"> • Increases in State Government fees and levies impact on the cost of delivering services
	<ul style="list-style-type: none"> • Increasing maintenance and utility costs impact on the cost of delivering services
Asset reliability and sustainability	<ul style="list-style-type: none"> • Reviewing our existing asset base in light of: <ul style="list-style-type: none"> • Increasing costs to maintain and renew our existing asset base • Understanding which assets could be repurposed, reused or disposed of in order to enhance other assets to better meet community needs • Investigating innovative asset management models e.g. share community use, public private partnerships and related business and retail opportunities
Employer of Choice	<ul style="list-style-type: none"> • Need to provide the appropriate technology tools and information resources for staff to connect, collaborate and do their jobs efficiently and effectively
	<ul style="list-style-type: none"> • Continued building of leadership and workforce capability and skills, particularly in the areas of project management, partnership models and industry experience
	<ul style="list-style-type: none"> • Embedding Work Health & Safety system improvements throughout the organisation
	<ul style="list-style-type: none"> • Sustaining a focus on delivery of outcomes during the period of uncertainty while a new CEO is appointed.

2015-16 Annual Business Plan and Budget, and Long Term Financial Plan Preparation Timelines

Report	Purpose	To	Date
1. Rating Strategy and Analysis	Valuer General Presentation and Workshop to consider 15/16 rating strategy and budget and scenario planning/modeling	Elected Member Workshop	3 March
2. Preparation of 2015/16 ABP&B	Workshop to bring together ABP&B key elements; final position on savings, rating strategy for 2015/16, grants and subsidies, fees and charges, funding priorities, services	Elected Member Workshop	31 March
3. Framework	Endorsement of integrated planning framework including the Council Plan, Long Term Financial Plan (LTFP) and ABP&B 2015/16, environmental scan, assumptions, schedule and key outcomes	Audit Committee	14 April
4. Council KPIs	Reviewing suite of Council's Key Performance Indicators for inclusion in Annual Business Plan – to be reported quarterly and then used as the basis for the annual report	Elected Member Workshop	21 April
5. Adopt Draft 2015/16 ABP&B and LTFP for public consultation	Endorsement of the Draft ABP&B 2015/16 for public consultation	General Council	28 April
6. Community Consultation	Minimum of 21 day public consultation period		6 – 26 May
7. Community feedback on Draft 2015/16 ABP&B and LTFP	Opportunity for community representation & outcomes of community consultation on Draft 2015/16 ABP&B and LTFP	General Council	26 May
8. Final Draft 2015/16 ABP&B and LTFP	Consideration of the final Draft ABP&B 2015/16 (including fees and charges schedule) and LTFP	Audit Committee	9 June
9. Draft Council Plan, 2015/16 ABP&B and LTFP	Endorsement of the LTFP, Council Plan and ABP&B 2015/16 for final adoption at the General Council Meeting on the 23 June Consideration of the summary of the City of Marion Annual Business Plan and Budget 2015/16	General Council	9 June
10. Financial Policies	Approval for Council's Financial Governance Policies	General Council	23 June
11. Adopt LTFP, Council Plan & ABP&B	Adoption of the LTFP, Council Plan and ABP&B 2015/16	General Council	23 June
12. Summary ABP&B 2015/16 for communication	Endorsement of the of the summary of the City of Marion Annual Business Plan and Budget 2015/16	General Council	23 June
13. Valuation	Adoption of the valuation for 2015/16	General Council	23 June
14. Rates Declaration	To declare the rates for the financial year 2015/16	General Council	23 June
15. Rate Rebates	Adoption of the applicable rebates 2015/16	General Council	23 June

Please note: These timeframes may be subject to minor alteration through the planning process.

	ABP&B 2015/2016 \$000's	2016/2017 \$000's	2017/2018 \$000's	2018/2019 \$000's	2019/2020 \$000's	2020/2021 \$000's	2021/2022 \$000's	2022/2023 \$000's	2023/2024 \$000's	2024/2025 \$000's
(a) Operating Revenue										
Rates										
General	68,429	71,465	74,635	77,946	81,404	85,015	88,787	92,726	96,840	101,136
Other	1,569	1,616	1,664	1,714	1,765	1,818	1,873	1,929	1,987	2,047
Statutory Charges	1,630	1,679	1,729	1,781	1,834	1,889	1,946	2,004	2,064	2,126
User Charges	1,633	1,682	1,732	1,784	1,838	1,893	1,950	2,009	2,069	2,131
Operating Grants and Subsidies	6,324	5,672	5,822	5,976	6,135	6,299	6,468	6,642	6,821	7,005
Investment Income	270	260	260	260	260	260	260	260	260	260
Reimbursements	773	796	820	845	870	896	923	951	980	1,009
Other	568	585	604	621	640	659	679	699	720	742
	81,196	83,755	87,266	90,927	94,746	98,729	102,886	107,220	111,741	116,456
(b) Operating Expenses										
Employee Costs	32,309	33,571	35,082	36,661	38,311	40,219	42,221	44,322	46,525	48,837
Contractual Services	15,036	16,762	17,157	18,281	18,981	19,421	19,917	20,657	21,071	21,732
Materials	4,628	4,758	4,901	5,048	5,199	5,355	5,516	5,681	5,851	6,027
Finance Charges	1,368	1,701	1,796	1,662	1,530	1,388	1,245	1,118	982	607
Depreciation	13,816	14,368	14,942	15,539	16,160	16,806	17,479	18,179	18,906	19,662
Other	6,091	6,194	6,379	6,909	6,775	6,978	7,187	7,773	7,635	7,864
Less	73,248	77,354	80,257	84,100	86,956	90,167	93,565	97,730	100,970	104,729
Operating Surplus/(Deficit) before Capital Revenues	7,948	6,401	7,009	6,827	7,790	8,562	9,321	9,490	10,771	11,727
Add Capital Revenue	1,815	1,825	1,834	1,844	1,855	1,865	1,876	1,888	1,899	1,911
Equals Net Surplus/(Deficit) resulting from operations	9,763	8,226	8,843	8,671	9,645	10,427	11,197	11,378	12,670	13,638
Adjust for non-cash items										
Add Depreciation	13,816	14,368	14,942	15,539	16,160	16,806	17,479	18,179	18,906	19,662
Less Share of Profit SRWRA (excl div)	315	325	334	344	355	365	376	388	399	411
Equals Funding available for Capital Investment expenditure	23,264	22,269	23,451	23,866	25,450	26,868	28,300	29,169	31,177	32,889
Capital										
Less Capital Expenditure - Renewal	14,757	16,913	15,901	17,314	19,427	19,997	20,224	23,201	22,749	22,168
Less Capital Expenditure - New	6,504	3,882	3,840	3,705	4,036	4,924	5,056	5,193	4,700	4,225
Less Capital - contributed assets	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Equals Net Overall funding Surplus/(Deficit)	503	(26)	2,210	1,347	487	447	1,520	(725)	2,228	4,996
Funding transactions associated with accommodating the above net overall funding deficit (or applying the net overall funding surplus) are as follows:										
	2015/2016 \$000's	2016/2017 \$000's	2017/2018 \$000's	2018/2019 \$000's	2019/2020 \$000's	2020/2021 \$000's	2021/2022 \$000's	2022/2023 \$000's	2023/2024 \$000's	2024/2025 \$000's
Loans										
Less Loan Principal Receipts (Net)	5,388	2,960	-	-	-	-	-	-	-	-
Loan Principal Payments	2,152	1,754	1,986	1,947	2,080	2,221	1,875	2,002	2,138	1,608
Loans - Increase/(Decrease)	3,236	1,206	(1,986)	(1,947)	(2,080)	(2,221)	(1,875)	(2,002)	(2,138)	(1,608)
Movement in level of cash, investments & accruals										
Less Reserves Transfer from/(Transfer to)	(22)	72	72	72	72	72	72	72	72	92
Funding Surplus/(Deficit)	3,717	1,252	296	(528)	(1,521)	(1,702)	(283)	(2,655)	162	3,480
Cash/Investments/Accruals Funding	3,739	1,180	224	(600)	(1,593)	(1,774)	(355)	(2,727)	90	3,388
Equals Funding Transactions	(503)	26	(2,210)	(1,347)	(487)	(447)	(1,520)	725	(2,228)	(4,996)

**CITY OF MARION
AUDIT COMMITTEE MEETING
14 APRIL 2015**

Originating Officer: Vincent Mifsud, Director
Subject: Debtors Reports and Debt Collection
Report Reference: AC140415R6.2

REPORT OBJECTIVES AND EXECUTIVE SUMMARY:

The purpose of this report is to provide the Audit Committee (AC) with a report on debts (including debtors age and debt collection), as was requested by the AC at their meeting on 14 October 2014.

Council Debtors

Council has two types of debtor categories that it manages:-

1. Sundry Debtors
2. Rates Debtors

Effective from the 24 February 2015 General Council meeting a copy of the Debtors Aged Reports for Sundry Debtors and Rates Debtors are now provided to Council as an appendix to the monthly Finance Report – please refer a copy of the 28 February 2015 Debtors Aged Reports that were included in the February 2015 Finance Report (GC240315R11) attached as Appendix 1.

Debt Collection Process

Sundry Debtors – A debt recovery procedure exists which includes the following key steps in regards to debt collection:-

- Monthly statements sent out directly to debtors
- Debtor Reports sent monthly to responsible officer (ie. originating officer)
- Reminder letters are sent to debtors once outstanding debt reach 60+ days
- Follow up phone calls and emails are sent to debtor by Sundry Debtors Officer as required
- Outstanding debt 90+ days is referred to the originating officers for follow-up with the debtor
- If no payment is made a letter is issued to the debtor requesting payment within 48 hours to avoid legal recovery action being taken
- If payment is not received within 7 days, instruction is given to the Debt Collection Agency to commence recovery proceedings
- Payment plans are put in place if appropriate to enable collection of outstanding debt

Rates Debtors – The following key steps are taken in regards to debt collection:-

- Overdue Notice is issued approximately one week after the last day to pay
- Repayment plan implemented where necessary
- Accounts remaining unpaid that are in arrears by > \$600 and more than 2 installments are referred to the Debt Collection Agency to commence recovery proceedings, including implementation of repayment plans where necessary

Council's rating policy provides support and assistance to eligible ratepayers through a number of different options including:-

- Postponement of Rates – Hardship
- Postponement of Rates – Seniors

It should also be noted that Council has the first legal right of call to recover any outstanding debts in full, including accumulated interest, from the disposal proceeds of the property when the property is:-

- Subsequently sold; or
- Becomes a deceased estate

RECOMMENDATIONS (2):

DUE DATES

That the Audit Committee:

- | | |
|---|----------------------|
| 1. Note this report. | 14 April 2015 |
| 2. Provide its feedback and guidance in regards to the Debtors Aged Reports that are now provided to Council in the monthly Finance Report and the outlined Debt Collection process. | 14 April 2015 |

CONCLUSION:

The Audit Committees feedback and guidance is sought in regards to the Debtors Aged Report that are now provided to Council in the monthly Finance Report and the outlined Debt Collection process.

Sundry Debtors Report - Aging report as at 28 February 2015

Debtor	Total Balance	Current	30 Days	60 Days	90 Days	90+ Days	Percentage of total 90+ day balance	Comments for 90+ Day balances
General Total	44,205.01	8,974.37	.00	3,025.00	.00	32,205.64	18%	Predominantly relates to three debtors with one being an ongoing payment regarding illegal tree removal (repayment plan is in place), two others have since paid (\$7,044.80 and \$12,534.19) in March 2015.
Hire of Council Facilities Total	35,403.81	14,821.66	659.60	9,779.52	60.00	10,083.03	6%	Made up of 19 out of 46 debtors in this category, with none individually significant.
Land Clearing Total	2,146.45	2,146.45	.00	.00	.00	.00	0%	
Sporting Clubs & Other Leases Total	214,467.39	44,038.63	32,750.00	86,084.33	6,082.38	45,512.05	26%	Made up of 8 out of 23 debtors in this category. One accounts for \$22,047.94 - almost 50% of the total aged debt. One debtor (\$4,652.88) is currently in default of a payment plan agreement made on 26/2/14 - notice of intention to commence legal action sent out 20/2/2015.
Extra Works Total	47,846.50	21,294.00	.00	2,050.00	.00	24,502.50	14%	Made up of 14 out of 21 debtors in this category, with none individually significant, one debtor has been put on a payment plan.
Swim Centre Debtors Total	26,045.50	20,755.95	1,026.00	3,603.95	.00	659.60	0%	Made up of 2 out of 23 debtors in this category, with none individually significant.
Grants & Subsidies Total	1,389,054.33	1,223,119.32	119,322.50	.00	.00	46,612.51	27%	\$33,000 relates to one debtor for Community Rec & Sports Funding - have received a total of \$143,000 for the project, with the remaining balance being actively followed up with the debtor. \$20,841.70 subsequently received in March 2015.
Environmental Health Total	12,232.29	2,527.00	1,907.20	674.60	.00	7,123.49	4%	Made up of 47 out of 95 debtors in this category, with none individually significant, one payment of \$371.00 has since been received in March 2015.
Supplier Refund Totals	766.80	96.80	.00	67.00	.00	.00	0%	
Tree Funds Total	4,814.00	1,273.16	.00	.00	.00	3,540.84	2%	Made up of 14 out of 20 debtors in this category, with none individually significant.
Marion Cultural Centre Total	16,657.85	5,858.60	5,560.50	605.00	.00	4,633.75	3%	Made up of 1 out of 10 debtors in this category.
Total	1,793,639.93	1,344,905.94	161,225.80	105,889.40	6,142.38	174,873.41		
Total Aging Profile		75%	9%	6%	0%	10%		

Category	Description
General	Anything that does not fit into one of the below categories.
Hire of Council Facilities	For hire of rooms in Neighbourhood Centres, etc - usually charged out at an hourly rate. Also includes cultural workshops and tours.
Land Clearing	Relates to the clearing of vacant land
Sporting Clubs & Other Leases	Rent, electricity, water, maintenance, etc charged out to lessees.
Extra Works	For repairs or modifications to infrastructure (footpaths, kerbs, driveway inverts). Can be at resident request.
Swim Centre Debtors	Outdoor Swimming Centre - used for lane hire, school visits, etc
Grants & Subsidies	Government grants and subsidies
Environmental Health	Food inspection fees
Supplier Refunds	Where a supplier owes the City of Marion funds. This category is used to keep track to ensure we have received payment for credits.
Tree Funds	Includes contribution from residents and/or developers for the removal and/or replacement of Council Street Trees and significant trees.
Marion Cultural Centre	For invoices relating to the Marion Cultural Centre

Rates Report - Collection of Rates to 28 February 2015

ANALYSIS OF OUTSTANDING RATES AS AT 28 FEBRUARY 2015

	<u>Note</u>		% of Total Annual Rates
CURRENT	1	\$ 21,683,134	32.3%
OVERDUE	2	\$ 795,491	1.2%
ARREARS	3	\$ 742,104	1.1%
POSTPONED	4	\$ 83,441	0.1%
LEGALS	5	\$ 23,645	0.0%
		<u>\$ 23,327,815</u>	34.8%
TOTAL ANNUAL RATES FOR 2014/15		<u>\$ 67,110,000</u>	

Note 1: Current

Current rates represent the total amount of rates levied in the current financial year that are not yet due for payment. For example at 1st January this represents Quarter 3 & Quarter 4 rates unpaid.

Note 2: Overdue

Overdue rates represent rates levied in the current financial year that remain unpaid past their due payment date. For example on 1st January, this represents rates from Quarter 1 and Quarter 2 that remain unpaid.

Note 3: Arrears

Rates in arrears represent rates and charges levied in previous financial years that remain unpaid .

Note 4: Postponed

Postponed rates represent any rates amount due by seniors that have been granted a deferral, until the eventual sale of their property, as allowable under the Local Government Act. Interest is charged on these deferred rates and is recoverable when the property is sold.

Note 5: Legals

Legals represent any legal fees, court costs that have been incurred by Council in the collection of rates in the current financial year. These amounts represent costs that have been on-charged to the defaulting ratepayers and are currently outstanding.

**CITY OF MARION
AUDIT COMMITTEE MEETING
14 APRIL 2015**

Originating Officer: John Silverblade, Manager Strategic Assets

Director: Heather Montgomerie, Director

Subject: Asset Management Plans Preliminary Report

Report Reference: AC140415R6.3

REPORT OBJECTIVES:

This report provides the Audit Committee with an update on the development of the City Of Marion's Asset Management Plans (AMPs). These plans are being developed for transport infrastructure (roads, footpaths, kerbing, bridges, signage and traffic control devices), open space, buildings, drainage and Coastal Walking Trail assets.

EXECUTIVE SUMMARY:

The key objectives of these AMPs are to:

- Outline the context for Strategic Asset Management Planning of the City of Marion's asset base.
- Apply the Asset Management Framework to the Council's asset portfolio.
- Effectively guide the Council's long term financial investment in its assets.
- Effectively manage the risks associated with the asset portfolio.

Future iterations of the AMPs will seek to:

- Ensure community requirements and expectations are translated into services through the application of appropriate service levels.
- Facilitate strategic asset management and the implementation of whole of life strategies to the asset portfolio.

As set out in the table below, a total of \$229.5 million has been forecast for operations, maintenance and renewal of Council's assets in the currently adopted Long Term Financial Plan (LTFP). In addition, the LTFP includes provision for \$24.1 million of new and necessary stormwater works which were identified in Council's adopted Stormwater Masterplans.

Current estimates for Council to operate, maintain and renew existing assets and new stormwater works equates to \$239 million over the life of the LTFP, excluding building renewals, as building renewal plans have not yet been developed. It is proposed that building renewal plans be developed over the coming 2 years. Given the current consumption of building assets, it would be reasonable to provision \$49 million (accumulated depreciation to 30 June 2014) for building renewals, pending the assessment of buildings and development of renewal plans.

LTFP Projections for operations, maintenance & renewal (excluding building renewal)	\$229.5 million
LTFP Projections for approved new stormwater works	\$24.1 million
Less Draft AMP forecasts for Operations, Maintenance & Renewal (excluding building renewals) + new stormwater works	(\$239.0 million)
Less proposed provision for Building Renewals	(\$49.0 million)
Projected funding shortfall based on currently adopted LTFP & draft AMP, including provision for building renewals	(\$34.4 million)

A separate report in this agenda proposes that the Community Facilities Partnership Program (CFPP) be retired and funding projections currently forecast for the CFPP in the LTFP be returned to 'Building Renewal', which would substantially reduce the forecast funding shortfall. However, any downward variation of rates/ revenue will further impact on available funding and necessitate review of Council's works and approach to its assets.

RECOMMENDATIONS (1):

DUE DATES

That the Audit Committee:

14 April 2015

1. Note the report

BACKGROUND:

In accordance with section 122(1a)(b) of the Local Government Act 1999 (the Act) Council must develop and adopt an infrastructure and asset management plan relating to the management and development of infrastructure and major assets by the Council for a period of at least 10 years. These plans are to become a component of the strategic management plans adopted by Council in accordance with Section 122 (1) of the Act.

At its meeting on the 10 June 2014 Council resolved, "*That Asset Management Plans are further developed and completed by end 2014/15. The Asset Management Plans should be developed based on criteria to be determined by council at the 22 July 2014 Council Meeting*", GC100614R01.

An Asset Management Review undertaken by BDO supported an approach whereby the AMP's should be prepared on the basis of maintaining existing levels of service and that the preparation of the plans on the basis of "like for like" renewal of assets would remove some of the doubt about the desired service level and provide a basis for determining the impact on assets and funding requirements should a future or desired level of service be sought.

Council adopted an Asset Management Policy including a Strategic Asset Management Framework on 14 August 2014 (GC120814R04) to reflect this approach. In addition, the policy supported the Audit Committee's recommendation that Council seek to maintain assets before renewing, and renew before acquiring new or upgraded assets. In accordance with the policy, no allowance has been included in the AMPs for new or upgraded works unless a Council resolution to proceed with new or upgraded works had been made prior to drafting of the AMPs.

Council is developing five asset management plans to cover Transport Infrastructure, Open Space, Buildings, Drainage, and Coastal Walking Trail. At this time, the plans are being prepared taking into account all existing information available, with action plans being

developed for improved asset management and asset planning (including data and systems improvement).

These draft plans will be presented to the 9 June 2015 Audit Committee meeting.

ANALYSIS:

Council's asset management needs to reflect the changing priorities and focus of Council, and to adapt as further assessments of asset condition are completed and community needs and expectations are clarified.

To achieve this outcome, further development revolves around five key result areas being:

- Further expansion of internal audit processes,
- Improved data capture and use,
- Further development and definition of existing and desired service levels,
- Review of asset delivery methodology,
- Further development of asset replacement and renewal strategies.

The plans will highlight areas of operational improvement by way of driving the development of renewal and service strategies where these do not exist to a high degree. The plans also highlight the need for on-going discussion with the elected members and the community regarding service standards to be delivered within Council's available resources.

The following comments summarise the progress and issues arising for each of the plans.

Buildings

The Building AMP covers 106 Council buildings with an estimated 'like for like' renewal value of approximately \$122 million, requiring an operating, maintenance and minor renewal spend in the order of \$6.9 million per annum. At this stage, the AMP does not include renewal costs other than those identified in the plan for the City Services (Depot) and Hallett Cove Civic Centre redevelopments as renewal plans have not yet been developed for all buildings.

A number of the organisation's building assets are approaching the later years of their lives and will require renewal. It is therefore critical that the renewal costs of these assets are incorporated into asset management planning. It is proposed that building renewal plans be developed over the coming 2 years. Given the current consumption of building assets, it would be reasonable to provide \$49 million (accumulated depreciation to 30 June 2014) for building renewals, pending the assessment of buildings and development of renewal plans.

The Building AMP does not include any building renewals or upgrades as identified, for example, in recent Sports Masterplans.

A key opportunity for improvement in the Building AMP will be to review utilisation, community need and development of renewal plans (or, in some cases, Council may wish to prioritise disposal of under-utilised assets).

The AMP does not include maintenance of buildings where a lease exists as maintenance is the responsibility of the leaseholder. Council understands that in some cases this maintenance is not being carried out to the full extent required to prolong the life of assets under lease, and further recommendations will be made in respect of this issue as building renewal plans are developed.

Open Space

The Open Space AMP covers open space assets including playspaces, outdoor furniture, fencing, etc with an estimated 'like for like' renewal value of approximately \$32.2 million, requiring an operating, maintenance and renewal spend in the order of \$4.8 million per annum, excluding upgrades.

Since drafting of the plan, Council has resolved to undertake additional open space works including a dog park at Trott Park, installation of a toilet at Southbank Reserve, playspace upgrades at Edwardstown and Plympton, as well as a major playground development at Jervois Street. While not incorporated into the plan as drafted, the impact of these will be contained in a covering report and will be incorporated into the LTFP.

Many of the open space assets are approaching the end of their useful lives. An audit undertaken in 2012 found that 67% of the playspaces were below average and 76% were identified as having poor or very poor play and community value. Issues included restricted access, limited parent or carer facilities, limited creative play opportunities, and limited diversity and challenge.

The Open Space AMP originally presented to Audit Committee (AC300713R5.2) included projections of levels of service that represented significant upgrades rather than 'like for like' renewal. This had the effect of adding in the order of \$20.6 million to the forecast resource requirements over the life of the LTFP (or \$43.2 million over the 20 year life of the AMP).

The open space asset management plan has been redrafted in line with the Strategic Asset Management Framework. This has resulted in a significant reduction in the projected demands on the LTFP. It should be noted that all future upgrades or new works will require prioritisation in accordance with the framework and as such no upgrade or new works have been included in this plan.

The AMP will include renewal on a like for like basis, that is, the renewal of an individual piece of equipment of the same or similar standard as required rather than the replacement of the entire playspace and surrounding facilities with a higher standard.

The Playspace Strategy is currently under review, and when completed this will provide a basis for Council's setting of service standards and associated costs.

Drainage

The Drainage AMP covers drainage and stormwater infrastructure with an estimated 'like for like' renewal value of approximately \$188.8 million, requiring an operating, maintenance and renewal spend in the order of \$3.0 million per annum.

Due to the long life expectancy of drainage assets (100 years) the long term lifecycle cost has examined the operation, maintenance and capital requirements in excess of the 10 to 20 years normally dealt with in an asset management plan. This shows a potential requirement of approximately \$50 million in renewal funding in 2065, however this is well beyond the current asset management plan and LTFP horizon and will be considered in future iterations of the plan.

In addition to maintaining and renewing its existing drainage assets, Council has adopted stormwater management plans (SMPs) for two of its four catchment areas. The first, a joint project with the City of Holdfast Bay, broadly covers the area from Glenelg to Marino and from the Sturt Creek to the coast, the second covers the area of the Hallett Cove Creeks. These plans have provided information on necessary stormwater works, prioritisations and cost estimates within the relative catchments. Given that these plans have been adopted by

Council, this information along with the council's current drainage works program has been used in the development of this report. The scope of works covers 83 projects totalling approximately \$35.4 million over the 20 year forecast, which is predominantly new and upgrade works.

It is intended to complete the remaining two catchment studies over the life of this plan and the outcomes of these studies will be incorporated in future iterations of the plan. Work has commenced on the Mitcham, Marion, West Torrens and Unley council catchment. It is expected that this work will be completed over the next 2 to 3 years.

Coastal Walking Trail

Coast Park was a State Government initiative to develop a 70 k m linear park along the Adelaide metropolitan coastline from Sellicks Beach to North Haven, with maintenance and renewal of sections of the Coastal Walking Trail now the responsibility of each Council. The Coastal Walking Trail forms a 7.2 km section between Hallett Cove and Marino which has a 'like for like' renewal value of approximately \$15 million, requiring an operating, maintenance and renewal spend in the order of \$363,000 per annum.

While the maintenance of the trail is funded future renewal costs fall outside the scope of the report and will need to be considered in future iterations of the AMP.

The work also considered a 2012/13 study to provide realignment / upgrade works to the trail, which would provide improved assess and reduced replacement costs by using existing contours, totalling approximately \$14.7 million. Further design work will be required prior to renewal or upgrade works as the trail's alignment runs through areas of significant biodiversity including remnant coastal heathland. This work has not been included in this version of the plan.

Transport

The Transport AMP covers road seals, pavements, kerbs, footpaths, bus shelters, walking and cycling trails and other transport infrastructure with an estimated 'like for like' renewal value of approximately \$502 million, requiring an operating, maintenance and renewal spend in the order of \$8.7 million per annum.

Analysis of the road audit has identified opportunities to implement alternative seal treatments and the need to renew some pavements, resulting in changes to the intervention methodology and program with some pavement reconstructions now included.

This change in methodology will be monitored over future years and the impact on the road network validated by further audits and analysis including specific inspections.

In accordance with the Strategic Asset Management Framework the AMP does not include new or upgraded works to the transport network. The AMP will highlight the opportunity to allocate funding to the completion of the bus stop upgrade program that is required to be completed by 2020, the upgrade of the council's kerb ramps.

INTERNAL ANALYSIS:

Consultation

Consultation is being undertaken with the asset owners as required to develop the plans.

Legal / Legislative and Risk Management

The asset management plans will meet the requirements of the Local Government Act 1999. A key component of the asset management plans is risk management. This is driven both through understanding risk, utilising the organisations risk management tools, and putting these in practice through condition audits and usage practices.

Financial Implications

The asset management plans are intended to inform the organisations financial plan in relation to the allocation of funding for maintenance and renewal expenditure. The financial outcomes of the asset management plans will be inform the LTFP, which in turn will identify where potential funding gaps may exist.

Resource (capacity) implications

The Asset Management Review undertaken by BDO in 2014 identified that the collection, collation and reporting of all of the core information and the ability to readily and systematically integrate this into AMP's is a significant activity that requires time, effort, and resource input to achieve.

The resources needed to ensure that all facets of the plans are implemented and supported are being reviewed to ensure sustainability.

Policy Implications

The asset management plans support the principles of Council's asset management policy and accepted asset management practice, in particular that maintenance of existing assets be a priority over renewal as good maintenance extends the asset life, and renewal occurs before the acquisition of new assets, where the existing asset is still required for service delivery, thus minimising the deterioration of existing assets at the expense of new. The plans support the Strategic Asset Management Framework and Prioritisation Process.

CONCLUSION:

Asset management plans are being developed and implemented in accordance with the requirements of the Local Government Act 1999, for transport infrastructure, buildings, open space, Coastal Walking Trail and drainage assets. The plans support the Council's forward planning framework.

The council utilises the templates developed in conjunction with the Local Government Association and industry bodies to ensure a best practice local government approach to asset sustainability and management.

Work on AMPs is substantially complete, with further work currently being undertaken to ensure alignment with Council's Asset Management Policy, to align draft AMPs with the LTFP, and to support Council in its asset-related decision making.

**CITY OF MARION
AUDIT COMMITTEE MEETING
14 APRIL 2015**

Originating Officer: Heather Montgomerie, Director
Subject: Community Facilities Partnership Program Funding
Report Reference: AC140415R6.4

REPORT OBJECTIVES:

This report outlines the background to the Community Facilities Partnership Program (CFPP) funding, and makes recommendations regarding its future use in light of Council's recently adopted Asset Management Policy (AM Policy) and the suite of Asset Management Plans (AMPs) that are currently being drafted.

EXECUTIVE SUMMARY:

The CFPP was established by Council resolution in 2010 (GC140910R08). The intention of the CFPP was that the Council work in partnership with community clubs and organisations to achieve improvements in the provision of community facilities. The primary objective of the program was to build the capacity and sustainability of Council facility users.

On September 2009 (GC220909R04) Council adopted a Long Term Financial Plan (LTFP) which forecast capital renewal expenditure on community facilities in the order of \$20 million over the 10 year period from 2010/11 through to 2019/20. Importantly, this amount included disability access (DDA) works, asbestos removal, open space buildings, minor structural renewal and tennis courts amounting to \$4.3 million. Following the resolution in September 2009, \$15.7 million of this renewal funding was rebadged as the 'Community Facilities Partnership Program'.

It was envisaged that the CFPP would increase the available funding for community facility projects by using Council renewal funding as leverage to attract a contribution from facility occupants and grant funding from other levels of government. Furthermore it was anticipated that the program would provide an equitable and consistent approach to assessing and allocating resources towards community facility projects.

What has transpired, however, is that only a small number of projects have been successful in seeking funds from the CFPP and those are generally larger clubs with the wherewithal to raise and seek external funding, and many of these projects have been works that would be considered 'upgrade or new' under Council's recently adopted AM Policy. This has resulted in a more opportunistic approach to building maintenance, renewal and upgrade, rather than a planned approach based on building condition and utilisation.

In addition, draft AMPs are currently being prepared in line with Council's adopted AM Policy (refer to separate report in this agenda). While sufficient funding has been forecast in the current adopted LTFP for maintenance and renewal of most critical and important assets, there are currently no building renewal plans in place and renewal costs are not included in the draft Building AMP.

It is expected that building renewal plans for Council's 106 buildings will be developed within two years, but in the meantime it is proposed that Council make some provision for building

renewals in its LTFP considerations. While some funding capacity is forecast in the LTFP, it is unlikely to meet building renewal requirements based on the current rate of building consumption. The accumulated depreciation of Council's buildings to 30 June 2014 is in the order of \$49 million, so it is proposed that a provision of this amount be included in the 10 year LTFP and that this amount be refined as further information on building renewal requirements comes to hand (refer to separate report in this agenda 'Asset Management Plans Preliminary Report').

The CFPP is specifically included in the LTFP as a component of 'building renewal' funding, and it is proposed that the funding currently forecast for the CFPP be designated for this purpose, rather than building upgrades. This approach would substantially close the gap between the funding capacity forecast in the LTFP and the likely building renewal funding requirements.

Building renewal funding could potentially then be used to leverage grant funding for building upgrades, at the point in time where renewal funding is designated for a particular building that has reached the end of its asset life (based on condition and utilisation).

RECOMMENDATIONS (2):

DUE DATES

That the Audit Committee:

- | | |
|---|---------------|
| 1. Recommend to Council that the Community Facilities Partnership Program (CFPP) be retired and funding projections currently forecast for the CFPP in the Long Term Financial Plan be returned to building renewal to ensure investment in community facilities is in line with Council's adopted Asset Management Policy. | 14 April 2015 |
| 2. Note that building renewal plans are to be developed over the coming two years to better inform funding requirements and estimated timing for structural renewal of buildings. | 14 April 2015 |

DISCUSSION:

The CFPP has been operational since 2010/11. The table below sets out the provision that has been made in the LTFP in each year since, and the amount committed towards projects from the CFPP in each year.

Year	LTFP Provision \$	Funding Commitment \$	EOY balance (including \$ carried forward)
2010/11	200,000	0	200,000
2011/12	877,063	250,000	827,063
2012/13	800,000	390,625	1,236,438
2013/14	900,000	1,667,788	468,650
2014/15*	1,400,000	0	1,868,650

* EOY balance for 2014/15 is current balance at 8/4/2015

At the time the CFPP was commenced, in the order of \$20 million was forecast for capital renewal expenditure for community buildings, of which \$4.3 million was designated for disability access (DDA) works, asbestos removal, open space buildings, minor structural renewal and tennis courts, and \$15.7 million was 'rebadged' as CFPP funding. However, it is important to note that this is a projected amount only – the funds for future years have not yet

been collected and any downward variation of rates/revenue will impact on available funding overall and may necessitate review of Council's works and approach to its assets.

The stated objectives of the CFPP were to:

- Encourage a partnership approach to achieving quality community facilities across the City of Marion;
- Increase the available funding for community facility projects through a contribution from facility occupants and other levels of government, as well as Council;
- Enable facility occupants to influence projects and the allocation of Council resources to community facility improvements; and
- Adopt an equitable and consistent approach to assessing and allocating resources towards community facility projects.

While the availability of CFPP has attracted funds from other parts of government, contributions from occupants has been relatively modest in the overall funding picture, with a total of \$2,308,413 from the CFPP, \$1,078,436 from external funding partners and \$99,477 from occupants. Funds have been allocated to projects where external and occupant funding has been forthcoming, and these projects have primarily been for upgrade or new works which places further pressure on Council's LTFP and AMP forecasts, as these projects generally result in higher ongoing maintenance and renewal costs.

Furthermore, where community facilities are under lease to clubs and community groups and it is the responsibility of lease holders to undertake maintenance works, there is some evidence to suggest that the full extent of maintenance required to prolong the life of assets is not being carried out. This has the effect of bringing forward required renewal works (as evidenced in recent cases of light tower failures) and therefore supports greater focus on maintenance and renewal activities rather than new or upgraded facilities.

While renewal plans do not currently exist for the majority of Council's 106 building assets, it is proposed that these be developed over the next two years. The process of developing renewal plans will consider a range of elements including condition, demand/utilisation, alternative means of service delivery, likely renewal costs, etc. Throughout this process it may be possible to identify some building assets that may be surplus and therefore offer potential for disposal, which may ease the pressure on Council's maintenance and renewal forecasts.

In an environment where many community facilities are in a poor state of repair or likely to require work in the foreseeable future, it is recommended that CFPP funds be designated specifically for building renewal to allow allocation of funds to occur according to priority need, and as existing assets reach the end of their useful lives.

Should it be deemed appropriate, building renewal funding could potentially be used to leverage grant funding for building upgrades, at the point in time where renewal funding is designated for a particular building that has reached the end of its asset life (based on condition and utilisation).

INTERNAL ANALYSIS:

Financial Implications

Specifically designating CFPP projected funding to Building Renewal will place Council in a more favourable position in terms of its ability to meet building renewal requirements and objectives, consistent with Council's adopted AM Policy.

Policy Implications

This approach is consistent with Council's AM Policy which supports an asset management approach whereby maintenance of existing assets be a p riority over renewal as good maintenance extends the asset life, and renewal occurs before the acquisition of new assets where the existing asset is still required for service delivery.

CONCLUSION:

In order to better support sustainable management of Council's existing building assets, it is proposed that the CFPP be retired and funding projections currently forecast for the CFPP in the LTFP be returned to building renewal. While building renewal plans do not currently exist, it is proposed that these be developed within the coming 2 y ears to better inform investment decisions.

As renewal plans are developed for each building, Council may wish to use renewal funds designated to a particular building to leverage external funding for replacement of that building at the end of its existing useful life.

49
CITY OF MARION
AUDIT COMMITTEE MEETING
14 April 2015

Originating Officer: Heather Montgomerie, Director
Subject: Acquisition and Disposal of Land Assets Policy
Report Reference: AC140415R6.5

REPORT OBJECTIVES:

The purpose of this report is to seek the Audit Committee's endorsement of a revised 'Asset Management Policy' (AM Policy) and new 'Disposal of Land and Assets Policy'.

This responds to an earlier resolution/recommendation of the Audit Committee that Council's existing 'Acquisition and Disposal of Land Assets Policy' (A&DLA Policy) be reviewed in the context of the AM Policy adopted in August 2014 (GC120814R04).

EXECUTIVE SUMMARY:

Following adoption of Council's AM Policy it was considered appropriate that the A&DLA Policy be reviewed to ensure consistency.

The areas shaded yellow in the Strategic Asset Management Decision Making Matrix (contained within the Asset Management Policy - Appendix 2) highlight opportunities to either acquire new assets or dispose of assets that are considered discretionary (following consultation processes, where applicable), or Council may resolve to maintain and renew them, in which case they would be appropriately factored into Asset Management Plans.

Furthermore, the AM Policy requires that prior to renewal of assets, consideration be given to more efficient and effective means of service delivery prior to investment. This may give rise to the opportunity for reducing scale of the asset or disposing of the asset in the event that another asset could provide the same service, or a non-asset solution is available.

With respect to the A&DLA Policy, it is a requirement of the *Local Government Act 1999* (the Act) that Council adopt policies on contracts and tenders, including policies on the sale or disposal of land or other assets.

A review of Council's existing policies and the relevant provisions of the Act has highlighted the opportunity to address acquisition and disposal of land assets through the following actions including consolidation of a number of Council policies, thus reducing the volume and complexity of documents relating to acquisition and disposal of assets.

- The provisions of the existing A&DLA Policy relating to 'Acquisition Criteria' are also dealt with in Council's AM Policy, Prudential Management Policy and Procurement Policy, so there is no need to duplicate them further.
- Consultation provisions contained in the existing A&DLA Policy are dealt with in Council's existing Community Consultation Policy, so there is no need to duplicate them further.
- Consolidating relevant disposal provisions of Council's A&DLA Policy and Disposal of Assets Other Than Land Policy into a single Disposal of Land and Assets Policy will meet the requirements of Section 49 of the Act, reduce the number of Council policies by one and ensure consistency of approach across various asset types.
- Minor amendments to the AM Policy will clarify the linkages between the various policies.

RECOMMENDATIONS (2)**DUE DATES**

That the Audit Committee recommend to Council:

- 1. Adoption of a revised Asset Management Policy, clarifying linkages to other relevant Council policies; 14 April 2015**
- 2. Adoption of a Disposal of Land and Assets policy, replacing the 'Acquisition and Disposal of Land Assets Policy' and 'Disposal of Assets Other Than Land Policy'. 14 April 2015**

DISCUSSION

Council's existing A&DLA Policy goes some way to meeting the requirements of the Act with respect to policies on contracts and tenders, including the sale or disposal of land or other assets, however the policy refers only to land assets, whereas the requirements of the Act are broader (land and assets). While other policies exist as outlined below, they have not been updated for some time.

In 2012 the LGA developed a 'Guide Policy for Disposal of Land and Assets' which meets the requirements of the Act, and it is proposed that Council adopt a policy based on that guide covering both land and other assets. A draft policy is set out as Appendix 1 for consideration.

It is further proposed that the AM Policy have minor amendments made, as set out in Appendix 2, which would clarify the linkages between policies to avoid the need for duplication.

Council has a range of policies that are relevant to acquisition and disposal of assets, including:

Policy	Relevance
A&DLA Policy	Sets materiality levels in accordance with accounting standards and other principles
Asset Accounting Policy	Sets materiality levels amongst other matters.
Asset Management Policy	Establishes broad objectives and a decision matrix to inform preparation of asset management plans
Community Consultation Policy	Captures legislative responsibilities to consult, and outlines the City of Marion's approach to community consultation
Disposal of Assets Other than Land Assets Policy	Considers disposal of vehicles, major plant, and 'assets of value' other than vehicles and major plant by one of 3 methods (trade in, auction, sale by tender)
Procurement Policy	Sets out good procurement practice to achieve value for money, broad enough to apply to Council's wide range of procurement activity
Prudential Management Policy	Guides Council's investment decision making for projects to ensure alignment and accountability

Since adoption of the majority of these policies, Codes of Conduct have also been gazetted for Council Employees and Elected Members under the Act. These may also be relevant in terms of 'benefits' that may accrue if open and transparent disposal methods are not in place. The LGA template (appendix 1) explicitly states that "*Elected members and employees of the Council will not be permitted to purchase Assets unless the purchase is via an open tender process or an auction, and the tender submitted or bid made is the highest.*"

Further section 5.3 of the LGA Guide proposed a register of interest for Minor Plant and Equipment that would require Council to maintain a register of parties who may be interested in items becoming available for disposal for 12 months, then contact the parties inviting bids if/when the particular item became available. This was considered an onerous process, so an alternative is proposed whereby a list of available items is published inviting bids within a thirty day period. Decision criteria are further proposed to promote transparency.

CONCLUSION:

Minor amendments to the AM Policy will clarify that the same decision making matrix (Appendix 2) used to identify where prioritisation needs to occur for asset acquisitions or upgrades can also be used to identify where prioritisation opportunities exist for asset disposals.

Existing prudential management and procurement policies cover off adequately on acquisition of land assets, leaving an opportunity to simplify the City of Marion's suite of policies by consolidating all provisions relating to asset disposals into one policy based on a template developed by the LGA to meet the requirements of the Act.

Disposal of Land and Assets Policy



POLICY STATEMENT

The Local Government Act (the Act)¹ requires Council to develop and maintain policies, practices and procedures directed towards the sale or disposal of land or other assets to:

- obtain value in the expenditure of public money; and
- provide for ethical and fair treatment of participants; and
- ensure probity, accountability and transparency in all disposal processes.

The Act requires that Council prepare and adopt a range of policies, including a policy relating to the sale of land and other assets. The policy seeks to identify circumstances where Council will call for the disposal of land or other assets, and set out associated processes.

DEFINITIONS

In this Policy, unless the contrary intention appears, these words have the following meanings:

Asset means any physical item that the Council owns and that has at any time been treated pursuant to the Australian Accounting Standards as an 'asset'. It includes Major Plant and Equipment such as infrastructure and buildings it **does not include** financial investments, trees or Land.

Land includes community land, vacant land, operational land, road reserves, any legal interest in land, and any other land-related assets, including all buildings (community and operational) on Land.

Major Plant and Equipment includes all major machinery and equipment owned by the Council. It includes all trucks, graders, other operating machinery and major plant items. It does not include Minor Plant and Equipment.²

Minor Plant and Equipment includes all minor plant and equipment owned by Council. It includes all loose tools, store items, furniture, second hand items removed from Major Plant and Equipment (such as air conditioners, bricks and pavers) and surplus bulk items (such as sand and gravel).

POLICY PRINCIPLES

Council must have regard to the following principles in its disposal of Land and Assets:

- Encouragement of open and effective competition
- Obtaining value for money (not restricted to price alone). An assessment of value for money may include the consideration of;
 - the contribution to Council's long term financial plan and strategic management plans;
 - any relevant direct and indirect benefits to Council, both tangible and intangible;
 - efficiency and effectiveness;

¹ Local Government Act 1999 (SA) s 49(1)(d)

² Materiality; Infrastructure, land and buildings \$5000. Furniture, equipment and other \$3 000. GC240614R03 - Asset Accounting Policy

- the costs of various disposal methods;
- internal administration costs;
- risk exposure; and
- the value of any associated environmental benefits.
- Council is to behave with impartiality, fairness, independence, openness and integrity in all discussions and negotiations.
- Ensuring compliance with all relevant legislation including;
 - Local Government Act 1999 (SA)
 - Real Property Act 1886 (SA)
 - Land and Business (Sale and Conveyancing) Act 1994 (SA)
 - Development Act 1993 (SA)
 - Retail and Commercial Leases Act 1995 (SA)
 - Residential Tenancies Act 1995 (SA)
 - Strata Titles Act 1988 (SA)
 - Crown Land Management Act 2009 (SA)
 - Community Titles Act 1996 (SA)
 - Roads (Opening and Closing) Act 1991 (SA)
 - Land Acquisition Act 1969 (SA).

CONSIDERATIONS PRIOR TO DISPOSAL OF LAND AND ASSETS

Any decision to dispose of Land and Assets will be made after considering (where applicable):

- the usefulness of the Land or Asset;
- the current market value of the Land or Asset;
- the annual cost of maintenance;
- any alternative future use of the Land or Asset;
- any duplication of the Land or Asset or the service provided by the Land or Asset;
- any impact the disposal of the Land or Asset may have on the community;
- any cultural or historical significance of the Land or Asset;
- the positive and negative impacts the disposal of the Land or Asset may have on the operations of the Council;
- the long term plans and strategic direction of the Council;
- the remaining useful life, particularly of an Asset;
- a benefit and risk analysis of the proposed disposal;
- the results of any community consultation process;
- any restrictions on the proposed disposal;
- the content of any community land management plan; and
- Other relevant policies of the Council, including:
 - Asset Accounting
 - Asset Management
 - Community Consultation
 - Procurement
 - Prudential Management

DISPOSAL METHODS

1. LAND DISPOSAL

The Council may resolve to dispose of Land.

- 1.1.1 Where the Land forms or formed a road or part of a road, the Council must ensure that the Land is closed under the *Roads Opening and Closing Act 1991* (SA) prior to its disposal.
- 1.1.2 Where Land is classified as community land, the Council must:
 - 1.1.2.1 undertake public consultation in accordance with the Act and the Council's public consultation policy; and
 - 1.1.2.2 ensure that the process for the revocation of the classification of Land as community land has been concluded prior to its disposal; and
 - 1.1.2.3 comply with all other requirements under the Act in respect of the disposal of community land.³
- 1.1.3 Where the Council proposes to dispose of Land through the grant of a leasehold interest, the Council must have complied with its obligations under the Act, including its public consultation obligations under Section 202 of the Act.
- 1.1.4 The Council will, where appropriate, dispose of Land through one of the following methods:
 - 1.1.4.1 *open market sale* - advertisement for disposal of the Land through the local paper and where appropriate, a paper circulating in the State, or by procuring the services of a licensed real estate agent and/or auctioneer (following compliance with the Council's Procurement Policy);
 - 1.1.4.2 *expressions of interest* - seeking expressions of interest for the Land;
 - 1.1.4.3 *select tender* - seeking tenders from a selected group of persons or companies;
 - 1.1.4.4 *open tender* - openly seeking bids through tenders, including public auction;
 - 1.1.4.5 *by negotiation* – with owners of land adjoining the Land or others with a pre-existing interest in the Land, or where the Land is to be used by a purchaser whose purpose for the Land is consistent with the Council's strategic objectives for the Land.
- 1.1.5 Selection of a suitable disposal method will include consideration of (where appropriate):
 - 1.1.5.1 the number of known potential purchasers of the Land;
 - 1.1.5.2 the original intention for the use of the Land;
 - 1.1.5.3 the current and possible preferred future use of the Land;
 - 1.1.5.4 the opportunity to promote local economic growth and development;
 - 1.1.5.5 delegation limits, taking into consideration accountability, responsibility, operation efficiency and urgency of the disposal;
 - 1.1.5.6 the total estimated value of the disposal; and
 - 1.1.5.7 compliance with statutory and other obligations.
- 1.1.6 The Council will not dispose of Land to any Council Member or employee of the Council who has been involved in any process related to a decision to dispose of the Land and/or the establishment of a reserve price.
- 1.1.7 If Land is to be auctioned or placed on the open market or disposed of by an expression of interest, then (unless the Council resolves otherwise) one independent valuation must be obtained to establish the reserve price for the Land. The independent valuation must be made no more than 6 months prior to the proposed disposal.
- 1.1.8 If Land is to be disposed of via a select tender or direct sale, then (unless the Council resolves otherwise) a minimum of two independent valuations must be obtained to ensure that an appropriate market value is obtained. The

³ The Act may be amended from time to time.

independent valuation must be made no more than 6 months prior to the proposed disposal.

- 1.1.9 The Council will seek to dispose of Land at or above current market valuation by whichever method is likely to provide the Council with a maximum return, unless there are reasons for the Council to accept a lesser return which is consistent with the Council's overall strategic direction. These reasons must be documented in writing.
- 1.1.10 If the disposal is not to be on the open market, the disposal should be at or above the current market valuation (with due regard to all associated costs to achieve the transaction or such other amount as the Council resolves).

1.2 ASSETS DISPOSAL

The sale of Assets (both Major Plant and Equipment and Minor Plant and Equipment) will be the responsibility of the relevant Council Officer who is responsible for those Assets and who has the necessary delegations.

- 1.2.1 The Council will, where appropriate, dispose of Assets through one of the following methods:
 - 1.2.1.1 *trade-in* – trading in equipment to suppliers;
 - 1.2.1.2 *expressions of interest* – seeking expressions of interest from buyers;
 - 1.2.1.3 *select tender* – seeking tenders from a selected group of persons or companies;
 - 1.2.1.4 *open tender* – openly seeking bids through tenders;
 - 1.2.1.5 *public auction* – advertisement for auction through the local paper and, where appropriate, a paper circulating in the State, or procuring the services of an auctioneer (following compliance with the Council's Procurement Policy).
- 1.2.2 Selection of a suitable method will include consideration of (where appropriate):
 - 1.2.2.1 the public demand and interest in the Asset;
 - 1.2.2.2 the method most likely to return the highest revenue;
 - 1.2.2.3 the value of the Asset and whether it is Major Plant and Equipment or Minor Plant and Equipment;
 - 1.2.2.4 the costs of the disposal method compared to the expected returns; and
 - 1.2.2.5 compliance with statutory and other obligations.
- 1.2.3 Preference will be given to community groups for Minor Plant and Equipment
- 1.2.4 Elected Members and employees of the Council will not be permitted to purchase Assets unless the purchase is via an open tender process or a public auction, and the tender submitted or bid made is the highest.
- 1.2.5 Purchasers of Assets must be required to agree in writing that before purchasing any Asset that no warranty is given by the Council in respect of the suitability and condition of the Asset for the purchaser and that the Council will not be responsible for the Asset in any respect following the sale.

1.3 MINOR PLANT AND EQUIPMENT: REGISTER OF INTEREST

Where Minor Plant and Equipment has not been disposed of through any of the processes in clause 1.2 of this Policy, the City of Marion will publish a list of surplus items and seek offers for their disposal. Decision making will be supported by the following provisions:

- 1.3.1. If two or more offers are the same and one is from within the City of Marion area but the other is not, preference is to be given to the offer within the City of Marion.
- 1.3.2 If two or more offers are the same and one is from a community group, preference is to be given to the community group.
- 1.3.3 If two or more offers are the same and one is from a staff member or elected member and the other is from a community member, preference is to be given to a community member.
- 1.3.4 If the above process does not yield a preferable result as indicated, a random draw be conducted and no further correspondence entered into.

2. CONSULTATION

Council must undertake public consultation in respect of its proposed disposals in accordance with the Act and its public consultation policies where applicable.

3. DELEGATIONS

Council or its officers with delegated authority will, when implementing the decisions under this policy, act in accordance with the Council's budget, relevant policies, plans, agreements and resolutions.

Council acknowledges that the Chief Executive Officer may sub-delegate matters related to this policy to staff or other persons employed or engaged by Council.

4. RECORDS

Council must record reasons for utilising a specific disposal method and where it uses a disposal method other than a tendering process.

5. EXEMPTIONS FROM THIS POLICY

This Policy contains general guidelines to be followed by the Council in its disposal activities. There may be emergencies, or disposals in which a tender process will not necessarily deliver best outcome for the Council, and other market approaches may be more appropriate. In certain circumstances, the Council may, after approval from its elected members, waive application of this Policy and pursue a method which will bring the best outcome for the Council. The Council must record its reasons in writing for waiving application of this Policy.

6. FURTHER INFORMATION

- 6.1 This policy will be kept on the Council's website for the public to view.
- 6.2 This policy will be reviewed in conjunction with the suite of finance policies every two years.
- 6.3 However, Council may revise or review this Policy at any time (but not so as to affect any process that has already commenced).

Asset Management

Policy



POLICY STATEMENT

City of Marion owns and manages assets in order to provide services to the Community for current and future generations. This Policy supports informed and strategic decision making on the provision of assets to support services.

SCOPE

This policy applies to Council assets within the City of Marion that are owned, managed and under the care control and management of Council.

CONTEXT

The City of Marion currently owns and maintains over \$1 billion worth of assets including infrastructure (e.g. roads, drainage), land, buildings, furniture and fittings, and equipment. These assets make up the social and economic infrastructure that enables the provision of services to the community and businesses, playing a vital role in the local economy and on quality of life. Asset management is a critical tool in ensuring appropriate provision is made for the long-term management of Council assets, and their impacts on all areas of service planning and delivery.

The *Local Government Act 1999* provides the highest level authorising framework for councils to conduct their business. The Act sets out the functions of a council which provides the basis for determining service provision and associated asset management. The Act makes explicit that councils have a role to play in planning, protecting, managing, developing, promoting, improving, restoring and enhancing their local communities. Asset management is a critical element in undertaking these functions.

The *Local Government Act 1999* also requires that Councils must develop and adopt plans (to be collectively called the strategic management plans) for the management of its area including the extent to which any infrastructure will need to be *maintained, replaced or developed* by the council.

The City of Marion's Strategic Management Framework provides the overarching framework that supports Council in setting strategic direction and making determinations relating to priorities and resource allocation. The Community Plan- Towards 2040 and the Council Plan – Towards 2025, provide clarity on strategic direction and focus for the City of Marion over the next 30 years, and articulate how City of Marion will undertake its role and functions as described in the *Local Government Act 1999*. Decisions regarding asset provision and management are a critical element in the delivery of the Plans.

This policy sets the principles that govern the provision, ~~and~~ management and disposal of assets in order to deliver ~~asset-related~~ services and programs that rely on those assets. The strategic management framework sets out the process to determine the life cycle cost and funding requirements of each service

AC140415R6.5 - Acquisition and Disposal of Land Assets Policy Report Appendix 2

Page 1 of 8



for current and future generations. The Asset Management Plans and Long Term Financial Plans are the mechanisms by which the asset related priorities are resourced to ensure delivery of strategic outcomes.

DEFINITIONS

Asset

An individual or group of physical objects, which has value and enables services to be provided.

Asset Management

The combination of management, financial, economic, engineering and other practices applied to physical assets with the objective of providing the required service level in the most cost effective manner.

Lifecycle Cost

The total cost of an asset throughout its life including planning, design, construction, acquisition, operation, maintenance, rehabilitation and disposal costs.

Asset Sustainability Index

Provides a measure as to whether Council's asset base is being adequately maintained. It expresses as a percentage the proportion of the total asset value consumed (depreciation) compared to the amount spent in preserving the asset (capital replacement/renewal).

*further definitions included in the Strategic Asset Management Framework presented below

PRINCIPLES

The following key principles will define Council's approach to asset management.

1. Assets exist to support the delivery of services to the service levels adopted by Council.
2. All relevant legislative requirements together with political, social and economic environments are to be taken into account in asset management.
3. Asset management is an integral element of Strategic Management and forms part of key strategic management plans.
4. Asset management decisions are based on Council's Strategic Asset Management Framework (as described below). The framework comprises an assessment of asset criticality, based on priority 1-critical, priority 2-important and priority 3-aspirational/discretionary; and asset action based on asset maintenance before renewal and renewal before new/upgrade (where it is cost effective to do so).
5. Asset renewal actions will consider all options and opportunities for more efficient and effective means of service delivery prior to investment.



6. Council will consider asset ownership and management model options in its strategic asset decision making.
7. Prioritisation of new asset investments and asset disposal decisions are based on an evaluation of potential public value, encompassing consideration of such criteria as asset utilisation potential, benefits, risks, ownership and management options, life cycles and costs in accordance with Council's Prudential Management Policy and Disposal of Land and Assets Policy.
8. Asset disposal will occur following a transparent process, aligned with all legislative requirements and Council's Disposal of Land and Assets Policy.
9. Systems including an effective internal control structure are established and adhered to, to provide responsibility and accountability for asset conditions, usage and performance.
10. Council will maintain Long Term Asset Management Plans that identify current and future asset management requirements within the context of the Strategic Management Framework.
11. Council's Long Term Financial Plan will align with Asset Management Plans to ensure adequate financial forecasts for asset management.
12. Council recognises the need to maintain its asset base and will target a long term asset sustainability index averaging 95-100%.
13. Council will use the Asset Management Sustainability Reserve (refer 'Reserve Fund Policy') to assist with funding Long Term Asset Management requirements.



STRATEGIC ASSET MANAGEMENT FRAMEWORK

In order for assets to be managed in a way that ensures efficient, effective and sustainable service delivery all assets are assessed using a decision-making matrix based on asset criticality and priority for action.

1. Strategic Asset Criticality

All City of Marion assets are categorised to determine their criticality, based on the definitions below.

Priority 1- Critical	<ul style="list-style-type: none"> Those assets that are <u>essential</u> in discharging council's role and functions as set out in the LG Act 1999 eg to provide infrastructure for its community and for development within its area (including infrastructure that helps to protect any part of the local or broader community from any hazard or other event, or that assists in the management of any area); Those assets that will result in <u>severe</u> consequence to community, or financial, business or service levels in event of failure, repurposing or disposal.
Priority 2- Important	<ul style="list-style-type: none"> Those assets that contribute <u>significantly</u> to the role and function of council under the LG Act. Those assets that are important in the delivery of identified services, with <u>major/moderate</u> consequence to community, or financial, business or service levels in event of failure, repurposing or disposal.
Priority 3- Aspirational/ Discretionary	<ul style="list-style-type: none"> Those assets that <u>contribute</u> to the role and functions of council under the LG Act. Those assets that <u>contribute</u> to the achievement of CoM Community aspirations and council outcomes. Those assets that contribute to the delivery of identified services, with <u>minor</u> consequence to community, or financial, business or service levels in event of failure, repurposing or disposal.



2. Asset Management Actions

All actions associated with asset management are categorised to determine their priority based on the definitions provided below. Asset management will follow an approach based on maintenance before renewal and renewal before new/upgrade (where it is cost effective to do so).

Maintain	All operational actions necessary for retaining an asset as near as practicable to its original condition, but excluding rehabilitation or renewal. Maintenance <u>does not increase the service potential</u> of the asset or keep it in its original condition, it slows down deterioration and delays when rehabilitation or replacement is necessary (IIMM 2011).
Renew/Replace	Restores, rehabilitates, refurbishes existing asset to its original capacity. <u>Returns service capability</u> of the asset up to that which it had originally (AIFM Guidelines 2009).
New/Develop/Upgrade	Enhancements to an existing asset or creation of a new asset to provide <u>higher service levels, or new service level/output</u> that did not exist beforehand. Also includes the extension/expansion of an existing asset to provide benefits to a new user group. May also increase the life of the asset beyond that which it had originally (AIFM Guidelines 2009).

References

International Infrastructure Management Manual 2011

Australian Infrastructure Financial Management Guidelines Version 1.0 2009

3. Strategic Asset Management Decision Making Matrix

Strategic decisions on asset management are made based on consideration of asset criticality and priority for action.

	Priority 1- Critical	Priority 2- Important	Priority 3- Aspirational/ Discretionary
Priority 1- Maintain			
Priority 2- Renew			
Priority 3- New/Develop/Upgrade			



Any decision that falls in the green section of the matrix is considered operational/business as usual.

- These decisions are automatically planned for and funded as part of the Annual Business Planning and Budgeting process.
- These decisions are automatically reflected in the Asset Management Plans and Long Term Financial Plan.
- Decisions made on renewal actions will consider all options and opportunities for more efficient and effective means of service delivery prior to investment.



Any decision that falls in the yellow section of the matrix is considered beyond operational/business as usual.

- ~~These New Develop or Upgrade~~ decisions are automatically referred to the 'new initiatives' process to be assessed and prioritised for action. This process is a critical element of the Annual Business

AC140415R6.5 - Acquisition and Disposal of Land Assets Policy Report Appendix 2



Plan and Budgeting process to ensure Council considers potential funding of prioritised initiatives as part of the setting of the budget.

- As maintenance and renewal of Aspirational/Discretionary Assets is required, a more detailed assessment of the asset will be undertaken and decision sought from council as to whether the asset should be maintained, renewed or prioritized for disposal.
- ~~These actions~~ Priority three expenditure decisions are not reflected in the Asset Management Plans or Long Term Financial Plan until Council has made a decision to implement the action.

REFERENCES

Local Government Act 1999

Community Plan – Towards 2040

Council Plan – Towards 2025

Asset and Disposal of Land Assets Policy

Asset Accounting Policy

Asset Management Policy

Community Consultation Policy

Disposal of Assets other than Land Assets Policy

Procurement Policy

Prudential Management Policy

PROCEDURE REFERENCE:

Acquisition and Sale of Land Assets Policy

- Roads Opening and Closing Policy

AUTHOR

Fiona Harvey

AC140415R6.5 - Acquisition and Disposal of Land Assets Policy Report Appendix 2

Page 7 of 8

City of Marion 245 Sturt Road, Sturt SA 5047 (PO Box 21, Oaklands Park SA 5046)
T 08 8375 6600 F 08 8375 6699 www.marion.sa.gov.au

Formatted: Indent: First
line: 0 cm

Formatted: Indent: First
line: 0 cm

**DATE**

12 August 2014

**CITY OF MARION
AUDIT COMMITTEE MEETING
14 APRIL 2015**

Originating Officer: Sherie Walczak, Unit Manager Risk

Corporate Manager: Kate McKenzie, Manager Governance

Director: Kathy Jarrett

Subject: Strategic Risk Profile

Report Reference: AC140415R6.6

EXECUTIVE SUMMARY:

The City of Marion Strategic Risk Profile is reported to the Audit Committee on an annual basis to seek assurance and input regarding:

- The process for identifying and managing strategic risks;
- The strategic risks, the control environment and further treatments.

The Strategic Risks were last reported to the Audit Committee in December 2013. Since then, the Council has finalised a six themed Community Plan to represent the shared values and aspirations of the community. These six themes will guide how the City of Marion will develop into the future.

The Strategic Risk Profile has therefore been reviewed in line with the Community Plan and is now aligned to the six community themes of Liveable, Prosperous, Biophilic, Innovative, Engaged and Connected. A seventh risk of 'Optimising Organisational Excellence' has also been identified which is an internally focused risk. The combination of these seven risks, contribute to the overarching aspirational goal of 'Wellbeing' for the City of Marion.

The process for reviewing the Strategic Risk Profile is outlined in **Appendix 1**. This demonstrates how the Strategic Risk Profile is aligned to the strategic planning process. The Strategic Risk Profile is close to being finalised after engagement with the Executive Management Group and key managers. A number of internal factors have contributed to the Strategic Risk Profile not being finalised by the April 2015 Audit Committee meeting including the completion of the work area plans for 2015/16, the resources within the Risk Management Unit and the demands of the Executive Management Group.

To finalise the Strategic Risk Profile a final workshop is required to settle on the identified risks, controls and treatments. It is anticipated that this will be completed within the next two weeks. Following this, it is proposed that the Strategic Risk Profile be circulated to Audit Committee Members out of session for review and input.

A full report will be presented to the June 2015 Audit Committee Meeting for formal consideration by the Committee.

Further to this, a review of the organisational Risk Policy and Risk Management Framework is scheduled to commence which will provide the foundation for the next phase of embedding the strategic risk to operational Work Areas. These processes continue to work towards embedding a risk culture across the City of Marion

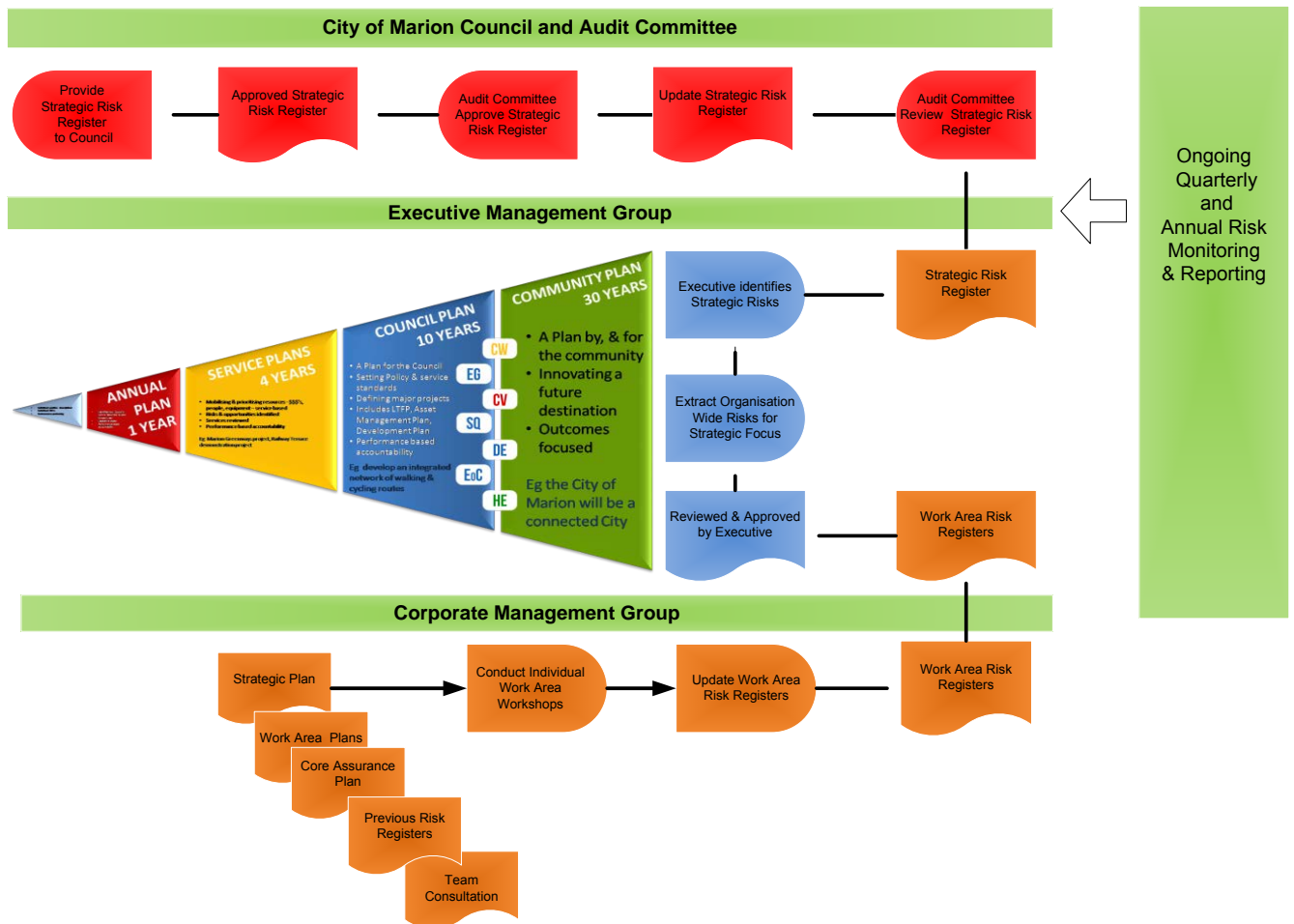
RECOMMENDATIONS (2)

That the Audit Committee note the progress reported to date and acknowledges that the Strategic Risk Profile will be circulated (out of session) to the Audit Committee Members for comment.

DUE DATES

30 April 15

Appendix 1



**CITY OF MARION
AUDIT COMMITTEE MEETING
14 APRIL 2015**

Originating Officer: Kate McKenzie, Manager Governance

Corporate Manager: Kate McKenzie, Manager Governance

Director: Kathy Jarrett

Subject: South Australian Ombudsman Annual Report for 2013/14

Report Reference: AC140415R6.7

REPORT OBJECTIVES:

To provide information extracted from the South Australian Ombudsman (the Ombudsman) Annual Report 2013/14 (the report) with particular reference and explanation of statistics relating to Local Government and the City of Marion.

EXECUTIVE SUMMARY:

During the financial year the Ombudsman had experienced significant changes in legislation affecting its operations. Of major importance to the Ombudsman and local government in general was the commencement of the *Independent Commission Against Corruption Act 2012 (SA) (ICAC Act)*.

During the reported financial year, the Ombudsman's office had highlighted a decrease (74%) in the number of complaints received and investigated regarding the City of Marion from the previous financial year.

Of note, there was an increase in the number of investigations completed pursuant to s25 of the *Ombudsman Act 1972 (SA)* with three of the four complaints finding the administrative act was contrary to law and one complaint finding no fault at law.

This report provides the City of Marion with a greater understanding of the categories of complaints investigated and the administrative standards expected by the Ombudsman office and to identify possible areas for improvement where relevant.

RECOMMENDATION (1)

DUE DATES

That the Audit Committee:

1. Acknowledges the information provided in AC140415R0X and provides any relevant feedback.

14 April 2015

BACKGROUND

The SA Ombudsman presents an annual report to Parliament which summaries the activities, investigations, initiatives and achievements for the past financial year. Of particular interest is the investigations undertaken by the Ombudsman relating to Local Government generally and the City of Marion. The full report can be accessed at: www.ombudsman.sa.gov.au

ANALYSIS:

Ombudsman's Focus Area for Local Government in 2013/14

Of significance this financial year for local government was the commencement of the ICAC Act on 1 September 2013. Jurisdiction of the ICAC Act overlaps to some degree with the *Ombudsman Act 1972* (SA) (Ombudsman's Act) which in effect has created some ambiguity and practical issues for the Ombudsman's office in investigating particular matters including;

- Jurisdictional limits of the Ombudsman in accordance with the Ombudsman Act may not apply if the Commissioner refers a matter to the Ombudsman under the ICAC Act.
- Under the ICAC Act, elected member misconduct is conferred to the Ombudsman, extending not just to conflict of interest (as has been previously) but also to *any*;
 - breach of a council members duties
 - failure to comply with the new single legislated council member code of conduct
 - failure to comply with the council member register of interest provisions
- Wider scope for the Ombudsman under the Ombudsman Act (than the Commissioner under the ICAC Act) to investigate various types of administrative error and/or misconduct under a broader interpretation of 'maladministration in public administration'¹ and the ability to perform Royal Commission powers².
- Depending on how a misconduct or maladministration matter is reported, different paths and sanctions under the various Acts may follow. For example complaints direct to the Ombudsman can result in District Court proceedings under the Local Government Act³ for misconduct by an elected member if the Ombudsman has first investigated the matter. Matters reported to OPI or ICAC do not appear prima facie to be able to proceed to the District Court.

Relevant Local Government highlights

- 45 full investigation reports under the Ombudsman Act⁴ were completed in 2013/14 – 25 of which related to local government. (Five less than 2012/13).
- Implemented and expanded jurisdiction conferred on the Ombudsman's office under amendments to the *Local Government Act 1999* (SA) and the new local government codes of conduct.
- Published the "Recommendations Implementation Report" for *In the Public Eye* – an audit of the use of confidentiality provisions of the Local Government Act 1999 (SA) by South Australian Councils.
- The Ombudsman opened 929 cases of complaints against local government (77 more than 2012/13) with a total of 918 approaches and complaints closed.
- The top five areas of complaints in local government relate to the following;

¹ *Ombudsman Act 1972* (SA)

² *Ombudsman Act 1972* (SA) s(19)

³ *Local Government Act 1999* (SA) s(264)ss(2)(a)

⁴ *Ombudsman Act 1972* (SA) s(25) - these are prepared after a full investigation finds that an administrative error has been made by an agency.

- 134 complaints (13.3%) – Regulation/enforcement/unreasonable parking fines
- 58 complaints (5.8%) – Regulation/planning & dev/inappropriate development
- 57 complaints (5.7%) – Complaint handling/inadequate process
- 43 complaints (4.3%) – Governance/failure to follow proper process
- 31 complaints (3.1%) – Financial/procurement/facilities/rates/amount
- Appendix one, diagram one provides a visual comparison of complaints received in metropolitan local government relating to the number of complaints per 10,000 head of population, showing the relevant councils in alphabetical order. The City of Marion has the lowest number of complaints – a total of two and a half complaints per 10,000 population followed closely by the Cities of; Salisbury, Norwood Payneham & St Peters, Onkaparinga and Campbelltown.

City of Marion Key Highlights

The following highlights have been extracted from the Ombudsman's Annual Report and comparing these statistics with six monthly reports received from the Ombudsman's Office.

The phrase "*referrals back to the Agency*" used within documents produced by the Ombudsman's Office indicate that the complainant has been encouraged to contact Council. In some instances, this contact may be the first time that Council may have heard of the complaint (they may have called anonymously) or there may be a record of the complaint and they have requested;

- no further action from Council;
- further action from Council which has not been finalised at the time contact with the Ombudsman was made;
- requested further action from Council and are not satisfied with the outcomes.

Key highlights include:

- Appendix one, diagram two provides a visual comparison of the number of complaints per head of 10,000 population received by the Ombudsman's office over three financial years.
- The Ombudsman received in total 20⁵ complaints pertaining to the City of Marion in 2013/14, of which 18 were completed at the end of the financial year.
- Four complaints related to breaches of the elected member code of conduct, two of which were found to be contrary to law and one not, with one complaint declined to be investigated (please see '**Section 25 Reports – City of Marion**' for further details).
 - Conflict of interest – no finding contrary to law
 - Elected Member Inappropriate behaviour – finding contrary to law
 - Conflict of interest – finding contrary to law
 - Failure to provide a report in a timely manner – declined investigation
- A total of four complaints received by the Ombudsman were declined to be investigated due to being deemed 'unnecessary or unjustifiable'. These related to;
 - Council's refusal to waive fine
 - Unreasonable investigation process
 - Unreasonable delay in removing abandoned car
 - Unreasonable response to dog attacks

⁵ Note: The Ombudsman's Annual report incorrectly reported a total of 22 complaints. Further clarification received from their office on the 10 December 2014 acknowledged this inconsistency.
Report Reference: AC140415R6.7

- 12 complaints lodged with the Ombudsman claimed “unreasonable outcomes” by Council. Of these 12 complaints, ten were ‘referred back to the Agency’ by the Ombudsman’s office and two complaints were denied to be investigated as unnecessary/unjustifiable. Appendix 2 provides a short summary.
- Appendix one, diagram three is a chart with visual comparable statistics over three financial years relating to the City of Marion.

Section 25 Reports - City of Marion

Section 25 reports are prepared (after a full investigation by the Ombudsman has been undertaken) which finds that an administrative error has been made. These reports often contain recommendations intended to remediate the error. The three Section 25 Reports are listed below:

Elected Member Conflict of interest – Youth Advisory Committee

The Ombudsman investigated whether a Councillor had breached the conflict of interest provision of the Local Government Act 1999 regarding his association with the Youth Advisory Committee.

This was considered by Council at its meeting of 11 March 2014 and the Ombudsman determined that this Councillor did not breach the conflict of interest provisions of the Local Government Act. The confidential orders on this matter have been removed. No further action was required on this matter.

Elected Member Inappropriate behaviour

The Ombudsman investigated whether a Councillor repeated or sustained inappropriate behaviour under the Code of Conduct relating to their disapproval of the use of hired driver by another Councillor, resulting in persistent bullying and intimidation, contrary to the Council Member Code of Conduct.

The final report on this matter considered by Council at its meeting on 22 July 2014. The Ombudsman determined the Councillor breached the Council Member Code of Conduct. The Councillor involved challenged this determination, however, the determination was upheld at the 24 February 2015 and the matter has now been finalised.

Elected Member Conflict of Interest – Heron Way Reserve Master Plan

The Ombudsman investigated whether a Councillor had an interest in the matter within the meaning of section 73(1) of the Local Government Act regarding if it was reasonable to expect that a decision to endorse and proceed with the master plan would benefit their campaign for state election, as they had promised to pledge funds to the foreshore development and the decision to not proceed with the master plan could have lost them votes.

This was considered by Council at its meeting of 22 July 2014 and the Ombudsman determined that the Councillor did have a conflict of interest pursuant to section 73 of the Local Government Act. The Council noted this report and the Local Government Association motion carried at the April 2014 Ordinary General Meeting requesting “that the Ordinary General Meeting ask the LGA to lobby the State Government to amend the Local Government (Elections) Act 1999 to require any Mayor or Council Member who is standing for State or Federal elections, to take leave from Council from the date the writs are issued until completion of the election.

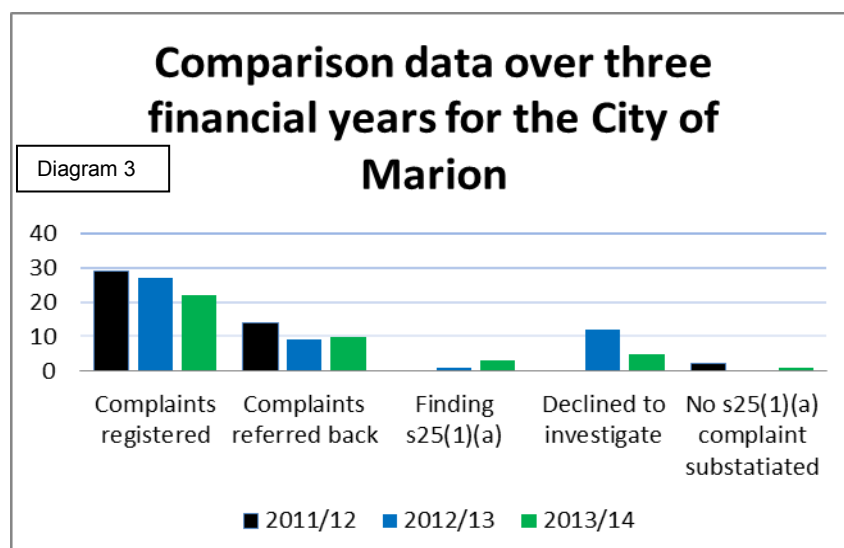
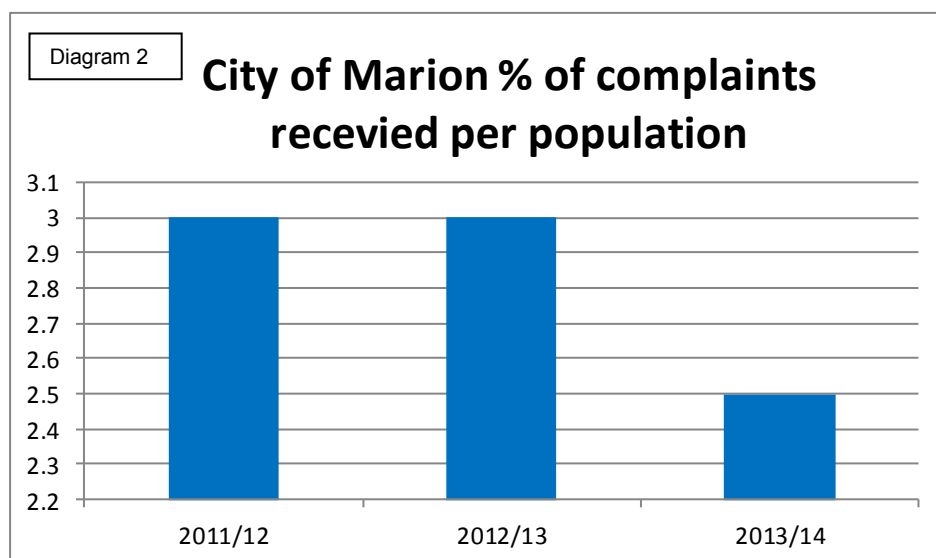
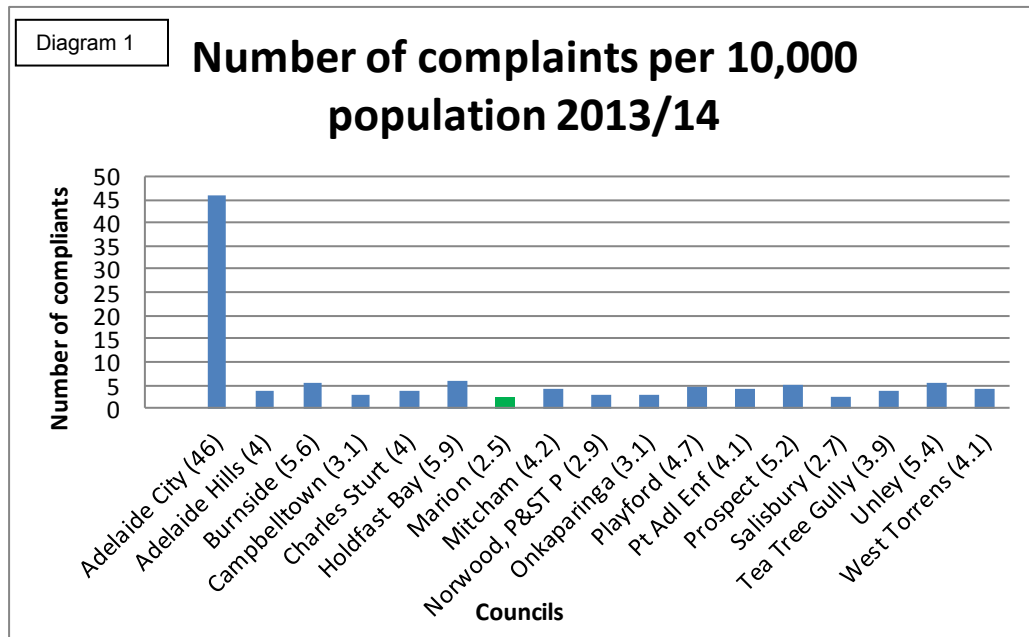
CONCLUSION:

The Ombudsman plays an important role for investigation of complaints about local government agencies. The City of Marion continues to improve processes by ensuring that such reviews are based on good practice and continuous improvement.

Appendix 1 Additional Information - Diagrams

Appendix 2 Summary of complaints 'referred back to the Agency'

Additional Information – Diagrams



Summary of complaints '*referred back to the Agency*'

- The ten complaints 'referred back' to City of Marion with claims of unreasonable outcomes have been managed by the respective area responsible for the complaint with a short summary provided of any action as a result of the complaint;
 - Dog complaints (two)
 - A complaint was registered with Council regarding allegations that a neighbouring dog barked excessively. Extensive correspondence and investigations of the complainant occurred over several months. The following outcomes were undertaken by the Council as a result of its own internal investigations;
 - Increased monitoring at location of complaint by external agencies.
 - Purchased new equipment to assist monitoring.
 - Reviewed and changed procedures to enable efficient investigations to commence along with ensuring that the owners of the dog in question are notified as soon as possible.
 - The second complaint alleged a neighbour's dog was defecating on their private property and the dog was aggressive. The owner was educated regarding the collection and disposal of dog faeces including Council By laws. It was found that the owner had more than one dog and that both dogs weren't registered with the City of Marion Council. Both dogs were registered and the complaint was closed on 24 March 2014.
 - Cost of works (two)
 - City of Marion was unaware that complaints were made to the Ombudsman. No complaints are recorded on file for under the names of either complainant.
 - Increase in rates (one)
 - City of Marion was unaware that a complaint had been made to the Ombudsman. Over 36 residents were registered with the same surname as the complainant however there were no records to show a history of complaint or recent contact questioning the rate amount.
 - Fines (one)
 - City of Marion was unaware that a complaint had been made to the Ombudsman. This complaint involved a resident fined for overstaying parking in a Westfield car park. A request to waive the fee was denied however the advice of the denial took four months to process due to a back log of appeals. Three extensions were provided to the resident and an initial late fee was waived. The fine has since been paid. Council has modernised its approach to the appeal process which is purely electronic and therefore faster to process. This combined with changes to fine and expiation regulations stricter timeframes for appeals are processed taking 2 – 3 weeks instead of 4 – 6 weeks (or longer).
 - Disclosure of information (one)
 - City of Marion had no jurisdiction to refuse request from government agency. No further action was taken.

- Delay's in Council action or providing information (two)
 - The City of Marion was unaware that a complaint had been made to the Ombudsman. One complaint related to a property in Hallett Cove with a shipping container located in the front yard and a retaining wall collapsing onto the footpath. This complaint involved other agencies including Court orders however the matter was closed with a successful outcome in June 2014.
 - The City of Marion was unaware that a complaint had been made to the Ombudsman. This complaint involved allegations of a Council tree damaging private property. Inspection of the driveway by arborists revealed that footpaths had recently been replaced and that the species of tree could not have done the damage claimed. No further action was taken.
- Unknown (one)

No records are available for this complainant.

**CITY OF MARION
AUDIT COMMITTEE MEETING
14 April 2015**

Originating Officer: Heather Falckh, Manager Organisational Excellence

Director: Kathy Jarrett

Subject: Review Recommendations Update (Core Assurance and Service Reviews)

Report Reference: AC140415R6.8

EXECUTIVE SUMMARY:

The purpose of this report is to provide an update on Council's Service Review and Core Assurance program and the tender brief for contracting the services in the future.

RECOMMENDATIONS (2)

DUE DATES

That the Audit Committee :

- | | |
|---|---------------|
| 1. Note developments and provide feedback on the Core Assurance and Service Review program. | 14 April 2015 |
| 2. Note the tender brief and provide feedback on the proposed process for tendering the services in future. | 14 April 2015 |

DISCUSSION:

Update on current review projects

The previous program of review is no longer appropriate given proposed changes to the review process. Until new review plans are in place, projects undertaken through BDO will reflect the projects already in progress or any emerging priorities.

Two service review reports are now provided for feedback:

1. Grant Management (Grants provided to the City of Marion by other agencies)
2. Funding to the Community (Grants and donations provided by the City of Marion to the community)

The Contractor Management service review is being finalised and will be provided to the Audit Committee in June 2015.

A project brief has recently been developed for BDO to assist in facilitating the internal control self-assessment process. BDO can ensure that appropriate action plans are developed to strengthen internal controls and provide Finance with feedback on the efficacy of the self-assessment process.

Tender brief update

Previous report AC290714R6.5 referred to proposed changes and an approach to tendering out Service Review and Core Assurance services. In future, the program of work will be known as Business Review and Internal Audit services.

As a result of the Audit Committee's recommendation to pursue areas where there may be savings opportunities and the on-going development of the Strategic Management Framework, a draft tender brief has been developed for the City of Marion Business Review and Internal Audit services.

The tender brief is aligned to the strategic directions of Council for financial sustainability and organisational effectiveness. The objective of the services is to improve the public value provided by Council through improving efficiency and effectiveness of operations. The brief also ensures compliance with legislative requirements.

The tender brief for Business Review and Internal Audit services is now provided to the Audit Committee for feedback (without the large file attachments which contain content that the Audit Committee has previously been provided) – refer to **Attachment 1**.

The Internal Audit and Business Review Services are to be advertised at the same time and may be awarded separately or together, to one or more organisations.

A new Business Review program and reporting process will be developed in conjunction with the successful tender. The review program will reflect a prioritised list of work areas and be aligned to the business planning process.

A new Internal Audit plan will be developed based on risk assessment, control self-assessment and external audit feedback.

The tender process will commence after feedback on the tender brief from the Audit Committee and is expected to be concluded by August 2015. The BDO contract has been extended for up to 12 months to September 2015.

CONCLUSION:

The service review and core assurance process is in transition to a new approach and a new contract which is outlined in the tender brief.

A new schedule of review projects is expected to be developed once the contract commences. In the meantime, the review program continues through this transition period with the assistance of BDO.



PART B - PROJECT BRIEF

Contract Number:	CC201452
Contract Description:	Provision Of Business Review and Internal Audit Services

TABLE OF CONTENTS

1. BACKGROUND.....	3
1.1. PROPOSED BUSINESS REVIEW AND INTERNAL AUDIT SERVICE.....	3
1.2. AUDIT COMMITTEE.....	5
1.3. ADDITIONAL COUNCIL INFORMATION.....	6
2. SCOPE OF WORK.....	6
3. SERVICE REQUIREMENTS.....	6
3.1. OUTCOMES.....	6
3.2. DESCRIPTION OF SERVICES.....	7
3.3. REPORTING REQUIREMENTS.....	8
3.4. CITY OF MARION STRATEGIC FRAMEWORK AND BUSINESS REVIEWS.....	ERROR!
BOOKMARK NOT DEFINED.	
4. INDICATIVE CONTRACT TERM.....	8
5. INDICATIVE SERVICE DEMAND & BUDGET.....	8
6. RESOURCES / ADMINISTRATION.....	9
7.1. ACCESS TO COUNCIL STAFF	9
7.2. CONSULTANT STAFFING	9
7.3. DOCUMENTATION AND RECORD KEEPING	9
7.4. MANAGER OF THE SERVICES	9
7.5. PERFORMANCE REVIEW MEETINGS.....	9
7.6. NON DISCLOSURE AGREEMENT.....	9
ATTACHMENTS.....	10
ATTACHMENT 1.....	11
ATTACHMENT 2.....	12
ATTACHMENT 3.....	13
ATTACHMENT 4.....	14

1. Background

1.1. Proposed Business Review and Internal Audit Service

The key objective of the City of Marion's Business Review and Internal Audit Services is to maximise public value by improving the efficiency and effectiveness of Council services.

This objective is consistent with recommendations from the report on "Council of the Future", including the comment that "Councils should focus on efficient and effective delivery and maintenance of facilities and services to minimise the need for significant rate increases".

The City of Marion seeks to deliver improved services to the community whilst maintaining equitable rates and efficient and effective operations.

Public value assessments through the **Business Reviews** will enable Council to make decisions about the services that are offered, as well as optimising existing services in terms of value for money outcomes. Public value considerations include reach, quality, impact and value for money and these are factors for consideration in the Business Reviews.

Business Reviews will require analysis of the strategic context, determining appropriate measures of performance, gathering and analysing information (including community input) and comparing performance to other organisations delivering the same services.

The Business Reviews contribute to Council's success in achieving outcomes for the community in line with the City of Marion strategic directions. Business Reviews are to be a comprehensive analysis of every work area at the City of Marion over time, and will result in improved work area planning and management for the area under review.

Services make up the majority of any council's budget. To achieve sustained success, and to ensure they remain relevant and responsive, it is necessary for councils to monitor, measure, analyse and review their performance.

The Local Government Act 1999 states that a Council must, in the performance of its roles and functions, seek to ensure that Council's resources are used fairly, effectively and efficiently. The Act further states the role of a member of a council includes keeping the council's resource allocation, expenditure and activities, and the efficiencies and effectiveness of its service delivery, under review.

In line with the above requirements, an ongoing program of Business Review is being developed and it is anticipated that the consultant(s) providing the Services will provide an input to the prioritisation of Reviews.

The suite of strategic plans as depicted within the Strategic Management Framework have been maturing over a number of years and comprise the Community Plan, Council Plan, 4 year work area plans and annual business plans. They also integrate the Asset Management plans and long term Financial Plan. Business Reviews are expected to contribute to the ongoing development of work area plans.

PROJECT BRIEF

Internal Audit services ensure effective management of core assurance functions and compliance with statutory obligations.

In delivering against this objective, the City of Marion's **Business Review and Internal Audit Services** provides independent assessment of all aspects of Council's operations. Independent assessment will also provide the Audit Committee and Elected Members with confidence in the advice.

Business Review and Internal Audit Services is a leadership and advisory function that ensures the City of Marion is continuously building its capability.

The program of activities are to be solution oriented rather than problem spotting. The function works with, and empowers staff of the City of Marion to proactively build the organisation's capacity to be successful now and in the future. The program is clearly aligned to:

- the delivery of the City of Marion strategic directions and work area planning;
- the City of Marion Enterprise Wide Risk Management Framework and Corporate Risk Profile;
- Council's statutory and compliance obligations;
- Continuous improvement approach, and
- Constructive culture approach.

The City of Marion has historically engaged external consultant(s) to deliver their Business Review and Internal Audit function.

Business Reviews

Each Business Review is to be scoped in line with the agreed organisational structure for Work Area Planning, prior to commencement. Each Business Review will include an assessment of the mandatory/discretionary nature of the services, the system in which it operates, the voice of the customers/community, the standard of service being provided and assessment of the business performance and comparative performance to similar services provided by other organisations.

Business Reviews are to take into consideration feedback from Community Surveys and to seek service specific feedback from customers if required.

Business Reviews may also take the form of:

- A review of a specific service or process within a work area;
- A review of a cross functional corporate function;
- A review of processes which may be contributing to an identified organisational risk.

The successful tender will provide an annual review plan in conjunction with key internal stakeholders.

The successful tender will demonstrate their ability to transfer Business Review skills to City of Marion staff. They will also demonstrate how they will engage managers and

PROJECT BRIEF

staff to take ownership of the revised work area plan and the recommended improvements.

Organisations seeking to tender for Business Reviews will be required to provide an outline of their approach and the methodology to be used, firstly in writing and then in a face to face presentation with the tender board if shortlisted.

Internal Audit

The Internal Audit function is aligned with the City of Marion's newly implemented Control Track system and External Audit function.

The consultant(s) will assist in developing an annual internal audit plan and conduct independent assessment of controls based on risk – testing those processes identified as high risk. This will be augmented by the City of Marion control self-assessment process. Consultant(s) will also be required to provide feedback on the controls developed through the internal self-assessment process.

Internal Audit consultant(s) are expected to form an effective working relationship with the External Auditors in order to inform and develop the annual internal audit plan.

Organisations seeking to tender for Internal Audit services are to outline their approach in writing.

Business Review and Internal Audit Services

The Internal Audit and Business Review Services are to be advertised at the same time and may be awarded separately or together, to one or more organisations.

The Internal Audit functions will be exclusive to the successful tender however, the Business Review services may not be.

Council is seeking to engage a suitably qualified consultant(s) to undertake individual assignments on a fee for service basis.

1.2. Audit Committee

The City of Marion has established an Audit Committee as a formal committee of Council in accordance with Section 41 of the Local Government Act 1999. Reports from Business Review and Internal Audit services are to be considered by the Audit Committee who provides feedback on behalf of Council.

The Audit Committee comprises four members: one Elected Member (who is not the Mayor) and three external independent representatives. There is ex-officio attendance at Audit Committee meetings by the Chief Executive Officer. Representatives of the consultant(s) conducting Business Reviews and Internal Audits are also invited to attend meetings at the discretion of the Committee to provide additional information regarding the work undertaken. Other Elected Members or staff may also attend to provide advice and information when required.

Representative(s) of the City of Marion's external auditor are also invited to attend meetings at the discretion of the Committee, but must attend meetings at which there



PROJECT BRIEF

will be consideration of the annual financial statements and the results of the external audit.

1.3. Additional Council Information

For further information on the City of Marion including information on the Audit Committee, refer to:

- **ATTACHMENT 1** for a copy of the City of Marion's Strategic Framework;
- **ATTACHMENT 2** for a copy of the City of Marion's Audit Committee Policy and Terms of Reference;
- **ATTACHMENT 3** for a copy of the City of Marion's Enterprise Wide Risk Management Framework and Corporate Risk Profile;
- **ATTACHMENT 4** Presentation on City of Marion demographics.
- **ATTACHMENT 5** List of work areas

2. Scope of Work

In accordance with the Service Requirements and Key Directions outlined below Council is seeking to engage a suitably qualified Consultant(s) to provide:

- An annual plan for Business Review and an annual plan for Internal Audit Services ("the Services");
- Business Review and Internal Audit Services;
- Value added services as appropriate.

More specifically, the Services encompass two discrete elements as defined below:

- Provide **Business Review services** which improve Council's efficiency and effectiveness. In this context, the Business Review services must encompass a focus on strategic and operational business improvement that adds public value through the work area plans.
- Delivers **core assurance activities** to demonstrate that the City of Marion has effective business controls in place (Council's "Conformance"). Assurance activities, in this context, explores the City of Marion's systems of control, assesses whether they are suitable and recommends when the controls are seen as too stringent or too relaxed.

3. Service Requirements

3.1. Outcomes

Business Review:

Outcomes expected from the provision of Business Review services are:

- Alignment with the City of Marion's strategic directions and specifically the work area planning process;

PROJECT BRIEF

- Development of an annual Business Review plan;
- Improved work area plans that are a result of considered analysis;
- Assessment of the degree to which the City of Marion is carrying out its responsibilities, including whether or not to remain in the business under review;
- An understanding of the current service standards and opportunities to improve the service;
- Adequate addressing of business risks and adopting a risk based approach in the conduct of Business Reviews;
- Demonstrated improvement in the service as a result of implementing the revised work area plan - improvements which deliver greater public value;
- Meeting the requirements of the Local Government Act 1999 in terms of review of services;
- Contribution to the overall efficient and effective operations of the City of Marion;
- Evidence that the skills required to conduct Business Reviews have been transferred to City of Marion staff.

Internal Audit

Outcomes expected from the provision of Internal Audit services are:

- Assurance that risk management policies, systems and procedures are sound;
- Assistance in meeting the requirements of the Local Government Act 1999, contracts, other relevant legislation, and relevant policies, procedures and instructions;
- Achievement of adequate and effective systems of internal control;
- Feedback on the adequacy of the Control Track system;
- Development of an annual Internal Audit plan;
- Effective liaison between internal and external auditors to coordinate work, development of annual audit plans and ensure there is no duplication of effort.

Auditing of the City of Marion's financial accounts is the responsibility of the external auditor and is specifically excluded from this brief.

3.2. Description of Services

In undertaking the scope of work outlined in Section 2, the Consultant(s) are required to:

- Provide assistance to the Chief Executive Officer, the Audit Committee and Council to ensure services are operating in a manner that adds value to the City of Marion, and assures compliance with the Local Government Act 1999;
- Liaise with Council's Unit Manager Risk regarding the City of Marion's risk profile as required;

PROJECT BRIEF

- In consultation with the Manager Organisational Excellence, assist in the development of a prioritised list of areas for review, focused on improving the City of Marion's performance and efficiency;
- Conduct other ad-hoc assignments as requested by the Chief Executive Officer, the Audit Committee or Council e.g. other reviews of council processes;
- Involving City of Marion Executives and staff;
- Contribute to the development of a culture whereby Business Reviews, Internal Audit and work area planning is viewed as a normal part of the operations at City of Marion;
- Attend Audit Committee meetings as required for presentation of work undertaken, and liaise with the Audit Committee Chairperson as required;
- Internal Auditor are expected to liaise with the City of Marion's external auditors on the findings of core assurance assignments which impact on management controls within the City of Marion;
- Maintain up to date knowledge of best practice business standards and provide access to/share these practices with the City of Marion.

3.3. Reporting Requirements

The Consultant(s) are required to prepare reports and planning updates which are to be provided to the Chief Executive Officer and the Audit Committee. Whilst specific reporting requirements will be negotiated with the successful tenderer on a project by project basis, they could include:

- Prioritised list of work areas or processes for Business Review and Internal Audit;
- Individual and ad-hoc review assignment reports;
- Quarterly progress reports;
- Reports on the progress of implementation of work area plans or controls.

All reports are to be submitted to the Chief Executive Officer.

4. Indicative Contract Term

Council's indicative contract term is for a period of up to 4 years, with the final contract term to be negotiated with the successful consultant(s).

5. Indicative Service Demand & Budget

The final budget for Business Reviews and Internal Audit will be based on consultant proposals and the model of service delivery agreed by the City of Marion. An assessment of the time required (and fees for service charged by the successful consultant(s)) to complete specific assignments will be contained within the Contract and agreed Business Review and Internal Audit Plan. Note also that ad-hoc project requests will be in addition to these budget arrangements.

6. Resources / Administration

7.1. Access to Council Staff

Council will provide access to management and employees, information and a direct line of contact with the Chief Executive Officer, Directors, and the City of Marion's Manager, Organisational Excellence to enable the consultant(s) to undertake the Services. The Consultant(s) will also have a direct line of communication with the Audit Committee Chairperson.

The City of Marion will not be providing any additional resources to support the Consultant(s) providing the Services.

7.2. Consultant Staffing

The Consultant(s) will endeavour to assign staff on a long-term basis to this contract, so that continuity of relationships and knowledge can be established.

Consultant's staff may be accommodated on the site of an assignment by arrangement, but no permanent accommodation will be provided.

7.3. Documentation and Record Keeping

All 'common' information, documents, reports, etc (e.g. assignment correspondence and reports and Audit Committee reports and submissions) which form part of the Contract for the provision of the Services shall be retained by the City of Marion, and can be used by Council for whatever purpose it deems appropriate.

Note that Audit Committee meetings are open to the public, and accordingly any reports/documents submitted are anticipated to be publicly available.

7.4. Manager of the Services

The City of Marion's Manager, Organisational Excellence will be responsible for oversight of the contractual arrangement.

7.5. Performance Review Meetings

The Consultant(s) providing the Services will be required to attend at least 2 Performance Review meetings per annum between the Consultant's Principal and the City of Marion's Manager, Organisational Excellence to monitor performance.

7.6. Non Disclosure Agreement

The Consultant(s) engaged to provide the Services will be required to sign a Non-Disclosure Agreement.



PROJECT BRIEF

ATTACHMENTS



PROJECT BRIEF

ATTACHMENT 1

CITY OF MARION'S STRATEGIC FRAMEWORK



PROJECT BRIEF

ATTACHMENT 2

CITY OF MARION'S AUDIT COMMITTEE POLICY AND TERMS OF REFERENCE



PROJECT BRIEF

ATTACHMENT 3

**CITY OF MARION'S ENTERPRISE WIDE RISK MANAGEMENT FRAMEWORK AND
CORPORATE RISK PROFILE & CORPORATE RISK PROFILE**



PROJECT BRIEF

ATTACHMENT 4

CITY OF MARION DEMOGRAPHICS



PROJECT BRIEF

ATTACHMENT 5

LIST OF WORK AREAS

**CITY OF MARION
AUDIT COMMITTEE MEETING
14 April 2015**

Originating Officer: Heather Falckh
Director: Vincent Mifsud
Subject: Grants Management Service Review
Report Reference: AC140415R6.9

REPORT OBJECTIVES:

The service review report on 'Grants Management' is now provided for Audit Committee consideration and feedback.

This project considered any gaps or opportunities to improve the effectiveness of processes relating to identifying, applying for and administering grant funding from other agencies to the City of Marion.

RECOMMENDATION

DUE DATES

That Audit Committee:

1. Provides feedback on the final report of the Grants Management review

14 April 15

BACKGROUND

The Grants Management review was initiated to consider the current practices and policies within the City of Marion for identifying, managing and administering grant funding sought from other agencies. Funding providers are usually State and Commonwealth Governments.

This project was initiated as a result of an external audit recommendation in 2014 that the City of Marion consider reinstating a central register to record all incoming grants. It was identified that a full review of all processes associated with attracting grant funding would be appropriate.

DISCUSSION

The report on the Grants Management review is provided in **Attachment 1**. This report provides an overview of the research conducted by BDO and the identification of opportunities for improvement.

Grant management processes considered included:

- Identification of potential grants and the co-ordination across the City of Marion
- Alignment of grants to priorities and the impact of grant funding on the long term financial plan
- Application for grants
- Administration of grants, and
- Finalisation of grants.

Many business units across the City of Marion are responsible for identifying and managing potential grants and the processes are decentralised.

BDO considered current processes across the City of Marion including the use of resources associated with grant applications, the impact of “match funding” and the monitoring and acquittal processes.

BDO also considered best practice in grants management in other organisations in order to make their recommendations.

CONCLUSION:

The Grants Management service review report has been considered by Management and an action plan is being developed.



City of Marion

'We help
make Marion'



Grants Review

March 2015

CONTENTS

1. EXECUTIVE SUMMARY	2
2. DETAILED FINDINGS AND AGREED ACTIONS	5
APPENDIX 1	11
Grant Process	12
APPENDIX 2	14
Documents Accessed and Consultation	14
APPENDIX 3	16
Classification of Core Assurance Findings	16

1. EXECUTIVE SUMMARY

1.1 Project Objective

The objective of this project was to identify any gaps and/or opportunities to improve the effectiveness and efficiency of the City of Marion's (CoM's) processes for:

- Identification of potential grants & coordination across CoM
- Alignment of grants to Council priorities and impact of grant funding on LTFP and AMP's
- Application for grants
- Administration of grants (including monitoring across council)
- Finalisation and reporting of a grant.

1.2 Project Scope

Each business unit within CoM is responsible for identifying, applying, administering, monitoring and reporting of grants received. This results in variations to the process and may not consider the benefit/costs associated with accessing available funding and ensuring the alignment with CoM strategic objectives.

The review considered opportunities to improve the current process including use of resources associated with grant applications, the impact of 'match funding' and ongoing CoM costs, and the acquittal and monitoring processes.

The review has focussed on adapting ideas from best practice and building on the learning from the previous Grant Attractor Relationship Manager's (GARM's) group. The review considered larger value grants as well as a small sample of lower value grants.

The review also aimed to identify opportunities for funding sources beyond the areas in which CoM has traditionally applied for grant funding, as well as facilitating organisations (clubs and community groups) in the Marion area to access appropriate grant funding.

The scope of the review will include the main areas of CoM which attract grant funding:

- Open Space (Peter Patterson)
- Arts & Culture (Marg Edgecombe)
- Community Participation (Margi Whitfield)
- Major Projects (John Valentine).

The agreed approach was:

Phase 1 - Understand the history and current CoM process for grant management

- Review any relevant documentation from the GARM's group or meet with previous members to recap on the learning
- Consider any documentation in place to support current processes including for example, policies, procedures, guidelines and/or training materials
- Meet with key stakeholders to document current processes for each business unit.

Phase 2 - Identify better practices that could be applied at CoM

- Sample a selection of grants to determine the requirements imposed on CoM and the process underlying the management of each grant (the sample will also include situations where CoM partners with community groups to aid them in applying for grants)
- Identify the requirements of each grant sampled and determine whether CoM have appropriate processes and controls in place to ensure efficient administration and reporting of these grants based on these requirements

- Identify points in the process that pose potential risks to CoM
- Alignment of grants to CoM's Strategic Management Framework (e.g. Community Plan, prioritisation framework & asset framework)
- Identify better practices in relation to grant management.

Phase 3 - Identify agreed gaps and improvement opportunities

- Investigate key gaps and/or improvement opportunities agreed with CoM management
- Provide input into design of reports, policy, checklists, forms and templates used internally by CoM staff
- Report the results of our work and provide practical recommendations for improvement.

1.3 Disclaimer

BDO limited the procedures performed during this assurance project to inquiries of relevant personnel, inspection of evidence and observation of, and enquiry about, the operation of the control procedures for a small number of transactions or events. Our procedures are designed to provide a limited level of assurance in relation to the areas included within the project brief. An assurance project does not provide all of the evidence that would be required in an audit. An audit opinion is not expressed in this report.

The matters raised in this report are only those that came to our attention during the course of performing our procedures and may not necessarily be a comprehensive statement of all the weaknesses that may exist or improvements that might be made.

We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, comply with laws and regulations and avoid fraud. Accordingly, management should not rely on our report to identify all weaknesses that may exist in the systems and procedures reviewed, or potential instances of fraud that may exist.

Our report is prepared solely for the internal use of City of Marion. No responsibility to any third party shall be accepted, as our report has not been prepared, and is not intended, for any other purpose. The responsibility for determining the adequacy or otherwise of the procedures performed by BDO is that of City of Marion management and the procedures performed are solely to assist you in assessing the processes reviewed by BDO.

City of Marion should assess management actions for their full commercial impact before they are implemented.

1.4 Good Practices Observed

Throughout this project we compared City of Marion's grant management processes to other similar councils within South Australia and our knowledge of good business practice. The following good practices were observed during the project.

Observations	
Consideration with strategic themes	Despite not having a formal approval process for the approval of grants our review of a selection of grants identified that throughout the process there does appear to be consideration given to the strategic themes of the council.
Identification of grants	Despite the identification of grants not having a centralised formalised process our discussions with key staff from units within CoM indicated that they are active in grant identification that relate to their budgets and the strategic direction of Marion.

1.5 Key Findings and Observations

The review identified that the CoM has adequate controls over grant funding processes however there are opportunities for improvement.

The following table provides a summary of our recommended actions. For further information refer to the Detailed Findings section following, and **Appendix 2** for documents considered and stakeholders consulted during the project.

Each key finding is prioritised (rated) based on their impact to the process considered (refer to **Appendix 3** for the framework for ratings).

Ref #	Description of assurance findings and recommended actions	Rating of assurance findings
2.1	Grant Register	Low
2.2	Assessment Criteria	Moderate
2.3	Post Funding Analysis	Low
2.4	Grant Approval Process	Moderate
2.5	Formalised Grant Policies and Procedures	Low
2.6	Identification of Grants	Moderate

2. DETAILED FINDINGS AND AGREED ACTIONS

Finding 2.1 Grant Register

Risk rating:

Low

Finding:

Through discussions with key personnel at City of Marion (CoM) and observations through phase 2 of the project it was identified that CoM does not maintain a central grants register for the purpose of:

- Tracking status of grants
- Identification of potential grants
- Tracking budget to actual of all grants
- Post implementation score for grants completed.

Discussions with personnel from the Finance Team indicated that previously a central grants register was in place; however this register was accessible by a number of staff and hence the data within the register was not accurate. Additionally the size and complexity of the register made administration of grants cumbersome and inefficient.

Through our sampling of grants it was identified that each unit within CoM is separately responsible for managing and tracking grants and found no true register or tracking tool within any of the units.

Risk/impact to Business:

Potential mismanagement of grants leading to not meeting the requirements of the grantee which could jeopardise future grant funding.

Inefficient system for tracking and administering grants through their life cycle could cost additional expense to CoM.

Recommendation Action:

CoM should consider developing a centralised grant register for applying, administering and reviewing grants across CoM. Such a central register should:

- Have an administrator that centrally manages the register which will ensure the data quality
- Track potential grants that is, grants yet to be approved for application
- Track grants that have been applied for
- Track the administration of successful grants i.e. terms and conditions, budget to actual and regular reporting commitments.

As part of our review we considered the most efficient process to administer grants within CoM and have developed a proposed process, refer **Appendix 1.1**.

Likelihood: Possible

Consequence: Minor

Management Comment:

Supported in principle, and can be considered as part of the reactivation and further development of a grants identification and management system, and program/project management system. It is suggested that Appendix 1.1 also include consideration of Council's decision making regarding the acceptance of grant funding, matching funding and consideration of whole of life costs, including ongoing costs associated with grant funding where necessary.

Responsibility: Manager Strategy, Manager Organisational Excellence

Target Date: March 2016

Finding 2.2 Assessment Criteria**Risk rating:****Moderate****Finding:**

Discussions with key people at CoM indicated that is no formal, consistent assessment criteria considered for grant funding. Criteria to be considered in relation to grants include (but not limited to) the following:

- Alignment to CoM's strategic themes
- Risk assessment associated with the grant such as does it expose the CoM to 'downstream' costs, public relations issues, WHS concerns, inequity claims, etc.
- Financial assessment including the cost of application, cost of implementation, and ongoing operations versus the funds available
- Undue terms and conditions associated requiring the CoM to undertake activities considered unreasonable

Risk/impact to Business:

Not considering appropriate evaluation criteria to assess potential grant programs or funding could leave CoM open to:

- Political scrutiny for not achieving program goals and targets or lack of alignment with CoM's strategic direction
- Displeased residents due to the possible impact of a program
- Financial impact on CoM for not fully costing or budgeting for a grant program.

Recommendation Action:

CoM should develop assessment criteria to be considered when assessing the value of grant funding. These criteria are to be addressed and considered by the appropriate management for approval or rejection.

Likelihood: Possible**Consequence: Moderate****Management Comment:**

Supported. It is proposed that the assessment criteria relating to grants would align closely with criteria to support informed decision making by Elected Members. This will ensure that criteria to prioritise potential initiatives/projects will then set the foundation for grant applications associated with these priorities.

Responsibility: Manager Strategy**Target Date: March 2016**

Finding 2.3 Post Funding Analysis
Risk rating:
Low
Finding:

Through our analysis of the grant administration process we determined limited post funding reviews have been performed. Discussions with CoM staff indicated that in some instances a review of the grant program may occur to identify if the expense of administering the grant to CoM is appropriate considering the benefits the council/community is receiving from the grant. It appears however, that not all grants are reviewed at the end of the program and not formally documented.

Risk/impact to Business:

Not formally reviewing the value achieved from funding arrangements could limit the CoM's learning's and result in CoM applying for and continuing grants programs that:

- Are not meeting the strategic themes of the council
- Are cost prohibitive and do not provide value for money benefits to the community.

Recommendation Action:

CoM should consider implementing an appropriate post funding process whether it is a meeting with all CoM staff involved or whether it is a survey that can be completed and the results collated into the central grant register.

Likelihood: Possible
Consequence: Minor
Management Comment:

Support in principle, and will consider in line with the reactivation and development of a centralised grants identification and management system.

Responsibility: Manager Strategy, Manager Organisational Excellence
Target Date: March 2016

Finding 2.4 Grant Approval Process
Risk rating:
Moderate
Finding:

Previously CoM had in place the Grant Attractors and Relationship Manager's (GARM's) group which had the main purpose of:

- Identification of grants
- Approval and organisation of resources to apply for grant funding.

However this group is currently inactive and Managers tend to approve grant funding (which can occur after an application has been completed) based on their Work Areas capacity and to a lesser extent strategic themes.

CoM does have in place a number of management groups where the direction and approval of applying for grants could occur including:

- Identification of grants for consideration
- Grant assessment analysis (including risk, financial, strategic directions)
- Approval of grants that align with strategic themes, risk acceptance etc. (depending on value and risk)
- Reporting/monitoring of status.

Risk/impact to Business:

Grants are applied for and awarded without an appropriate consistent assessment being performed as to the impact of the grant on CoM strategic themes and risk appetite.

Recommendation Action:

Clarity about roles and responsibilities also aids the efficiency of the grants application and tendering process. Hence CoM should consider how current management/executive/council committees can be utilised to consider the assessments of grants (against agreed criteria - refer previous recommendation) in relation to grant applications, outcomes/delivery and post review analysis.

Likelihood: Possible
Consequence: Moderate
Management Comment:

Supported. While GARMS has been inactive for some time, a terms of reference has been developed to encourage the Corporate Management Group (CMG) to take an active role in grant attraction and management. Where appropriate (due to delegations or need to approve matching funding) this role may sit more appropriately with the Executive Management Group or Council on a case by case basis.

Responsibility: Manager Strategy
Target Date: March 2016

Finding 2.5 Formalised Grant Policies and Procedures
Risk rating:
Low
Finding:

Discussions with key CoM staff indicated that no formal policies and procedures existed in relation to grant administration. All staff consulted indicated that it would be useful if such documentation existed to help facilitate a consistent approach to the application, administration and delivery of grant programs.

As part of a robust governance framework CoM should have at a minimum a policy and procedure relating to grants which would include:

- Decision making process for applying for grants and who is accountable for approving what
- Grant administration
- Consideration as part of strategic and annual planning processes
- Assessment criteria
- Financial & Performance monitoring.

Risk/impact to Business:

Without proper administration of grants there is the potential for the overlap or duplication of grant programs between departments, a lack of proper management and accountability for grants programs and inappropriate controls identify appropriate potential grants, or prepare the reporting for the audit of grants.

Recommendation Action:

CoM should consider developing appropriate policies and procedures (also taking into account the process map identified in **Appendix 1**) to ensure a consistent approach is adopted within the council. Once the policies and procedures have been developed and formalised CoM should provide training to council staff in grants management so they can adequately undertake the agreed grants administering function.

Likelihood: Possible
Consequence: Minor
Management Comment:

Supported, and can be considered as part of the development of a grants identification and management system. This would also need to align closely with the Strategic and Annual Planning processes.

Responsibility: Manager Strategy
Target Date: March 2016

Finding 2.6 Identification of Grants**Risk rating:****Moderate****Finding:**

Discussions with key CoM staff have indicated that post GARMS there is no unified or documented way that potential grants are being identified.

Through our review it appears that each work area within CoM manages grant identification on their own, at times this extends to discussions with other work areas who might also be considering applying for the grant funding.

Risk/impact to Business:

Grants may not be identified that could assist the CoM in achieving the strategic themes of the council.

Recommendation Action:

BDO recommends that CoM consider a centralised grants identification process. A CoM Responsible Officer is designated to search for available grants and registers them on a Grant Register. Grants may also be identified by CoM units who would communicate details of the grants to the CoM Grants Responsible officer.

Refer to **Appendix 1.2** for a non-exhaustive list of potential Internet sites; this should be expanded as appropriate.

Likelihood: Possible**Consequence: Moderate****Management Comment:**

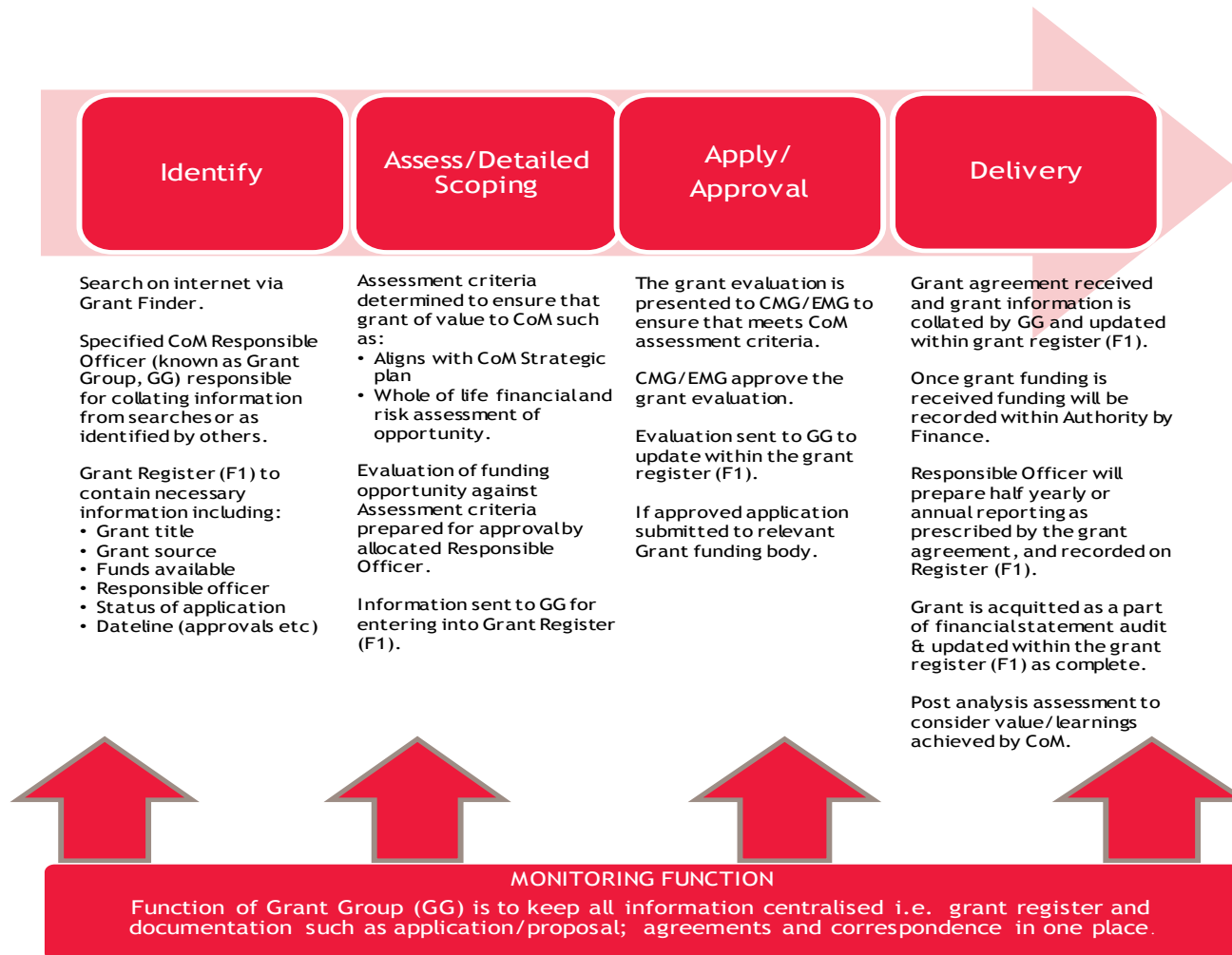
Supported in principle, and can be considered as part of the reactivation and further development of a grants identification and management system. It is important to note that grants can also come to the attention of staff through established relationships and/or lobbying approaches, and this was also a function of the currently inactive GARMS group. The development of the system will need to allow for this aspect of grant identification.

Responsibility: Manager Strategy

Target Date: March 2016

Appendix 1

APPENDIX 1.1 GRANT PROCESS



Appendix 1.2 Funding Sites

Type	Funding Body	Website
VARIOUS	Commonwealth Government	www.business.gov.au/grants
COMMUNITY	Federal, State and Local Government Non for profit	www.environment.gov.au/about-us/grants-funding www.pir.sa.gov.au/regions/programs www.multicultural.sa.gov.au/grants www.lga.sa.gov.au/regions/programs http://www.communitygrants.com.au/ http://www.dcsi.sa.gov.au/ www.australiacouncil.gov.au www.grantassist.sa.gov.au www.fundingcentre.com.au/ http://www.regional.gov.au/local/assistance/ https://www.sa.gov.au/topics/employment-and-finance/financial-support/grants
SPORTING CLUBS	Local Government	http://www.sportsa.org.au/ http://www.ors.sa.gov.au/ http://www.ausport.gov.au/supporting/clubs/resource_library/administration/grants

Appendix 2

Documents Accessed and Consultation

Documents Accessed

Documents provided by City of Marion and accessed include details for a selection of grants for:

- Department State Development - Adult Community Education - Accredited training
- Department State Development - Adult Community Education - Non Accredited training
- Department Communities and Social Inclusion
- Department of State Development - Adult Learners Week - Trott Park Neighbourhood Centre
- Department Communities and Social Inclusion - Multicultural Grant auspiced by City of Marion for Glandore Community Garden
- Department of Social Services - Aged Programs/Services
- Department Communities and Social Inclusion - Disability Programs/Services
- Department State Development - Adult Community Education - Accredited training
- Department Communities and Social Inclusion - Community Programming
- Department of Health - Obesity Prevention and Lifestyle (OPAL) by Federal, State and Local Government
- Department of Health and Aging - Healthy Communities Initiative
- Department of State Development - Adult Learners Week - Trott Park Neighbourhood Centre & Glandore Community Centre
- Department of Social Services - Aged Programs/Services
- Department Communities and Social Inclusion - Disability Programs/Services

In addition we considered the CoM's Long Term Financial Plan 2014/15 - 2023/24 and the CoM Community Plan 2040.

Key Stakeholders Consulted

BDO completed this project through discussions held with:

- Sharyn Johnson - Community Care
- Lee Prestwood - Community Care
- John Valentine - Major Projects
- Peter Patterson - Open Space
- Marg Edgecombe - Arts & Culture
- David Sharp - Community Care

Appendix 3

Classification of Core Assurance Findings

The following framework for Assurance ratings was developed to prioritise findings according to their relative significance depending on their impact to the process.

Rating	Definition	Example of business impact	Action required
Critical	Issue represents a control weakness, which could cause or is causing severe disruption of the process or severe adverse effect on the ability to achieve process objectives	<ul style="list-style-type: none"> • Detrimental impact on operations or functions. • Sustained, serious loss in brand value and/or market share. • Going concern of the business becomes an issue. • Decrease in the public's confidence in the company. • Serious decline in service/product delivery, value and/or quality recognised by customers. • Contractual non-compliance or breach of legislation or regulation with litigation or prosecution and/or penalty. • Life threatening. 	<ul style="list-style-type: none"> • Requires immediate notification to the Audit Committee. • Requires Managing Director/Executive Management attention. • Requires interim action within 7-10 days, followed by a detailed plan of action to be put in place within 30 days with an expected resolution date and a substantial improvement within 90 days. • Separately reported to chair of the Audit Committee and executive summary of report
High	Issue represents a control weakness, which could have or is having significant adverse effect on the ability to achieve process objectives.	<ul style="list-style-type: none"> • Major impact on operations or functions. • Serious diminution in brand value and/or market share. • Probable decrease in the public's confidence in the company. • Major decline in service/product delivery, value and/or quality recognised by customers. • Contractual non-compliance or breach of legislation or regulation with probable litigation or prosecution and/or penalty. • Extensive injuries. 	<ul style="list-style-type: none"> • Requires prompt management action. • Requires executive management attention. • Requires a detailed plan of action to be put in place within 60 days with an expected resolution date and a substantial improvement within 3-6 months. • Reported in executive summary of report

Moderate	Issue represents a control weakness, which could have or is having significant adverse effect on the ability to achieve process objectives	<ul style="list-style-type: none"> • Moderate impact on operations or functions. • Brand value and/or market share will be affected in the short-term. • Possible decrease in the public's confidence in the company. • Moderate decline in service/product delivery, value and/or quality recognised by customers. • Contractual non-compliance or breach of legislation or regulation with threat of litigation or prosecution and/or penalty. • Medical treatment required. 	<ul style="list-style-type: none"> • Requires short-term management action. • Requires general management attention. • Requires a detailed plan of action to be put in place within 90 days with substantial improvement within 6-9 months. • Reported in executive summary of report.
Low	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve process objectives.	<ul style="list-style-type: none"> • Minor impact on internal business only. • Minor potential impact on brand value and market share. • Should not decrease the public's confidence in the company. • Minimal decline in service/product delivery, value and/or quality recognised by customers. • Contractual non-compliance or breach of legislation or regulation with unlikely litigation or prosecution and/or penalty. • First aid treatment. 	<ul style="list-style-type: none"> • Requires management action within a reasonable time period. • Requires process manager attention. • Timeframe for action is subject to competing priorities and cost/benefit analysis, e.g. 9-12 months. • Reported in detailed findings of report

City of Marion's qualitative risk analysis matrix (refer below) outlines the metrics used when performing these overall Assurance finding risk ratings.

Likelihood

Almost Certain

Likely

Possible

Unlikely

Rare

Low	Moderate	High	Extreme	Extreme
Low	Moderate	High	High	Extreme
Low	Low	Moderate	Moderate	High
Low	Low	Low	Moderate	High
Low	Low	Low	Low	Moderate
Insignificant	Minor	Moderate	Major	Severe

Consequence

**CITY OF MARION
AUDIT COMMITTEE MEETING
14 April 2015**

Originating Officer: Heather Falckh
Director: Vincent Mifsud
Subject: Funding to the Community Service Review
Report Reference: AC140415R6.10

REPORT OBJECTIVES:

The 'Funding provided to the community review' report is provided for Audit Committee's consideration and feedback.

The scope of this service review conducted by BDO included grant funding and donations that City of Marion provides to the Community.

RECOMMENDATION

DUE DATES

That Audit Committee:

- 1. Provides feedback on the final report of the Funding Provided to the Community Review**

14 April 15

BACKGROUND

BDO conducted a service review on the grant funding and donations processes. Grant funding and donations have been separate processes, conducted in different areas of responsibility by the City of Marion.

Both processes provide community groups and individuals with relatively small grants/donations in order to build community capacity. These services have not been reviewed for some time and an assessment of the value to the community was considered appropriate.

DISCUSSION

The Community Participation Department and Governance Department provide the following funding to the community:

- Community Grant Program (grants)
- Unsolicited requests (donations)
- Christmas hampers (donations)
- Youth Achievement Awards (donations), and
- In kind support

BDO considered the current grants and donations processes, relevant documentation and met with key internal stakeholders.

BDO also conducted research into best practice across other Councils and private organisations in order to determine opportunities for improvement.

The review report is provided in **Attachment 1**.

The recommendations will be incorporated as part of a revision of community grant and sponsorship programs. The outcome will be provided to Council for consideration and approval.

CONCLUSION:

The review report provides findings and recommendations for improvement to the distribution of grants and donations that will enhance the value to the community.



City of Marion



Funding Provided to the Community

April 2015

Contents

1. EXECUTIVE SUMMARY	2
1.1 - Project Objective	2
1.2 - Project Scope	2
1.3 - Disclaimer	3
1.4 - Best Practice Trends	4
1.5 - Good Practices Observed for City of Marion	4
1.6 - Key Findings and Observations	5
2. DETAILED FINDINGS AND AGREED ACTIONS	6
2.1 - Grants Process	6
2.2 - Donations/Sponsorship	14
2.3 - Grants and Donations/Sponsorship	18
APPENDIX A - Best Practice Research	20
APPENDIX B - Classification	21

1. EXECUTIVE SUMMARY

1.1 - Project Objective

The purpose of this project was to review the current process used by the City of Marion to provide funding to the community through donations, sponsorships and grants.

The ultimate objective of this review was to identify the following:

- How funding can be used as a catalyst to achieve positive benefit and sustainable change within the community
- The options for distributing funding to the community
- Consider the value to the community from distributing funding
- Consider how the City of Marion could maximise the community value from the available funding.

The overall outcome of the project was to assist the City of Marion in assessing the value of the funding provided and if appropriate, improve its approach to providing funding to the community in an equitable manner.

1.2 - Project Scope

In consultation with the City of Marion, BDO Adelaide completed a three phase process to review the way in which funding is currently provided to the community.

Phase 1 - In the first instance, BDO reviewed the current internal processes for distributing funding to the community. During this phase we:

- Met with key team members from Community Participation and Governance to identify and understand the funds provided and the process to administer each. This involved meetings with Ms Kate McKenzie and Ms Deb Horton from Governance, as well as Ms Margi Whitfield, Mr David Sharp and Ms Rachel McCaskill from Community Participation.
- Considered the governance arrangements currently in place to oversee and monitor the funding distribution process.
- Reviewed the City of Marion strategic objectives as well as the criteria for determining community outcomes.
- Identified and reviewed related procedures, funding criteria, performance measures, policies and frameworks and their currency.

Phase 2 - As part of this process, BDO also gathered an understanding of community value and research into best practice. During this phase, we:

- Considered benefits to the community attained by providing grants, donations or sponsorship and methods for measuring this.
- Identified (in collaboration with CoM representatives) and researched organisations (including other Councils as well as private sector) that would be considered 'best practice' in maximising community outcomes through the distribution of funding. A list of the Councils and organisations, as well as the best practice frameworks, which were explored, is included in Appendix A.
- Considered best practice in this area and alternative funding models which deliver benefit to the community and build community capacity.

Phase 3 - Once we had collected the necessary information, BDO identified potential opportunities for improvement and provided an interim report to Council representatives in the form of an Issues Log. During this phase, we provided options outlining improvement opportunities, which included:

- Alternatives to measure and maximise public value
- Recommendation to define, articulate and document the Council's overarching purpose for the grants, donations and sponsorship programs
- Recommendations around a policy framework for grants, donations or sponsorship that aligns with the City of Marion strategic objectives
- Recommendations to review the amounts to be provided through any funding program based on the benefit the community may receive.

Finally, BDO has compiled a comprehensive report to outline the key issues, implications to Council and associated recommendations. This report is divided into three sections;

- Grants - identifying key issues and providing recommendations to strengthen the provision of grants to the community;
- Donations/Sponsorship - identifying key issues and providing recommendations to strengthen the donations/sponsorship process; and
- Grants and Donations/Sponsorship - discussing recommendations that apply to both the grants and donations/sponsorship processes within the City of Marion.

1.3 Disclaimer

BDO limited the procedures performed during this assurance project to inquiries of relevant personnel, inspection of evidence and observation of, and enquiry about, the operation of the control procedures for a small number of transactions or events. Our procedures are designed to provide a limited level of assurance in relation to the areas included within the project brief. An assurance project does not provide all of the evidence that would be required in an audit. An audit opinion is not expressed in this report.

The matters raised in this report are only those that came to our attention during the course of performing our procedures and may not necessarily be a comprehensive statement of all the weaknesses that may exist or improvements that might be made.

We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, comply with laws and regulations and avoid fraud. Accordingly, management should not rely on our report to identify all weaknesses that may exist in the systems and procedures reviewed, or potential instances of fraud that may exist.

Our report is prepared solely for the internal use of City of Marion. No responsibility to any third party shall be accepted, as our report has not been prepared, and is not intended, for any other purpose. The responsibility for determining the adequacy or otherwise of the procedures performed by BDO is that of City of Marion management and the procedures performed are solely to assist you in assessing the processes reviewed by BDO.

City of Marion should assess management actions for their full commercial impact before they are implemented.

1.4 Best Practice Trends

Based on the research that was conducted, BDO found that best practice grants processes had clear criteria for assessing the applicants and in many cases; these criteria were linked to a set of broader strategic initiatives. In addition, there was clear separation in the process - with the person responsible for assisting applicants with their submissions separate from those responsible for reviewing and approving the applications. Furthermore, many well structured grants processes employed a ranking or weighting system - in order to determine the extent to which the applications satisfied the expectations.

Many best practice approaches employed an automated system through which the applicants lodge their information. This reduces internal resources required at the initial stages of the application process. Furthermore, many of those who are employing a well-structured process ensure that the application process is simple and easy to complete - and requires the applicant to complete an acquittal report to explain how the funds had been used.

The larger grants (generally in the \$M's) also had a series of KPIs against which the outcome of the grant is measured. Despite this, the majority of Councils do not employ KPIs to measure the outcomes of the grants, potentially due to the relative minimal amount of funding provided compared with larger state Government departments or private enterprise. This is consistent with research that was conducted, suggesting that smaller grants should ideally require less work (Australian Institute for Grants Management).

1.5 Good Practices Observed for City of Marion

Throughout this project we compared City of Marion's process for providing funding to the community through grants, donations and sponsorship to other similar councils and other organisations within South Australia and our knowledge of good business practice. The following good practices were observed during the project.

Observations	
Alignment with strategic themes	There is alignment within the grants process to the Community Plan - with applicants asked to submit their applications according to which of the strategic initiatives it best represents.
Structured grants process and clear objectives for applications	The grants process is well structured and uses significant automation through the Smarty Grants process to reduce time taken to process applications and send acquittal reminders.
Focus on avoiding any conflicts of interest in the donations/sponsorship processes as well as the grants process	Requests for donations/sponsorship are currently managed by the Governance department rather than coming through the Elected Member body. Grants applications are reviewed by a panel and then final approval is provided by the Elected Members to ensure the process is fair and equitable.
Acquittal process for the grants application	All those who are successful in receiving grants from the CoM are responsible for returning information regarding how the funds were used. To date this has occurred for 100% of the grants provided.

1.6 Key Findings and Observations

The review identified that although in some aspects the CoM is managing the grants and donations/sponsorship processes relatively well, there are certainly opportunities for improvement.

The following table provides a summary of our recommended actions. For further information refer to the Detailed Findings section following, and **Appendix A** for sources researched to gather comparison and/or best practice information.

Each key finding is prioritised (rated) based on their impact to the process considered (refer to **Appendix B** for the framework for ratings).

Ref #	Description of assurance findings and recommended actions	Rating of assurance findings
2.1.1	Purpose of Grant Funding	Moderate
2.1.2	Establish KPIs as part of Application Process	Moderate
2.1.3	Size of Grant	Low
2.1.4	Link to Council Strategic Priorities	Low
2.1.5	Assessment of Grant Applications	Moderate
2.1.6	Owner of Grant Process	Moderate
2.1.7	Lack of Analysis Conducted on Grant Applications	Low
2.1.8	Formal Feedback Process	Low
2.2.1	Purpose of Donations/Sponsorship	Low
2.2.2	Manual Process	Moderate
2.2.3	Tracking of Donations/Sponsorship Applications	Low
2.2.4	Frequency of Donation/Sponsorship lodgement	Low
2.3.1	Lack of Distinction between Grants and Donations	Moderate
2.3.2	Combine the Grants Process with the Donations/Sponsorship Process	Low

2. DETAILED FINDINGS AND AGREED ACTIONS

2.1 - Grants Process

Finding 2.1.1 - Purpose of Grant Funding

Risk rating: **Moderate**

Finding:

The purpose behind the grant process within the City of Marion is broad and does not incorporate any long term objectives for the process. Currently, the stated purpose of community grant funding is to 'benefit the community and support the City of Marion Strategic Plan'.

Risk/impact to Business:

Without a clear definition of what is meant by 'community benefit'; it is difficult to determine whether the grants program is successful in delivering on its intention.

Recommendation Action:

- Have a clearer purpose for the grant process and define this in the guidelines. If Council's intention is that the grants will ultimately build community capacity, this needs to be clearly articulated in the guidelines so that it can be addressed in the application process.
- Once defined, it is recommended that Council set clear goals for the grants program at the start of each year. This which will allow for the creation of measureable indicators to determine whether the goals have been met when the process is reviewed on a regular basis.

Likelihood: Almost certain

Consequence: Minor

Management Comment: Agree with recommendation. Further clarity of purpose required.

Responsibility: Unit Manager Community Development

Target Date: March 2016

Finding 2.1.2 - Establish KPIs as part of Application Process
Risk Rating:
Moderate
Finding:

At present there are no measureable targets to determine whether the grants that are provided to community groups achieved any longer term benefit - in addition to satisfying the immediate need for the grant. The only measureable outcome collected is the number of volunteer hours contributed by the grant applicant, which is equated to a dollar figure based on 'standard' hourly rates.

Risk/impact to Business:

This is related to the initial finding as described above - without having a clearly defined purpose for the grants program it is difficult to set any measureable targets. The risk here is that the community group or club see the grant as a 'quick fix' rather than a way to strengthen their ongoing functioning.

However, it must be mentioned that many organisations - as well as other Local and State Government bodies - do not attribute KPIs or measurable outcomes to grants unless they are significant in size. According to the research conducted, measurable outcomes are generally attributed to the process once the grant allocated is above \$10,000 or in some cases \$20,000.

Recommendation Action:

- Based on the research conducted, it is recommended that Council do not set extensive or complex targets for the grant process - certainly not in the first instance - given that the size of the grants being allocated is relatively minimal. It may be that Council wishes to review the amount that is allocated to community groups - which is discussed in further detail below.
- However, if Council is able to clearly define and document the purpose of the grant process, there could be another component introduced into the application process. This could encourage the groups or clubs to identify how the grant strengthens their capacity and provides them with an ongoing benefit in the longer term.

Likelihood: Almost certain
Consequence: Minor

Management Comment: Agree that amounts need to be reviewed and changes to the application process

Responsibility: Unit Manager Community Development

Target Date: March 2016

Finding 2.1.3 - Size of Grant

Risk Rating:

Low

Finding:

The City of Marion has two 'rounds' of grant applications each year (unless there is a Local Government election - in which case both 'rounds' are condensed into one). The size of the grant awarded to successful applicants can be up to \$2000 - with a total of \$25,000 available in one round. In the second round, there is \$50,000 available - which (in addition to the \$25,000) also includes the provision for five grant applicants to receive grants of up to \$5000.

Risk/impact to Business:

Whilst this does not place the City of Marion at particular risk, it raises the question whether the amount of the grant that is awarded is substantial enough to bring about any sustainable community benefit or capacity building activity. Furthermore, by conducting the process twice per year it requires significant resources invested across a number of business units.

Recommendation Action:

- As mentioned above, Council first must define the intended purpose of the grants process, before it can be reviewed whether the amount provided is sufficient to achieve this outcome. The City of Marion is relatively consistent with many other Councils - which generally provided up to \$5000 for community projects. However, there are the minority which will provide up to \$50,000 grants however this is certainly not standard practice across local Government.
- Consider the improvement in business efficiency by having the grants process conducted only once per year. Streamlining the process to have only one annual application period would be more consistent with the process employed at other Councils.

Likelihood: Possible

Consequence: Minor

Management Comment: Agree with recommendations and size of the grant will be reviewed in line with other recommendations.

Responsibility: Unit Manager Community Development

Target Date: March 2016

Finding 2.1.4 - Link to Council Strategic Priorities
Risk Rating:
Low
Finding:

At present, the grant application process divides available funding into four categories which are aligned to the City of Marion Community Plan; Environment, Community Development, Arts and Culture and Sports and Recreation. Applicants need to identify which of these four categories is most closely linked to their project, as well as explain how the project will benefit the Marion community more generally. Therefore, the current grant process does not require applicants to make specific links to the strategic priorities when requested grant funding.

Risk/impact to Business:

Applicants may not have a clear understanding of the overall purpose or intention of the funding process; how the funding can benefit the community more broadly rather than meet a shorter term need in their own organisation.

Recommendation Action:

- Introduce an element to the application process, asking community members to link their intended project or request specifically to the City of Marion Community Plan. This will encourage applicants to refer more regularly to the strategic priorities of the Council, as well as appreciate how their individual project or request can provide broader community benefit.

Likelihood: Possible
Consequence: Minor
Management Comment: Agree with recommendation
Responsibility: Unit Manager, Community Development
Target Date: March2016

Finding 2.1.5 - Assessment of Grant Applications
Risk Rating:
Moderate
Finding:

Applications are assessed against given criteria when received, providing they have not received grant funding from Council within the last two years. During the assessment process, applications are either approved or not approved for funding dependent of merit and impact in the community, however these applications are not ranked or weighted according to suitability.

Risk/impact to Business:

Applicants receive funding provided they met the given criteria and have not received funding in the last two years. The current process does not provide the opportunity for the applicant to demonstrate community capacity /value and therefore the applications are not able to be ranked or weighted according to the degree to which they deliver community value.

Recommendation Action:

- The assessment process will seek to ensure the best outcomes for the community are achieved. Council can still continue to provide support to the applicants throughout the process but when assessing the applications will implement a ranking or weighting system to determine the best outcomes for the community. This is standard practice in many Councils as well as State Government and private organisations.
- Communicating this to community groups and clubs will help to reinforce the ultimate aim for the distribution of funding - to bring the benefit to the community and support the City of Marion strategic priorities. This will clarify the difference between a grant and a donation.

Likelihood: Almost Certain
Consequence: Minor
Management Comment: Agree with recommendations.
Responsibility: Unit Manager Community Development
Target Date: March2016

Finding 2.1.6 - Owner of the Grant Process
Risk Rating:
Moderate
Finding:

At present the person responsible for the majority of the grant process works in the Community Development Unit, provides support and assistance to applicants and distributes the applications to panel members who are employed in fields relevant to the grant application for review. For example, applications satisfying the 'sport and recreation' category will be reviewed by a panel which includes a Council employee in this field.

Risk/impact to Business:

This process does not create a significant issue at this stage as the Council is presented with a recommendations report for consideration and adoption. Elected Members are responsible for declaring all conflicts of interest prior to the report being considered.

However, the recommendation above suggests that Marion could implement a ranking or weighting system for all applications. If this recommendation is implemented - it is advised that the person who is responsible for assisting the applicants to complete the process will not also be responsible for ranking or weighting the applications according to the extent to which they deliver community value.

Recommendation Action:

- Appoint an 'owner' of the grant process who distributes the applications to panel members. This person will conduct ongoing data analysis of the applications that are received - as described below.
- This person will also be responsible for providing applicants with assistance in completing and lodging their applications, but will not be part of the assessment panel in determining successful from unsuccessful recipients.

Likelihood: Possible
Consequence: Moderate
Management Comment: Agree with recommendations.
Responsibility: Unit Manager Community Development
Target Date: March 2016

Finding 2.1.7 - Lack of Analysis Conducted on Grant Applications
Risk Rating:
Low
Finding:

At present, Council receive a report after each grant process outlining all applications received and specifying whether they have been approved or declined. The Council has the opportunity to approve or reject these recommendations. However this has not yet happened throughout any grants process.

Risk/impact to Business:

Council is not getting full value from the data that is being collected. All grant applications are recorded however this data is not analysed to determine which categories or groups of organisations are requesting assistance in what particular area. This may mean that there are missed opportunities to provide proactive support, advice and assistance - rather than reactive support to clubs and groups when and if they request it.

Recommendation Action:

- Analyse data collected at the end of each year to determine the trends that are emerging. For example, if there have been a number of community groups wanting new fridges or air-conditioning units - the Council may decide to take proactive action, working with groups to identify how they can more effectively manage their electricity costs.

Likelihood: Possible
Consequence: Minor
Management Comment: Agree with recommendation
Responsibility: Unit Manager Community Development
Target Date: March 2016

Finding 2.1.8 - Formal feedback process

Risk Rating:

Low

Finding:

There is currently no formal process to gather feedback from the community regarding the grants process.

Risk/impact to Business:

Given that no formal feedback is collected from community members, it is difficult to know how the community members perceive the funding application process as well as whether the funding enabled them to achieve their desired outcome.

Recommendation Action:

- Implement a formal feedback procedure into the grant process. Gather regular feedback from the community regarding their ability to complete the application process, as well as whether the grant enabled them to achieve their intended outcome.
- It is proposed that this feedback become part of the acquittal process; a form is sent to all recipients along with the acquittal information as a means of gathering structured, formal and regular feedback.

Likelihood: Likely

Consequence: Insignificant

Management Comment: Agree with recommendations.

Responsibility: Unit Manager, Community Development

Target Date: March 2016

2.2 - Donations/Sponsorship

Finding 2.2.1 - Purpose of Donations/Sponsorship

Risk Rating:

Low

Finding:

At present, the purpose of the donations/sponsorship process is broad. City of Marion define the donation process as 'the provision of funds or other assistance provided with no or limited conditions'. Sponsorship is currently defined as 'the provision of funds, goods or services or in kind support in exchange for advertising, publicity or other benefits to the City of Marion'.

Risk/impact to Business:

There is a lack of clarity around what the donations and sponsorship processes are intended to achieve more broadly and therefore it is unclear whether the amount that is provided is sufficient (too large or too small) to achieve this aim.

Recommendation Action:

- Have a clearer definition and purpose for the donations and sponsorships - articulating what they are intended for (e.g. events, prizes, travel for sporting groups, senior citizens, tourism, etc) and update the policy accordingly.

Likelihood: Possible

Consequence: Minor

Management Comment: Agree with Recommendation

Responsibility: Manager Governance

Target Date: March 2016

Finding 2.2.2 - Manual Process

Risk Rating:

Moderate

Finding:

The donations/sponsorship process is manual and labour intensive. At present, given that the application process does not specifically ask for all information required, representatives from the Governance team contact the donation/sponsorship applicants on a number of occasions in order to gather all necessary information.

Risk/impact to Business:

The time taken to complete the process often outweighs the value of the donation/sponsorship. For example, if each donation/sponsorship request requires approximately 3-4 hours of time for a Governance representative, on some occasions it is likely that the cost of this time outweighs the funding being provided.

Recommendation Action:

- Increase the level of automation for the donations/sponsorship process by incorporating it into the Smarty Grants¹ program.
- Ideally, the program will request all of the necessary information from the applicant in the first instance, thereby making the process more efficient and reducing the time taken in ongoing communication between Council representatives and donation/sponsorship recipients.

Likelihood: Almost certain

Consequence: Minor

Management Comment: Review the application process to ensure that all required information is provided upfront and investigate if the donations/sponsorship could be incorporated into the Smarty Grants Program.

Responsibility: Manager Governance

Target Date: March 2016

¹ The Smarty Grants program is the automated system currently used by the City of Marion to collect, review and respond to grant applications.

Finding 2.2.3 - Tracking of Donations/Sponsorship Applications
Risk Rating:
Low
Finding:

Given that the donations/sponsorship process has only recently become the responsibility for the Governance team within the City of Marion, the reporting and data analysis is not yet as streamlined or established as the grants process.

Risk/impact to Business:

At present, Council is not provided with a list of the donations that have been provided.

Recommendation Action:

- Even if this information is not tracked in the longer term, it may be useful/necessary for Council representatives to provide high level reporting to Elected Members regarding the number of donations received and for what broad purposes, as well as the total amount of funding or in-kind support provided.

Likelihood: Almost certain
Consequence: Insignificant
Management Comment: Agree with recommendations.
Responsibility: Manager, Governance
Target Date: March 2016

Finding 2.2.4 - Frequency of Donation/Sponsorship lodgement
Risk Rating:
Low
Finding:

In the current policy, there are no defined expectations regarding how often a request for donations/sponsorship can be lodged, nor are there clear guidelines around how many requests can be received from the one organisation. This is often managed by Governance staff once the requests are received; however there is a lack of clear guidelines and frameworks around the application process.

Risk/impact to Business:

Community members may continue to apply for donations/sponsorship rather than rely on their own ability to fundraise the necessary amount. This can compromise the group/club/individual's ability to become more self sufficient in the longer term.

Recommendation Action:

- Place greater structure around the donation/sponsorship process - explaining to applicants that if they have applied for a similar donation/sponsorship in the past - even if they meet the criteria they are not guaranteed to receive the funding.
- Furthermore, incorporate into the policy guidelines the number of individuals from one organisation/club/sporting group who can apply for donations within the one year as well as how often groups can apply.

Likelihood: Possible
Consequence: Minor
Management Comment: Agree with recommendation
Responsibility: Manager Governance
Target Date: March 2016

2.3 - Grants and Donations/Sponsorship

Finding 2.3.1 - Lack of distinction between grants and donations

Risk Rating:

Moderate

Finding:

There is not a clear distinction between the purpose of (and difference between) grants, donations and sponsorship. In particular - the amounts provided for grants and donations at times are not the dissimilar. For example, donations can be approved for \$500 (although this is rare - often applicants will receive less than the full amount) and grants can be provided for as little as \$900.

Risk/impact to Business:

This can create confusion and overlap between the grants and donations processes, which can therefore create difficulty for Marion in clarifying the purpose of each distinct program.

Recommendation Action:

- As mentioned above, it is recommended that Marion review and clearly define the purpose of the grants program in order to ensure that the amount provided to community groups is sufficient to meet that purpose.
- Furthermore, it is recommended that the purpose of the donations process also be reviewed in order to determine whether this amount is also satisfactory to achieve the desired purpose. Compared with some other local Councils, the donations provided by Marion are larger amounts - with others providing up to \$300 but in many cases only approximately \$100 per applicant. Once again, the amount of this donation will depend on Marion's ultimate aim for the donation process - which at this stage is relatively unclear.
- It is recommended that an overarching policy be developed with separate procedures for each program - grants, donations and sponsorship.

Likelihood: Likely

Consequence: Minor

Management Comment: Agree with recommendation

Responsibility: Manager Governance

Target Date: March 2016

Finding 2.3.2 - Combine the Grants process with the Donations/Sponsorship process
Risk Rating:
Low
Finding:

The processes for grants and donations/sponsorship are conducted independent of one another by different areas of the Council. Currently, the grants process falls within the responsibility of Community Participation Department, whereas the donations/sponsorship falls under the jurisdiction of Governance Department. In the case of the donations/sponsorship, this had previously been overseen by Elected Members. When the decision was made to remove these discussions from the 'public arena', the process was then allocated to the Governance area.

Risk/impact to Business:

This has meant that it is difficult to determine any overlap or consistent trends in relation to application of funds by community members, groups or clubs.

Recommendation Action:

- Bring the donation/sponsorship process into the community development area so both applications processes are 'owned' by the same person.
- Incorporate a Governance representative on the Panel to review applicants for donations and sponsorship requests.
- As is the process currently - grant applicants will still be sent to the Elected Members for approval whereas the applications for donations/sponsorship will go straight through to finance, thereby maintaining confidentiality within the process.

Likelihood: Possible
Consequence: Minor
Management Comment: Agree with recommendation and this will be investigated
Responsibility: Manager Governance and Manager Community Participation
Target Date: March 2016

APPENDIX A - BEST PRACTICE RESEARCH

The Councils, organisations and frameworks that BDO reviewed as part of this process are provided in the table below:

Councils	State Government/Private Organisations	Best Practice Frameworks/Documentation
Brisbane City Council	Office of Recreation and Sport	Good Practice Guide to Grants Administration (NSW Premier and Cabinet)
Port Adelaide Enfield Council	SA Power Networks	Good Practice Guide to Grants Administration (Australian Institute of Grants Management)
City of Mitcham	Santos	Administration of Government Grants in the ACT (Social Policy and Implementation Branch)
Sunshine Coast Council	Beach Energy	Best Practice Guide for the Administration of Grants (Tasmania - Department for Treasury and Finance)
City of Onkaparinga	Telstra	Commonwealth Grant Guidelines (Department of Finance and Deregulation)
Hobart City Council		Best Practice in Local Government Community Grants Programs (Victorian Local Government Association)
Christchurch City Council		
City of Salisbury		
Adelaide City Council		

APPENDIX B – CLASSIFICATION

The following framework was developed to prioritise findings according to their relative significance depending on their impact to the process.

Rating	Definition	Example of business impact	Action required
Critical	Issue represents a control weakness, which could cause or is causing severe disruption of the process or severe adverse effect on the ability to achieve process objectives	<ul style="list-style-type: none"> • Detrimental impact on operations or functions. • Sustained, serious loss in brand value and/or market share. • Going concern of the business becomes an issue. • Decrease in the public's confidence in the company. • Serious decline in service/product delivery, value and/or quality recognised by customers. • Contractual non-compliance or breach of legislation or regulation with litigation or prosecution and/or penalty. • Life threatening. 	<ul style="list-style-type: none"> • Requires immediate notification to the Audit Committee. • Requires Managing Director/Executive Management attention. • Requires interim action within 7-10 days, followed by a detailed plan of action to be put in place within 30 days with an expected resolution date and a substantial improvement within 90 days. • Separately reported to chair of the Audit Committee and executive summary of report
High	Issue represents a control weakness, which could have or is having significant adverse effect on the ability to achieve process objectives.	<ul style="list-style-type: none"> • Major impact on operations or functions. • Serious diminution in brand value and/or market share. • Probable decrease in the public's confidence in the company. • Major decline in service/product delivery, value and/or quality recognised by customers. • Contractual non-compliance or breach of legislation or regulation with probable litigation or prosecution and/or penalty. • Extensive injuries. 	<ul style="list-style-type: none"> • Requires prompt management action. • Requires executive management attention. • Requires a detailed plan of action to be put in place within 60 days with an expected resolution date and a substantial improvement within 3-6 months. • Reported in executive summary of report

Moderate	Issue represents a control weakness, which could have or is having significant adverse effect on the ability to achieve process objectives	<ul style="list-style-type: none"> • Moderate impact on operations or functions. • Brand value and/or market share will be affected in the short-term. • Possible decrease in the public's confidence in the company. • Moderate decline in service/product delivery, value and/or quality recognised by customers. • Contractual non-compliance or breach of legislation or regulation with threat of litigation or prosecution and/or penalty. • Medical treatment required. 	<ul style="list-style-type: none"> • Requires short-term management action. • Requires general management attention. • Requires a detailed plan of action to be put in place within 90 days with substantial improvement within 6-9 months. • Reported in executive summary of report.
Low	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve process objectives.	<ul style="list-style-type: none"> • Minor impact on internal business only. • Minor potential impact on brand value and market share. • Should not decrease the public's confidence in the company. • Minimal decline in service/product delivery, value and/or quality recognised by customers. • Contractual non-compliance or breach of legislation or regulation with unlikely litigation or prosecution and/or penalty. • First aid treatment. 	<ul style="list-style-type: none"> • Requires management action within a reasonable time period. • Requires process manager attention. • Timeframe for action is subject to competing priorities and cost/benefit analysis, e.g. 9-12 months. • Reported in detailed findings of report

City of Marion's qualitative risk analysis matrix (refer below) outlines the metrics used when performing these overall Assurance finding risk ratings.

Likelihood

Almost Certain

Likely

Possible

Unlikely

Rare

Low	Moderate	High	Extreme	Extreme
Low	Moderate	High	High	Extreme
Low	Low	Moderate	Moderate	High
Low	Low	Low	Moderate	High
Low	Low	Low	Low	Moderate

Insignificant

Minor

Moderate

Major

Severe

Consequence