

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

Monday 15 June 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.

A handwritten signature in black ink, appearing to read 'G. Whitbread', is written over a horizontal line.

Geoff Whitbread
ACTING CHIEF EXECUTIVE OFFICER

11 June 2015

**CITY OF MARION
AUDIT COMMITTEE AGENDA
FOR THE MEETING TO BE HELD ON
MONDAY 15JUNE 2015
COMMENCING AT 3.00 PM
CHAMBER, ADMINISTRATION CENTRE
245 STURT ROAD, STURT**



1. OPEN MEETING

2. KAURNA ACKNOWLEDGEMENT

We acknowledge 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 14 April 20154

5. BUSINESS ARISING

5.1 Review of the Action Statement & Improvement Plan identifying business
arising from previous meetings of the Audit Committee..... 14

6. ELECTED MEMBER REPORT

6.1 Elected Member Communication Report
AC150615R6.120

7. REPORTS

Matters for Discussion

Corporate & Financial Management

7.1 Deloitte Audit Engagement for the Year Ending 30 June 2015
AC150615R7.122

7.2 Annual Business Plan & Budget and Long Term Financial Plan - After Public
Consultation
AC150615R7.260

7.3 Asset Management Plans – Final Draft
AC150615R7.3139

Risk Management

7.4 Strategic Risk Profile
AC150615R7.4206

7.5	Annual Report of WHS Program AC150615R7.5	210
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Program Evaluation

7.6	Review Recommendations Update (Core Assurance and Service Reviews) AC150615R7.6	215
7.7	Contractor Management Service Review AC150615R7.7	217

8. CONFIDENTIAL ITEMS

Nil

9. ANY OTHER BUSINESS

10. 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.

11. NEXT MEETING

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

Time: 4.00pm

Date: Tuesday, 18 August 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 14 APRIL 2015**



PRESENT

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

In Attendance

Mr Geoff Whitbread	Acting Chief Executive Officer
Mr Vincent Mifsud	Director
Ms Kathy Jarrett	Director
Ms Heather Montgomerie	Director (Items 6.3, 6.4 & 6.5)
Ms Kate McKenzie	Manager Governance
Mr Ray Barnwell	Manager Finance (item 6.1, 6.2)
Mr John Sliverblade	Manager Strategic Assets (items 6.3)
Ms Heather Falckh	Manager Organisational Excellence (Items 6.8, 6.9, 6.10)
Mr Kyffin Thomson	BDO (items 6.9 & 6.10)

1. OPEN MEETING

The meeting commenced at 3.05pm. The Chair welcomed all those present to the meeting. The chair welcomed the new acting Chief Executive Officer, Mr Geoff Whitbread and invited his input throughout 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 disclosed.

4. CONFIRMATION OF MINUTES

Moved Mr Owens, Seconded Councillor Pfeiffer that the minutes of the Audit Committee meeting held on 16 December 2014 be confirmed as a true and correct record of proceedings.

Carried

5. BUSINESS ARISING

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

- The project management report has been deferred to the next meeting as resources had been focused on the Annual Business Plan and Budget.
- The December 2014 actions were reflected as 2015, requiring correction.

- The 15th December meeting indicated timing as 2 -5pm whereas it should read 3 – 6pm.

ELECTED MEMBER REPORT

Councillor Pfeiffer provided a verbal report highlighting the following points:

- Council has now progressed 5 months into this new term and the elected body has started to settle and mature.
- Council has demonstrated a strong focus on its financial position with a particular focus on the budget for 2015/16.
- A number of interesting rating scenarios have been considered by Elected Members, including options that are very different to what has been considered in the past. The Council is keen to hear the Audit Committee's views on these options.
- Sporting infrastructure has been a priority for this Council with a focus on current sporting facilities and looking at the right opportunities for different sports in the future.
- The Open Space Reserve Fund has been utilised for the development of a play space in Jervois Street, South Plympton. This land was purchased by Council from the State Government to address the lack of open space in the north of the City. This fund is rarely used so it was a significant decision for Council to draw from it.

Councillor Pfeiffer acknowledged the Elected Members in the gallery and sought any further comments. Councillor Telfer concurred with the comments already made reinforcing that the Council is focused on finances and what is the best value for the rate payers. She acknowledged that the budget and prioritisation process had been challenging with eight new members on the Council.

6. REPORTS

Corporate and Financial Management

6.1 Annual Business Plan & Budget 2015/16, and Long Term Financial Plan Report Reference: AC140415R6.1

3.13 pm – Manager Finance entered the meeting.

The Manager Finance provided an overview of the report highlighting that the focus of this item was the draft budget for 2015-16 rather than the Annual Business Plan. Feedback and guidance was being sought on the recommendations outlined on page 18 of the report which included the assumptions and framework being applied in the development of the 2015/2016 budget.

The Committee noted that the recommendations were broken down into three parts and agreed to discuss items 1 and 2 as a starting point.

Councillor Pfeiffer indicated that Elected Members had considered a number of different scenarios at a forum on Tuesday 31 March 2015 and the Council was keen to seek feedback from the Audit Committee on each of these models.

The Chair proposed to discuss the principles to be applied universally to the scenarios, and then to discuss more broadly break even, funding surplus and funding deficit scenarios.

The Committee made the following comments regarding the principles:

- A stable rate increase over the term of the Long Term Financial Plan (LTFP) is recommended rather than a lower rate which will then require larger increases in the future. This avoids uncertainty and improves sustainability.

- Long term financial sustainability should be the focus.
- A lower rate is a clear message to management that Council wishes to cut costs.
- Majority of Council's expenditure is fixed costs, based on wages and contractors. This is to be expected in a serviced based industry. However, productivity improvements should allow more to be done with fewer resources, so Council can still expect Management to deliver wage/contractor cost increases below the Enterprise Agreement levels.
- The consequences of each scenario should be considered individually, including messages for services and cost reductions to match rate reductions.

Environmental Scan

The Committee noted this was a comprehensive document and congratulated staff on the quantity of the information provided. The Committee made the following points:

- The Public health reforms and the direct impact on the City of Marion have been broadly noted with some consideration of the unintended consequences.
- It was suggested that internal pressures should include reference to the election of a new Mayor/Council and the recruitment of the new CEO as these will have an impact on service delivery and output.
- The document needs to also consider what Council will be doing differently because of the matters raised in the scan, so an opportunity for improvement would be to include a summary of Council's response to what has been identified in the Environmental Scan.
- The scan would benefit from clarity around what items are City of Marion specific (as opposed to general societal trends) and how these flow into the planning and activities of the organisation.

Timeline

The Committee acknowledged the time line noting the final draft would be presented to both the Audit Committee and Council on the 9th June 2015. This provides limited opportunity for the observations of the Audit Committee to be provided to Council on the final draft. It was suggested that the Audit Committee's feedback could be conveyed by staff and the Elected Member representative. It was noted that the final adoption of the ABP&B was proposed for 23 June 2015, so there would be opportunity to incorporate any changes if necessary.

Action: Develop a process to allow for comments from the Audit Committee to be conveyed to the Council meeting on 9 June 2015.

Strategic framework and assumptions

The Committee acknowledged the quality of the material presented and sought further clarity regarding items included or not included. The non-finalisation of the Asset Management Plans means there is still some uncertainty regarding projected potential funding gaps. Additionally, it is not clear if the figures include additional project expenditure. These issues together make it difficult to make conclusive comments on the rate setting.

The Committee noted that the budget preparations are based on 'business as usual' and those items already approved by Council resolution. It was further noted that no additional projects have been included. The budget is prepared and underpinned by Council's budget and treasury policies which include a fiduciary obligation to produce a balanced budget.

The following observations were made by the Committee:

- A conservative approach has been taken in the preparation of the Long Term Financial Plan (LTFP). Council debt is steadily reducing over the term of the ten year LTFP. The Committee suggested that the level of debt at the end of the LTFP may be too low.

- Council may consider in its financial modeling the impact of various scenarios for debt levels for the business. For example, Council might model the impact of \$5 - \$10m debt levels and 'what might need to give'. This modeling should include the affordability of the loans and council's ability to service any potential new loans.
- It was suggested that as debt is reduced, it would provide opportunity for further borrowings for projects that add value to the community. It was noted that modeling had been provided to Elected Members highlighting the impact of debt funded major strategic projects of \$25m, with the effect of this being ongoing funding deficits.
- The Committee noted that the '13 Elected Member priorities' and suggested it was unclear what this referred to, or whether provisions for these priorities had been included in the budget. It was noted that these projects were still under development and that likely costs were unknown at this stage. It was confirmed that no provision had been included in the 2015/2016 budget or LTFP for these aspirational projects. The Committee suggested that if these were to be included the budget it would need to take account of this expenditure either through rate increases or expense reduction in non-core areas. The Committee suggested that a notional allowance of say \$2m per annum should be included in the financial modeling to facilitate budget discussions to ensure that it is appropriately considered.
- The Committee discussed the merits of setting a budget by seeking lower rates, cost reductions, and the inclusion of additional projects. This approach creates a situation where multiple levers are pulled at the same time, which in turn creates a difficult budget situation as the different levers clash. The budget set should be a challenge for the future with built in efficiency and productivity targets. It was noted that the use of the vacancy management policy has already yielded significant savings and other identified operational savings have already been built into the draft budget.

Reasonableness/Fairness and Equity

The Committee reflected on the principles and observed that a measured consistent increase is desirable without rates going up and down.

- The impact of a 1% rate rise was queried, and it was estimated at approximately 28 cents per week per household, or \$14 per year. It may be useful to discuss dollar amounts instead of percentage increases to assist the community to understand the financial impact.
- Ensure there is a clear understanding of what savings have been achieved from 2014/15 adopted budget to the draft 2015/16 budget. \$2.1m of net savings have been achieved. It was noted that in past years Council had delivered year end savings, and that the approach proposed effectively delivers those savings 'up front' with reductions already built into the budget.
- Cr Pfeiffer enquired as to whether setting a lower rate with a view to achieving efficiencies thus avoiding higher rates in future years was a sound approach. The committee indicated a preference for a stable rate and using any efficiency gains to minimise future increases.
- The delivery of a balanced 3.3% budget rather than 5% that had previously been forecast is acknowledged. It was further noted that a 2.25% rate increase will indicate that expenditure is being reduced and possible services changes will be made. The other risk associated with dropping the rate significantly is that Council is still unsure of the capital expenditure required for the Asset Management Plans, however the Committee acknowledged that this was discussed in item 6.3 on the agenda, including a proposal to manage forecast potential renewal funding gaps.

Other factors to also consider are:

- The budget still has no consideration of revenue from asset disposals
- Cash flow balance is critical

- Council could set a debt tolerance level along with strong debt management principles.

Summary

The Committee indicated that a rate rise of around 3.3% would be prudent and deliver a balanced budget. If the rate is set too low, Council may be in a situation where it needs to apply a higher rate increase in future years. It is preferable to look for further potential ongoing savings in future years and where these are realised adjust the future rate rise accordingly. It would be unwise to reduce the rate knowing that it created a forecast funding deficit in future years.

The Committee noted that any surplus should be used wisely to either reduce debt or placed in the Asset Sustainability Reserve to support long term asset objectives, or used as a guide to possible further sustainable rate reduction.

The Committee recognised a rate increase of 3.3% down from 4.1% in the previous year was a trend in the right direction and should be applauded. The Committee suggested there may still be more to go and a savings culture and discipline need to be embedded if this is to be realised. If new projects are to be achieved, they need to be planned with some contingencies to ensure they are properly supported.

ADJOURNMENT

4.30 pm The Chair adjourned the meeting for 10 minutes.

4.40 pm The Meeting resumed.

6.2 Debtors Reports and Debt Collection

Report Reference: AC140415R6.2

The Committee noted that this report was now provided to Council as part of monthly financial reporting.

It was noted that there are two types of debtor categories being Sundry debtors and Rates debtors. A debt recovery process is followed when debts become outstanding. The Committee noted that Council's Rating Policy enables the provision of assistance to Ratepayers who may be experiencing financial hardship and Council works with ratepayers and other stakeholders to negotiate appropriate arrangements rather than taking a punitive approach via debt collectors or the sale of property.

The Committee noted that debt write off is managed under delegation but this delegation has not been exercised for a number of years. Council will always try to recover 100% of the debt where possible.

The Committee queried how Council manages outstanding rate debts when this is sometimes postponed for a number of years, eg until the property is sold. The Committee queried how this was reflected in the annual accounts and an undertaking was made to provide this advice accordingly.

Action:

1. **Information be provided to the Committee regarding how postponed rates debts are reflected in the annual accounts.**
2. **That a debtors aging report is presented to the Committee as a summary report once per year in line with the end of year accounts.**

6.3 Asset Management Plans Preliminary Report **Report Reference: AC140415R6.3**

4.47pm Director (Heather Montgomerie) and the Manager Strategic Assets entered the meeting.

A summary of the report was provided to the Committee noting that a number of draft Asset Management Plans (AMPs) had been presented to the Committee in previous years, however acknowledged that it was difficult dealing with them in isolation and it would be more useful to understand the broader asset picture. Additionally, BDO completed a review of the AMP's and recommended that the Plans be prepared on the basis of maintaining existing levels of service and on a "like for like" renewal of assets. This would remove some of the doubt about the desired service level. Council has adopted an Asset Management Policy and resolved that AMPs be completed in accordance with the policy by the end of the 14/15 financial year.

It was highlighted that the AMP's do not include upgrades and new assets in accordance with the Asset Policy. These will need to be considered separately in the budget process and prioritised with other unfunded projects, which will provide a greater level of transparency as to the use of rates for new or upgrade capital works.

The Committee noted that significant progress had been made, and the information provided indicated that AMPs were heading in the right direction to provide clarity on Council's longer term position. It was also noted that it was important to consider how upgrade or new works are integrated into Council's prioritisation process.

The Committee noted that the figures provided were based on the currently adopted LTFFP and if the assumptions within this plan were altered, it would impact on the figures currently being proposed.

Treatment of grant funding for stormwater works was queried and clarification provided that works in the adopted stormwater management plans were fully funded, and that any grant funding received would release funding capacity back into the LTFFP.

The Committee noted that the current forecast funding gap for asset maintenance and renewal is approximately \$34.4m over the course of the LTFFP, including a provision of \$49 million for building renewal equivalent to accumulated depreciation on building assets. This provision was proposed while building renewal plans are developed over the next two years.

The Committee then noted the next report on the Community Facilities Partnership Program (CFPP), and were advised that the 10 year forward forecasts of approximately \$30 million for the CFPP/building renewal program from 2015/16 would significantly reduce this gap.

The following observations were made by the Committee:

- The figure of \$34.4m is a projected figure based on current assumptions and the currently adopted LTFFP.
- The AMP's should be considered and amended regularly in line with the review of the LTFFP.
- Excellent progress had been made on the AMP's and the work is leading into a space where Council can be clear regarding what resources are required for maintenance and renewal of its existing assets
- Ensure Operational costs have not been duplicated in maintenance or renewal costs.

The next step is to finalise the plans to present to the Committee in June and then progress through to Council for adoption. Further work is also progressing with the Strategy Unit regarding how new and upgraded assets can be prioritised as part of Council's LTFFP and budget process.

6.4 Community Facilities Partnership Program Funding **Report Reference: AC140415R6.4**

It was noted that in 2009/10 Council adopted a LTFP with a \$20m provision over 10 years for building renewal. This included provision for disability access (DDA) works, asbestos removal, open space buildings, minor structural renewal and tennis courts in the amount of \$4.3m. In 2010/11 the remaining \$15.7m was then rebadged as the 'Community Facilities Partnership Program' where the intent was that renewal funding for community facilities together with occupant/ user funding could be used as a lever to attract contributions for grant funding from other levels of government.

Since Council adopted the program in 2010, about half a dozen clubs have used the funding, with a portion also being used to develop the Sports Master Plans. The groups that have used the funding under the program have generally used it for upgrades rather than like for like renewal. This therefore creates pressures on the renewal of other community assets as additional money was being provided for upgrade rather than renewal.

The Committee noted that this report was consistent with the preceding report regarding asset management, and that the CFPP in its current form had not delivered its objectives. The Committee queried if Council had been drawing down on the funds for upgrades and whether Council was falling behind on its maintenance and renewal requirements? Examples were given of a hall that was demolished due to its poor state of repair, and that other assets (eg light towers) had failed due to poor maintenance.

Advice was provided to the Committee that the CFPP funding is included as building renewal projected funding in the 10 year LTFP and is not a cash backed reserve.

The Committee noted the report and the intent of the program and in so doing, further noted that:

- Council needs to ensure building renewal is part of its ongoing responsibilities and required funding;
- It would be good to retain the ability of the community to bring forward their priority projects for potential co-funding.

In closing, the Committee noted that the matter of the CFPP was a Policy that required discussion by Council prior to any decisions being made regarding its continuation or retirement.

6.5 Acquisition and Disposal of Land Assets Policy **Report Reference: AC140415R6.5**

It was noted that the Acquisition and Disposal of Land Assets Policy had been reviewed to provide consistency with the Asset Management Policy adopted by Council in 2014 and some minor amendments were also proposed to the Asset Management Policy. The review of this policy has provided better clarity and alignment of Councils policies. The Committee commended staff on the report and noted the following:

- It was recommended that a statement be included in the Policy Principles to the effect that 'that Council will seriously consider the disposal of land where it has been determined that it is no longer required for the community'.
- It would be prudent for the Policy to formally state that any decision to dispose of land must be a decision of Council. This should also be reflected in the Council delegations.
- As a matter of clarification, alternative wording is proposed for page 57 of the report stating "This policy sets the principles that govern the provision and management of assets in order to deliver services and programs that rely on those assets, and disposal of assets that are no longer required for service delivery."

Moved Councillor Pfeiffer, Seconded Mr Owens that with the consideration of the comments made by the Audit Committee, the Audit Committee recommends to Council:

1. Adoption of a revised Asset Management Policy, clarifying linkages to other relevant Council policies;
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'.

Carried

Corporate and Financial Management

6.6 Strategic Risk Profile

Report Reference: AC140415R6.6

The Committee noted the Strategic Risk Profile is being reviewed to align the risk profile to the six pillars of the Community Plan, and it would be circulated out of session for Committee Member's comment. This would allow work to progress in the coming months prior to the June 2015 Audit Committee Meeting.

Action: that the Strategic Risk profile be circulated to Audit Committee Members out of session for feedback and comment.

6.7 South Australian Ombudsman Annual Report for 2013/14

Report Reference: AC140415R6.7

An overview of the report was provided and the Committee noted that the City of Marion received the lowest number complaints in metropolitan local government per 10,000 head of population with 2.5 complaints received per 10,000 people.

The Committee also noted that Mr Wayne Lines had now commenced in the role of the Ombudsman replacing Mr Richard Bingham. This has also seen a change in approach by this office with the Ombudsman referring complaints back to Council for review under its section 270 Grievance procedures prior to the Ombudsman considering any review. This has created an increase in the number of section 270 reviews being requested.

It was noted that the City of Marion had not been aware of some of the complaints made, or when they had been 'referred back to agency'. Clarification was provided that when the report states that a matter has been 'referred back to the agency' it simply means the Ombudsman had directed the complainant back to Council, however the Ombudsman had not advised Council of the matter. In this case, the complainant may opt to not pursue the complaint any further and so Council is unaware of any issue.

Corporate and Financial Management

6.8 Review Recommendations Update (Core Assurance and Service Reviews)

Report Reference: AC140415R6.8

5.38 pm Manager Organisational Excellence entered the meeting

The Committee focused on the project brief and noted that it was a similar approach to what had been applied previously. The difference in approach was using external services but also linking the service review to the internal planning processes and up skilling staff.

The Committee noted that the program of reviews would cover:

- Should this service be delivered or not?
- Could the service be delivered differently or in a more cost efficient manner?

- Opportunities for benchmarking and ideas about the future.

These items would be better reflected in the brief.

6.9 Grants Management Service Review

Report Reference: AC140415R6.9

5.43 pm Mr Kyffin Thomson from BDO entered the meeting.

A summary of the report was provided to the Committee noting that a Management Committee previously operated with the objective of managing to manage grant attraction for the City of Marion. This Management Committee has been inactive in recent years and grant attraction is currently managed at a departmental level instead of as a collective. This report has recognized the opportunities to bring together a consistent methodology, approval process and administration for improved efficiency in the processes for grant applications and increase the likelihood of success.

The Committee noted that:

- The City of Marion is aware of grant funding opportunities but a more efficient process is would be beneficial.
- The recommendations should be built into the Council's project management systems so it is not a stand alone process.
- The Manager Strategy was responsible for implementing the recommendations by March 2016 and it was confirmed that this was achievable.

6.10 Funding to the Community Service Review

Report Reference: AC140415R6.10

The Committee noted this report and agreed that further clarity regarding the purpose of the funding was required. The Committee commented that the word sponsorship was more appropriate than donation. The Committee also agreed that the grants and sponsorships should be kept as separate functions and not integrated.

7. CONFIDENTIAL ITEMS

Nil

8. ANY OTHER BUSINESS

8.1 CEO KPI's

Report Reference: AC140415R8.1

The Committee agreed to provide comments regarding the draft Chief Executive Officer Key Performance Indicators out of session and to organise a teleconference before the end of the week.

9. MEETING CLOSURE

The meeting was declared closed at 5.56 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: 9 June 2015

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

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CHAIRPERSON

/ /

CITY OF MARION

BUSINESS ARISING FROM AUDIT COMMITTEE MEETINGS

AS AT 11 JUNE 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. The final draft report is presented as agenda item 7.3 for the Audit Committee meeting on 15 th June. The report will then be presented to Council at its 23 rd June 2015.	Completed
2a.	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	All 5 audit recommendations are complete. The CoM Civica change management process has been reviewed and documented, and is available for distribution.	Completed
2b.	16 December 2014	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	Progress status report updated with all 5 items complete. Civica Authority System Change Management process document complete.	Completed
3.	16 December 2014	Review the current treasury management policy in conjunction with the debt servicing ratio and incorporate the concept of intergenerational funding.	Manager, Finance	June 2015	This items was addressed within the Council Report considered at the General Council meeting on 9 June (Draft Annual Business Plan and Budget 2015/16 and Long Term Financial Plan – Report reference GC090615R01)	Completed
4.	16 December 2014	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	This forms part of the June 2015 Audit Committee Report on the Annual Business Plan and Budget 2015/16	Completed

	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
5.	16 December 2014	BDO Project Management Report to be presented to the April Audit Committee Meeting	Manager, Strategy	April 2015	<p>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.</p> <p>Postponed: Council has scheduled an agenda item on 30 June 2015 Elected Member forum to discuss the process for consideration and decision making on project priorities. This will include consideration of an ongoing process for funding and resourcing options and program/project management review. A report will be brought to the Audit Committee that incorporates the preferred framework and process considered by Elected Members.</p>	October 2015
6.	14 April 2015	Develop a process to allow for comments from the Audit Committee to be conveyed to the Council meeting on 9 June 2015.	Manager Governance	June 2015	Time has been allocated on the 16 th June Elected Member Forum for a debrief to occur.	Completed
7.	14 April 2015	<p>Information be provided to the Committee regarding how postponed rates debts are reflected in the annual accounts.</p> <p>That a debtors aging report is presented to the Committee as a summary report once per year in line with the end of year accounts.</p>	Manager Finance	Oct 2015	<p>Postponed rates debts are separately identified in the Annual Financial Statements in the note on Current Assets (Note 5). The balance for postponed rates outstanding at 30 June 2014 was \$39k out of total rates outstanding at 30 June 2014 of \$1,504k.</p> <p>The debtors aging report will be presented to the Audit Committee on an annual basis as part of the</p>	Oct 2015

City of Marion
Audit Committee Action Arising Statement as at 11 June 2015

					report on the Annual Financial Statements. This is scheduled to be brought to the Audit Committee for the 13 October 2015 meeting.	
8.	14 April 2015	The Strategic Risk profile be circulated to Audit Committee Members out of session for feedback and comment.	Manager Governance	June 2015	Circulated to Audit Committee Members on 18 May 2015 via email for feedback. Listed on agenda for 15 June as item 7.4	Completed
9.	14 April 2015	That the Committee provide comments regarding the draft Chief Executive Officer Key Performance Indicators out of session and to organise a teleconference before the end of the week.	Manager Governance		Teleconference held on 17 April. Feedback was provided to Council via email on 21 April	Completed

* 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
Monday	15 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	3.00 – 6.00 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

MONDAY, 15 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
15 JUNE 2015**

Originating Officer: Kate McKenzie, Manager Governance
Councillor Tim Pfeiffer

Subject: Elected Member Representative Report to Audit Committee

Report Reference: AC150615R6.1

REPORT OBJECTIVE:

As part of Council's governance obligations to the community, Council has constituted the Audit Committee to facilitate:

- Oversight of relevant activities to facilitate achieving the City of Marion's objectives in an efficient and orderly manner.
- Enhancing the credibility and objectivity of internal and external financial reporting.
- Effective management of risk and the protection of Council assets.
- Compliance with laws and regulations as well as use of best practice guidelines.
- The effectiveness of the program evaluation function and maintaining a reliable system of internal control.
- The provision of an effective means of communication between the external auditor, program evaluation service provider, management and Council.
- The City of Marion's ethical development.

Section 4.19 of the Audit Committee Policy states *"where the Council makes a decision relevant to the Audit Committees Terms of Reference, the Elected Member Representative will report the decision to the Audit Committee at the next Committee meeting and provide any relevant context"*.

EXECUTIVE SUMMARY:

Since the last Audit Committee meeting on 14 April 2015, Council has held five meetings being the 14 April, 28 April, 12 May, 26 May and 9 June. The Council decisions that are relevant to the Audit Committee Policy and Terms of Reference include:

- **General Council Meeting – 14 April 2015**
 - Council endorsed four key priorities for responding to the sports and recreational needs of the community and identified the following four sports initiatives for further investigation with peak sporting bodies, relevant clubs, funding bodies and agencies to seek partnering opportunities for the development of plans and potential funding solutions:
 - Options for new soccer pitches and a BMX track in the South
 - Indoor multipurpose Stadium 4-8 Court (SA regional standard)
 - Edwardstown Oval Masterplan
 - Mitchell Park Sports and Community Club building upgrade

- **General Council Meeting – 28 April 2015**

Council resolved to:

- Adopt its Annual Business Plan and Budget for 2015/16 for public consultation on the basis of an average increase of 2.9%.
- Endorse the Draft Long Term Financial Plan for public consultation on the basis of a rate increase of 2.9% (2015/16) and then 2.75% onwards; with key underlying assumptions of CPI being 2.5%, and total employee costs 3% for 2015/16 and 2.0% for 2016/17 onwards.

- **General Council Meeting – 12 May 2015**

Council resolved:

- That the Community facilities funding partnership program:
 - Eligibility is extended to include funding for the renewal, upgrade and purchase of council assets as decided by council.
 - The current goal of encouraging organisations leasing council facilities to seek partnership funding for required renewal and upgrades continue.
 - This CFPP funding become a cash reserve starting for all allocations in future budgets within the long term financial plan.
- Council ceases its Nursery Operations by the 1st September 2015.

- **General Council Meeting – 26 May 2015**

- Council considered the Corporate Performance Report for the 3rd Quarter (January 2015 to March 2015) and the 3rd Budget Review for 2014/15. This included adopting the revised budgeted statements including the Income Statement, Balance Sheet, Statement of Changes in Equity and Statement of Cash Flows.

RECOMMENDATION (1)

DUE DATE

The Audit Committee note the report.

June 2015

**CITY OF MARION
AUDIT COMMITTEE MEETING
15 June 2015**

Originating Officer: David Harman, Financial Accountant

Director: Vincent Mifsud

Subject: Deloitte Audit Engagement for the Year Ending 30 June 2015

Report Reference: AC150615R7.1

REPORT OBJECTIVES:

The purpose of this report is to provide details of Deloitte's audit engagement for the year ending 30 June 2015.

EXECUTIVE SUMMARY:

In February 2012, on the recommendation of the Audit Committee, Council endorsed the engagement of Deloitte as Council's external auditor for a term of 5-years in accordance with Section 128 of the Local Government Act 1999.

Ms Penny Woods, Deloitte's Audit Engagement Partner will be in attendance at the meeting to provide an outline of Deloitte's approach in relation to the 2015 audit. An update on the conduct of the interim audit for the 2014/15 financial year will also be provided during this item.

RECOMMENDATIONS (3)

DUE DATES

That the Audit Committee:

- | | |
|---|---------------------|
| 1. Considers the outline of Deloitte's audit approach. | 15 June 2015 |
| 2. Notes the scope of the audit to be carried out by Deloitte for the year ending June 2015. | 15 June 2015 |
| 3. Notes that the Acting Chief Executive Officer will execute the acknowledgement of the engagement letters. | 15 June 2015 |

BACKGROUND

The objective of Council's external audit is to provide an independent audit opinion of the accounts and annual financial reports of the City of Marion for each financial year covered by the term of the audit appointment. The external audit will also provide an independent audit opinion on the controls exercised by Council, to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with legislative provisions. The audit must meet both statutory requirements and Australian audit standards.

Section 125 and 129 of the Local Government Act 1999 together with the Local Government (Financial Management) Regulations 1999 set out the requirements for the conduct of Council's annual audit.

ANALYSIS:

Provided at Appendix 1 is a copy of the Financial Statutory Audit Plan prepared by Deloitte for the year ending 30 June 2015. This sets out the responsibilities of Deloitte and Council in undertaking the audit, the scope of the audit, and various administrative matters including the audit timetable and fees.

On review of the Audit Engagement letters, it is noted that the scope of the audit proposed by Deloitte is in line with the scope of services detailed in the Contract for Services and as required under the Local Government Act 1999. Furthermore, the fees outlined for the services are consistent with those quoted in the original Deloitte tender for services and as such, appropriate approved budget allocations have been made.

CONCLUSION:

Undertaking an audit of Council's financial statements on an annual basis is a statutory requirement under the Local Government Act 1999.

The proposed scope of services outlined in the Audit Plan for the year ending 30 June 2015 is consistent with the requirements of the Local Government Act 1999 and the Contract for Services between Council and Deloitte.

- Appendix 1:** Deloitte Financial Statutory Audit Plan
- Appendix 2:** Deloitte Audit Engagement Letter – Financial Statements
- Appendix 3:** Deloitte Audit Engagement Letter – Internal Controls



Corporation of the City of Marion
Financial Statutory Audit Plan
for the year ended 30 June 2015



May 2015



Mr Greg Connor
Chair, Audit Committee
Corporation of the City of Marion
245 Sturt Road
STURT SA 5047

20 May 2015

Dear Greg

We are pleased to provide you with our Audit Service Plan for Corporation of the City of Marion for the year ending 30 June 2015.

This document has been prepared as part of the planning and communication process in respect of Corporation of the City of Marion ("Council") and its purpose is to provide the Audit Committee with an overview of the components of our service for the 30 June 2015 year-end audit.

This document outlines the key audit focus areas, assesses the impact that they potentially may have on the financial statements, and documents our approach to address these matters as part of our compliance process.

The plan also provides details of the Deloitte team, processes for communication and reporting and proposed timeline.

This document has been prepared solely for the Audit Committee of Corporation of the City of Marion and forms part of a continuing dialogue between you and us and, therefore, it is not intended to include every matter, whether large or small, that has come to our attention. For this reason, we believe it would be inappropriate for this document to be made available to third parties and, if such a third party were to obtain a copy without our prior written consent, we would not accept any responsibility for any reliance that they might place on it.

We look forward to the Audit Committee meeting on 9 June 2015 where we will have the opportunity to discuss this report. In the interim should you require clarification on any matter in this report please do not hesitate to contact us.

Yours faithfully

A handwritten signature in black ink, appearing to read "Penny Woods", enclosed within a hand-drawn oval.

Penny Woods
Audit Partner

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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General use restriction

This report is prepared solely for the internal use of the City of Marion Council. This report is not intended to and should not be used or relied upon by anyone else and we accept no duty of care to any other person or entity. The report has been prepared for the purpose set out in our engagement letter. You should not refer to or use our name or the advice for any other purpose.

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1. Introduction

1.1 Overview

The objective of the audit is primarily to provide reasonable assurance, through the provision of an independent audit opinion, that the Council's annual financial report is free from material misstatement.

Introduction

The 2015 audit will also include an independent audit opinion on the controls exercised by the Council, to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with legislative provisions.

In addition to the above, there is a requirement to conduct "small audits". We understand the "small audits" comprise:

- the audit of the Worker's Compensation Contributions; and
 - grant acquittals from time to time
-

1. Introduction (cont'd)

1.1 Overview

The scope of the statutory audit regarding the financial report will involve such procedures as required in accordance with the Australian Auditing Standards to enable an opinion to be formed as to whether the financial report of the Council has been prepared in accordance with the *Local Government Act 1999* including:

- a) giving a true and fair view of the Council's financial position as at year end and of its performance for the relevant financial year; and
- b) whether the report complies with Australian Accounting Standards, the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011*.

Scope of Audit

The scope of the statutory audit regarding the internal controls exercised by the Council will include such procedures as required to enable us to provide an opinion whether the controls exercised by the Council, during the financial year in relation to:

- the receipt, expenditure and investment of money,
- the acquisition and disposal of property; and
- the incurring of liabilities

were sufficient, in all material respects, to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with legislative provisions.

We will also report to senior management and the Audit Committee on matters relating to any unadjusted audit differences and matters associated with the control environment as they relate to your business objectives and risk framework that require future focus by management.

1. Introduction (cont'd)

1.1 Overview

Communication and Reporting

The reporting of major matters will take place as they arise, or as soon as practical. Throughout the audit process, issues and risks identified will be promptly communicated to senior management and the Audit Committee as appropriate.

Communication and reporting consists of:

- Discussions with management prior to year end, updating our understanding of the operations, results for the period to date and to plan the approach to the audit for the current year
- Meeting with management on a regular basis throughout the duration of the audit to assess the status of the audit progress at each stage
- Conducting exit meetings with management at the conclusion of audit procedures
- Attending Audit Committee meetings as required for the purpose of tabling the audit plan and audit findings and also providing other relevant information such as upcoming regulatory and accounting changes
- Issuing an audit report as required by *Section 129 of the Local Government Act 1999 and Local Government (Financial Management) Regulations 2011*.

Independence

Deloitte has developed important safeguards and procedures in order to ensure our independence and objectivity.

Specific safeguards include:

- the inclusion of a quality assurance review conducted by a partner or client director, with the appropriate skill and expertise, who is independent to the engagement,
- the adoption of a partner rotation policy; and
- the provision of a statement of independence from Deloitte to the Council;

We will reconfirm our independence and objectivity for the year ending 30 June 2015 in our final report to the Audit Committee.

Engagement Letter

We have included the draft audit engagement as a separate document to be presented during the meeting.

2. Key areas of focus and audit response

Our audit procedures are focused on those areas of most significant impact to the Council's financial statements and will further take into account Council's activities that are considered to represent the key risks to the results. We also obtain:

- an understanding of the business risks faced by the Council;
- hold discussions with management during both the interim and final audit visits, and
- review of Internal Audit reports and other relevant Council documentation

Focus area	Response and findings
Revenue	<p>Rates and statutory charges As a material transaction cycle, revenues recognised from rates and statutory charges will be assessed for validity and completeness. Controls will be assessed combined with substantive testing.</p> <p>Grant revenues We shall consider the extent to which grant revenues have appropriately been deferred to the balance sheet as a result of unfulfilled obligations at period end and substantively test in detail.</p>
Expenditure	<p>Given the volume, magnitude and public accountability of Council expenditures the preventative and detective controls over expenditures, including the budgetary cycle will be given consideration. Substantive detailed testing will be adopted. Depreciation expenditure will be analysed for each asset category for compliance with Council approved policy with an assessment of useful lives and residual values.</p>
Current Assets	<p>Combined tests of control and substantive testing to confirm existence and valuation per the financial statements.</p> <p>Liquid balances will be tested through controlled confirmation processes.</p>

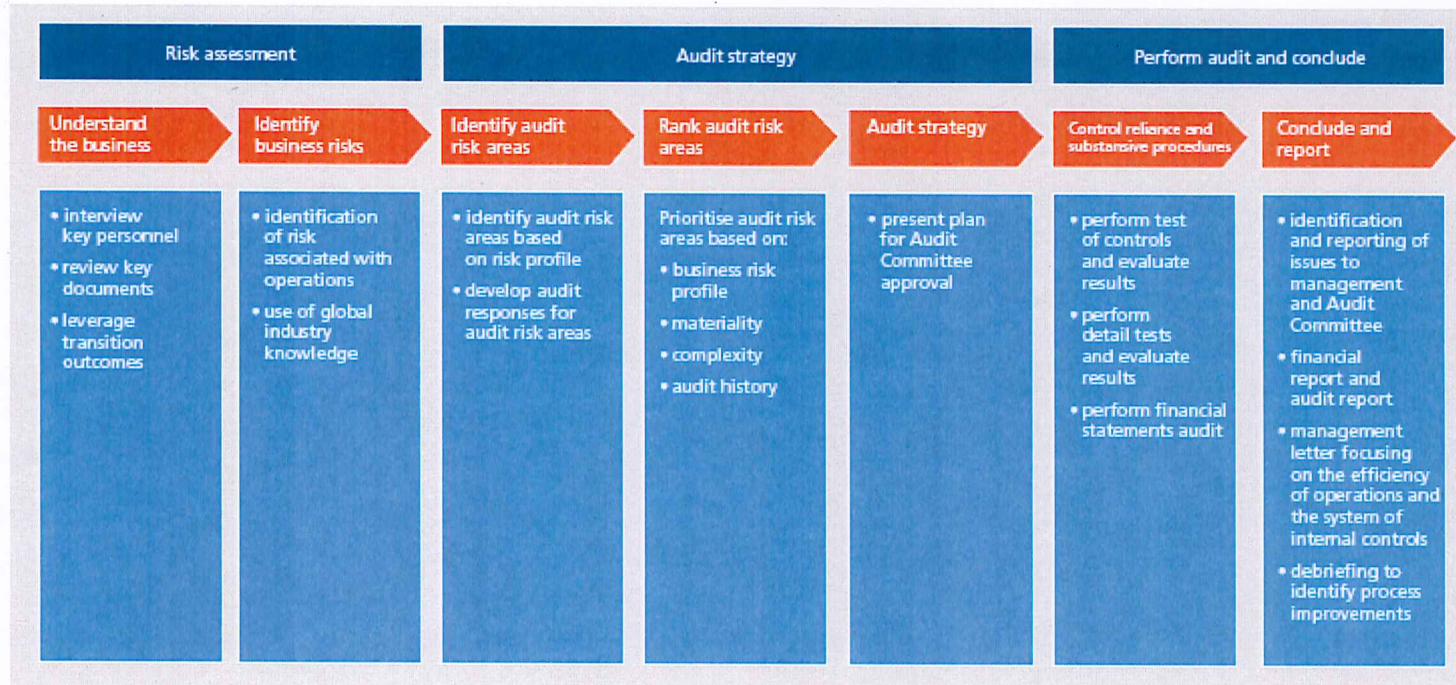
2. Key areas of focus and audit response (cont'd)

Focus area	Response and findings
Non-current Assets	Major project expenditures will be assessed to determine whether expenditure has been appropriately capitalised. Progress against budget will also be reviewed.
	In particular, review of capital expenditure approvals at inception of the project as well as verification of expenditure against Delegated Authorities throughout the project life.
	The methodology and basis for the determination of fair value of assets as well as the level of appropriate disclosures will be assessed.
	Independent review of external valuers' assumption.
Liabilities	Compliance with any relevant financial covenants for any given year and classification of borrowings will be verified.
	Combination of test of control and subsequent payment testing will be adopted to confirm completeness and valuation.
Key Financial Indicators	Disclosures of key financial indicators within the financial report will be recalculated and analysed to confirm accuracy.
Other Statements	The full set of financial statements will be reviewed by Deloitte to ensure consistency of information throughout the report given knowledge gained from the audit.
	Other statements for relevant "small audits" will be conducted as required and as outlined above.
Council's compliance	Review of council's financial statements with reference to <i>Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011</i> .
Internal control assessment	Control assessment will be performed on a rotation basis for each of the six risk categories. For the financial year ended 2015, Deloitte have selected the risk categories of Assets and External Services for testing. In the financial year ended 2016, Deloitte will perform testing on Strategic Financial Planning and Liability. In the final year ended 2017, Deloitte will perform testing on the remaining categories, Expenses and Revenue.

3. Audit methodology and audit approach

Our audit procedures are designed to provide reasonable assurance that Council's financial report is free of material misstatement. Our methodology is designed to align our audit to the Council's business objectives and associated risks. Accordingly, we use a risk and controls-based methodology.

We engage closely with management to assist in focusing on areas of most significance. This includes any industry, regulatory and accounting issues, as well as your strategies, related business risks and internal controls visually depicted below. In particular, we will work with your Governance Division and Internal Audit personnel to ensure a co-ordinated approach to the assessment of the control environment.



3. Audit methodology and audit approach (cont'd)

Our Audit Approach

- allows input by management to be incorporated as part of the audit program
- is risk driven and Partner led
- focuses on the identification of key controls that mitigate identified financial risks. We will test the design and implementation of the control processes and systems to gauge the effectiveness of the overall control environment as applicable to our audit. This will be conducted in a co-ordinated manner after consultation with the Governance Division and Internal Audit personnel
- involves the use of specialist IT staff to perform the audit work, where required
- is efficient and effective through the use of our proprietary audit software, Engagement Management System (EMS).

We can confirm that our audit methodology and documentation is compliant with the requirements of the Australian Auditing Standards and the Australian Accounting Standards as well as complying with legislative requirements and in particular the requirements of the *SA Local Government Act 1999* and the *SA Local Government (Financial Management) Regulations 2011*.

4. Timetable

Audit Task	Date
Presentation of the Audit Service Plan to the Audit Committee	9 June 2015
Interim visit	15 June 2015
Final visit (including small audit of grants)	24 August to 4 September 2015
Quality Assurance review of the financial statements and final discussions with the management	18 September 2015
Presentation of the audit report to the Audit Committee, management recommendation letter and independence letter	13 October 2015

5. Client Service Team

Our team is structured with the following personnel.

Audit Team



Penny Woods
Audit Engagement Partner



Catherine Flower
Quality Assurance Director



Jason Liu
Client Manager



Matthew Trigg
Experienced Analyst



Eleni Karpathios
Analyst

Corporation of the City of Marion

Specialists



David Hobbis
IT Partner



Brad Wright
IT Director



Aman Garg
Risk Services Manager



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Mr Geoff Whitbread
Acting CEO
City of Marion
PO Box 21
OAKLANDS PARK SA 5046

11 June 2015
Ref: PJW/JL

Dear Sir

The Objective and Scope of External Audit Services

You have requested that we audit the financial report of the Corporation of the City of Marion ('the Council'), being a general purpose financial report which comprises the statement of financial position as at 30 June 2015, and the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Chief Executive Officer's declaration. You have also requested that we audit the financial reports of Work Cover contributions and various government grants ("small audits") as of and for the year ending 30 June 2015.

We are pleased to confirm our acceptance and our understanding of this engagement by means of this letter. This letter and our standard terms and conditions, which are enclosed with this letter, set out the basis on which we will provide our services to you. In the delivery of these services we may engage other Deloitte Member Firms including the Deloitte Extended Delivery Centre (EDC) to assist with certain aspects of this engagement. EDC refers to Deloitte Member Firms and their affiliates operating in India. We will at all times remain responsible for the work undertaken in the delivery of those services to you.

Our audit will be performed pursuant to the requirements of the Local Government Act, with the objective of expressing an opinion on the financial report. We will conduct our audit in accordance with Australian Auditing Standards. Those Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

Accordingly, we will undertake this engagement with the objective of reporting to the members of the Council on the financial report in the format outlined in the example Independent Auditor's Report as per Appendix A. It should be noted that there may be circumstances in which our report may differ from its expected form and content based on our audit findings.

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Member of Deloitte Touche Tohmatsu Limited



An audit involves performing audit procedures to obtain audit evidence about the amounts and other disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial report.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatement may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

In making our risk assessments, we consider internal control relevant to the entity's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the financial report that we have identified during the audit.

Our audit will be conducted on the basis that the Chief Executive Officer acknowledge and understand that they have the responsibility:

- (a) for the preparation of the financial report in accordance with the Local Government Act;
- (b) for such internal control as determined necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error; and
- (c) to provide us with:
 - (i) access to all information of which management, are aware that is relevant to the preparation of the financial report such as records, documentation and other matters;
 - (ii) additional information that we may request from management, for the purpose of the audit; and
 - (iii) unrestricted access to persons within the entity from whom we determine it necessary to obtain evidence.

As part of our audit process, we will request from management, written confirmation concerning representations made to us in connection with the audit.

We request that where any document containing the financial report indicates that the report has been audited, our auditor's report will also be included in the document.

Independence

We confirm that, to the best of our knowledge and belief, we are independent of the Council in accordance with the independence requirements of the Local Government Act and applicable professional standards (the "Independence Rules").

Independence matters relating to the provision of services

Deloitte, management and the Audit Committee will work together to assist Deloitte in maintaining independence and ensuring compliance with the Independence Rules.

Management and the Audit Committee that they will not engage Deloitte or accept any service from Deloitte that has not been subject to the pre-approval process or that could impair Deloitte's independence under the Independence Rules. All potential services are to be discussed with Penny Woods.



Independence matters relating to hiring

Management will coordinate with Deloitte to ensure that Deloitte's independence is not impaired by hiring former or current Deloitte partners or professional employees (who are currently providing services to you or who have provided services to you within the last 12 months) in a role that could cause violation of the Independence Rules.

Subject to confidentiality obligations, management of the Council will ensure that they discuss all employment opportunities for a former or current Deloitte partner or professional employee with Penny Woods before entering into substantive employment conversations with the former or current Deloitte partner or professional employee.

Electronic Presentation of the Audited Financial Report

It is our understanding that the entity intends to electronically present the audited financial report and auditor's report on its internet web site. Responsibility for the electronic presentation of the financial report on the entity's web site is that of the governing body of the entity. The security and controls over information on the web site should be addressed by the entity to maintain the integrity of the data presented. The examination of the controls over the electronic presentation of the audited financial report on the entity's web site is beyond the scope of the audit of the financial report.

Fees

We look forward to full co-operation with your staff and we trust that they will make available to us whatever records, documentation and other information are requested in connection with our audit.

Our fees of \$35,335 (excluding GST) are inclusive of 4 small audits and \$1,029 of out-of-pocket expenses, which will be billed as work progress, are based on the time required by the individuals assigned to the engagement. Individual hourly rates vary according to the degree of responsibility involved and the experience and skill required. Note, the fee does not include the fee for the internal controls audit opinion as a separate engagement letter and fee letter will be issued to the Council.

Our fees per small audit not included above will be \$1,545 (excluding GST) as per small audits in the proposal letter.

Payment Schedule

In accordance with established practice, our fees will become payable upon completion of each significant stage of the engagement, which we anticipate will occur as noted below. We will issue our invoices prior to the anticipated date to facilitate timely payment.

Stage	Invoice Date	GST Exclusive Amount \$	GST Inclusive Amount \$
Planning	28 May 2015	15,335	16,869
Interim	28 May 2015**	10,000	11,000
Final visit	24 August 2015	10,000	11,000
Total		35,335	38,869

**Due to our annual system shut down period in June this bill will be raised during May, ordinarily this bill would be raised when work commences in mid-June, therefore, payment date has been extended through to July



Team

The engagement partner responsible for services will be Penny Woods. Jason Liu will assist Penny in the management and execution of the audit services.

Special Conditions

Please note, as per the prior period, the attached standard terms and conditions are amended by deleting clauses 9.2 and 9.3.

Please sign and return the attached copy of this letter to indicate that it is in accordance with your understanding of the arrangements for our audit of the financial report.

Yours faithfully

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to read "Penny Woods", enclosed within an oval-shaped scribble.

Penny Woods
Partner
Chartered Accountants

Acknowledged and accepted on behalf of the City of Marion by:

Signature: _____

Name: _____

Title: _____

Date: _____

APPENDIX A - EXAMPLE INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report to the Members of the Corporation of the City of Marion

We have audited the accompanying financial report of the Corporation of the City of Marion, which comprises the statement of financial position as at 30 June 2015, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Chief Executive Officer's declaration as set out on pages xx to xx.

The Chief Executive Officer's Responsibility for the Financial Report

The Chief Executive Officer is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, the Local Government Act 1999 and the Local Government (Financial Management) Regulation 2011, and for such internal control as the Chief Executive Officer determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive Officer as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial report of the Corporation of the City of Marion presents fairly, in all material respects, the council's financial position as at 30 June 2015 and its financial performance for the year then ended in accordance with Australian Accounting Standards, Local Government Act 1999 and Local Government (Financial Management) Regulations 2011.

DELOITTE TOUCHE TOHMATSU

P J Woods
Partner
Chartered Accountants
Adelaide, [date]

APPENDIX A - EXAMPLE INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report to the Members of the Corporation of the City of Marion and the Grantor (the "Department")

We have audited the accompanying Financial Statement which comprises details of the grant monies received and expended (the "Report") of Corporation of the City of Marion ("the Recipient"). The Report has been prepared by the management of City of Marion in accordance with the Grant Program (the "Program") for the funding period from xx to xx.

Management's Responsibility for the Report

Management is responsible for compliance with the Program and the preparation and fair presentation of the Report and has determined that the accruals basis of accounting is appropriate to meet the financial reporting requirements of the Program and the needs of the Members of the Corporation of the City of Marion and the Department. Management's responsibility also includes such internal control as management determine is necessary to enable compliance with the Act and the preparation and fair presentation of the Report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Report and whether the grant monies were expended in accordance with the Program based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the Report is free from material misstatement and whether the grant monies were expended in accordance with the Program.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Report and whether the grant monies were expended in accordance with the Act. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Recipient's preparation and fair presentation of the Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Recipient's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Report presents fairly, in all material respects, the grant monies received and expended by the Recipient, in accordance with the accruals basis of accounting and the grant monies were expended in accordance with the Program for the funding period from xx to xx.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to the "Management's Responsibility for the Report" paragraph above which states that the Report has been prepared in accordance with the accruals basis of accounting. The Report is prepared to assist the Corporation of the City of Marion to meet the financial reporting requirements of the Program. As a result the Report may not be suitable for another purpose. Our report is intended solely for the Members and the Department and should not be distributed to or used by parties other than the Members and the Department.

DELOITTE TOUCHE TOHMATSU

P J Woods
Partner
Chartered Accountants
Adelaide, [date]

APPENDIX A - EXAMPLE INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report to the Corporation of the City of Marion and Local Government Association Workers Compensation Scheme ("the Scheme")

We have audited the accompanying information as per the Actual Wage Declaration (the "Declaration") of the City of Marion ("the Employer") for the year ended 30 June 2015, as stamped by us for identification purposes. The Declaration has been prepared by the Employer in accordance with the requirements of the Scheme.

Employer's Responsibility of the Declaration

The Employer is responsible for the preparation and fair presentation of the Declaration in accordance with the requirements of the Scheme. The Employer's responsibility also includes such internal control as the Employer determine is necessary to enable the preparation and fair presentation of the Declaration that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Declaration based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the Declaration is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the information as shown on the Declaration. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement, of information shown on the Declaration, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Declaration, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the employer, as well as evaluating the overall presentation of the Declaration.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Declaration presents fairly, in all material respects, the information of the City of Marion for the year ended 30 June 2015 in accordance with the Scheme.

Basis of Preparation and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to the "Employer's Responsibility for the Declaration" paragraph above which states that the Declaration has been prepared in accordance with Scheme. The Declaration has been prepared to assist the City of Marion to meet its obligations under the Scheme. As a result, the Declaration may not be suitable for another purpose. Our report is intended solely for the Council of the City of Marion and the Scheme and should not be distributed to or used by parties other than the Council of City of Marion and the Scheme.

DELOITTE TOUCHE TOHMATSU

P J Woods
Partner
Chartered Accountants
Adelaide, [date]

APPENDIX B - QUALITY AND RISK

Independence

How we ensure independence

Our commitment to independence and objectivity is the foundation of Deloitte's reputation for integrity and quality. Our commitment to independence starts with the tone at the top and is followed by careful and consistent implementation and monitoring of comprehensive independence quality controls, policies and procedures. Of particular note;

- On appointment, all partners and staff assigned to the audit engagement are required to confirm to the audit partner they are independent of all entities subject to audit, prior to commencing any work on the audit engagement.
- The City of Marion will be placed on our Restricted Entity list, which includes all entities which are restricted from the provision of independence impairing activities including investment or Board representation.
- Auditor independence is declared on an annual basis as part of signing the statutory audit opinion.

No conflict of interest

Deloitte is presently unaware of any conflicts of interest, potential or otherwise, that would in any way adversely affect our ability to perform services in accordance with the requirements of this proposal.

We are aware that the Council currently uses the Control Self Assessment tool as developed by Deloitte. We have confirmed that the use of this tool is neither a conflict of interest nor independence impairing. Further, the LGA and Treasury have confirmed that the use of the tool is not a conflict of interest or independence impairing.

Partner rotation

The Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011 together restrict the audit partner tenure to no more than 5 consecutive years. Deloitte captures and monitors this legislative compliance as part of the annual planning documentation.

Quality

Our quality control procedures

Deloitte has always maintained a firm-wide emphasis on professional service quality and quality control. For us, the components of quality are not static; we continually revisit, review and improve them.

Prior to signing an audit opinion, the following procedures are undertaken to ensure we provide assurance on the accuracy of the financial report and maintain the highest standards in the conduct of our audit.

Quality Assurance Review

Deloitte policy is to assign an Independent Review Partner or Director to all audits as Quality Assurance Reviewer (QAR). The QAR provides an additional level of objectivity and competency in relation to matters such as: resolution of significant issues; compliance with relevant accounting standards and other mandatory professional reporting requirements.

Professional Standards Review

In recognition of increasing standards of governance and independence, we have an additional level of quality assurance included in internal processes – the Professional Standards Review (PSR). PSR is aimed specifically at the quality of our deliverables and gives the City of Marion added assurance that appropriate independent and experienced professionals have reviewed all reports and financial statements bearing our opinion.

These processes provide your management and the Council with the highest level of confidence that your reporting complies with regulatory obligations.

Client service assessment

We will continuously seek input from you to ensure we fully understand and exceed your expectations. At the conclusion of the audit engagement, an independent partner of the firm will conduct a client service assessment to seek your feedback.



Standard Terms and Conditions

1. This Agreement

This Agreement sets out the terms on which we will provide the Services to you. Where the Letter is addressed to more than one Addressee, each Addressee is a party to, and is bound by, the terms of this Agreement. We will treat you as having accepted this Agreement if you continue to instruct us after you receive it.

2. Term

This Agreement starts on the date you sign and return the Letter to us or when we first start work on the Services for you, whichever is first. Unless it is terminated earlier, this Agreement terminates when we have completed providing the Services to you and you have paid us our Fees.

3. Our Services

3.1 We will provide the Services to you in accordance with this Agreement and with the degree of skill, care and diligence expected of a professional providing services of the same kind.

3.2 We will use all reasonable efforts to complete the Services within any agreed time frame.

4. Our team

4.1 We will use reasonable efforts to ensure that our Representatives named in the Letter are available to provide the Services. However, if we need to, we may replace or reassign any Representative at any time on reasonable notice to you.

4.2 Each of us agrees that, during the term of this Agreement and for a period of six months after it ends, neither of us will directly or indirectly solicit for employment any Representative of the other who is involved with the Services. However, both of us may advertise or recruit generally.

5. About Deloitte

5.1 We are a Member Firm of DTTL. Accordingly, you acknowledge that:

- (a) each of the Member Firms is a separate and independent legal entity operating under the names "Deloitte", "Deloitte & Touche", "Deloitte Touche Tohmatsu" or other related names;
- (b) the Services are provided by us and not by DTTL or any other Member Firm; and
- (c) neither DTTL nor any of the Member Firms is liable for each other's acts or omissions.

5.2 Sometimes we may use other Member Firms to help us to provide the Services to you. Where this happens, we will be responsible for any work undertaken by another Member Firm and you agree that:

- (a) none of the Member Firms, apart from us, will be responsible to you; and
- (b) you will not bring any claim or proceedings in connection with the Services or this Agreement against any of the other Member Firms that we may use to provide the Services to you.

5.3 Any Member Firm that helps us to provide the Services to you will rely on subclause 5.2 and is, to the extent permitted by the Law of any relevant jurisdiction, an intended third-party beneficiary of, and entitled to enforce this Agreement as if it were a party to it.

5.4 If we provide you with Licensed Services, you acknowledge that:

- (a) the relevant Licensed Entity will provide the Licensed Services directly to you;
- (b) Deloitte enters into this Agreement as agent for the Licensed Entity; and
- (c) the terms of this Agreement apply to the Licensed Services.

6. Confidentiality

6.1 Each of us agrees to protect and keep confidential any Confidential Information that is given to us by the other.

6.2 Except as set out in this Agreement, or where both of us agree otherwise in writing, we will only use or disclose your Confidential Information to provide the Services to you or other services you may request.

6.3 Where relevant, we may use, disclose and transfer your Information to other Member Firms and our Representatives, who will use and disclose it only to provide the Services to you.

6.4 We may disclose your Information to our own professional advisers and insurers on a confidential basis.

6.5 Subject to subclause 6.6, either of us may disclose any Confidential Information to the extent that it is required to be disclosed by Law, order of any court, tribunal, authority or regulatory body, rules of any stock exchange or any professional obligations or requirements.

6.6 A party disclosing any Confidential Information under subclause 6.5 must, where practical and to the extent permitted by Law, notify the other of the requirement to disclose and only disclose the minimum Confidential Information required to comply with the Law or requirement.

6.7 You agree that we may aggregate your Information and use and disclose that information in de-identified form as part of research and advice, including, without limitation, benchmarking services.

6.8 We will return your Information to you at any time at your request. We may also destroy it if you ask us to. However, we are entitled to retain a copy of any Information you provide to us or which forms part of our Work or our Working Papers, provided that we will continue to keep this Information confidential in accordance with this Agreement.

7. Personal Information and privacy

7.1 We will handle Personal Information in accordance with the Privacy Act and our privacy policy available at http://www.deloitte.com/view/en_AU/au/privacy/index.htm.

7.2 You agree to work with us to ensure that both of us meet any obligations that each of us may have under the Privacy Act including, where relevant, notifying the individual to whom the Personal Information relates of who we are and how we propose to use and disclose their information.

7.3 Where you provide us with any Personal Information, you confirm that you have collected the Personal Information in accordance with the Privacy Act, that you are entitled to provide the Personal Information to us and that we may collect, use and disclose the Personal Information for the purpose of providing the Services to you or as otherwise permitted by this Agreement.

8. Intellectual Property

8.1 Unless we agree otherwise, we will retain ownership of the Intellectual Property in our Work. We give you a royalty-free, non-exclusive, perpetual, world-wide licence to use and reproduce any Reports for the Purpose for which the Report was prepared and any related incidental internal purposes in accordance with the terms of this Agreement.

8.2 You agree we can use your logos and marks on our Work, unless you tell us otherwise.

9. Our Work

9.1 Our Work is for your exclusive use and must be used only by you and only for the Purpose.

9.2 Unless we give our Consent:

- (a) our Work must not be used or disclosed for any other purpose or made available to any other person, except your Professional Advisers and Auditor, on the terms discussed in subclause 9.3, or except to the extent permitted by subclause 6.5;
- (b) our Work and the Services may not be relied on by anyone other than you; and
- (c) you must not name us or refer to us, our Work or the Services in any written materials (other than to your Professional Advisers and Auditor), or any publicly filed documents, except as required by Law.

9.3 You may provide a copy of our Report to:

- (a) your Professional Advisers and Auditor, provided that you ensure that each Professional Adviser and Auditor:
 - (i) is aware of the limits placed on the use of our Report by this Agreement, including that they may not rely on the Report;
 - (ii) for the Professional Adviser, uses our Report only to advise you in relation to the Services or, for the Auditor, uses our Report only in conducting the Audit; and

- (iii) treats our Report as confidential and does not use or disclose our Report in a manner that is not expressly permitted by this Agreement;
- (b) any other person who is acceptable to us, with our Consent, but only where that person has first executed an agreement provided by us.

- 9.4 We are not responsible to anyone (apart from you) who is provided with or obtains a copy of our Work without our Consent.
- 9.5 If we give you our Work in draft form or orally, we do so only on the basis that you may not rely on it in that form. Accordingly, we will not be responsible if you or anyone else relies on our draft Work or oral comments or advice.
- 9.6 You acknowledge that the final or signed copy of our Report is the definitive version.
- 9.7 Sometimes, circumstances may change after we have provided our final Work to you; unless we agree with you otherwise, we will not update any final Work we have provided to you.
- 9.8 You acknowledge that any use of or reliance on our Work that is contrary to this Agreement may expose us to a claim from someone with whom we have no relationship or whose interests we have not considered in providing the Services.
- 9.9 Accordingly, you agree to indemnify us against any Loss we may suffer or incur in respect of any claim or action by a third party that arises as a result of:
- (a) any use or distribution of, or reliance on, our Work that is contrary to the terms of this Agreement or a Consent; or
 - (b) any access to or use of our Work, by any of your Professional Advisers or Auditor.
- 9.10 This indemnity does not apply to any Loss incurred in defending a claim or action by a third party:
- (a) that results from any wilful misconduct or fraudulent act or omission by us;
 - (b) where that third party has signed an agreement with us that provides that it can rely on our Work; or
 - (c) where we have agreed in writing that our Work may be included in publicly available documents.

10. Our Fees

- 10.1 The Fees and the basis on which they are calculated are set out in this Agreement. We may review the Fees where:
- (a) an Unexpected Delay occurs;
 - (b) there is a change in the scope of the Services we agreed to provide to you; or
 - (c) you do not accept this Agreement within three months of the date of the Letter.
- 10.2 You agree to pay us the Fees for the Services in accordance with this Agreement.
- 10.3 Unless we state otherwise, our Fees exclude GST. You agree to pay any GST imposed on us, now or in the future, in relation to this Agreement. Where GST is payable on any taxable supply made under this Agreement, you agree that the Fee payable for this supply will be increased by an amount equivalent to the GST payable by us in respect of that supply.
- 10.4 We will charge you at cost for any expenses we incur in providing the Services to you. We will tell you what these expenses are before we incur them if they are anything other than incidental.
- 10.5 Unless we agree with you otherwise, we will use business class (or equivalent) for travel overseas and between the east and west coasts of Australia, and economy class for travel within the rest of Australia.
- 10.6 We will also charge you an administration, overhead and telecommunications charge, which is calculated at 5% of our Fees. This charge covers all our out-of-pocket expenses such as telecommunications, stationery and postage.
- 10.7 We will invoice you monthly in arrears for the Fees (unless we agree with you otherwise) and you agree to pay our invoice within 14 days of receiving it. You agree to pay any undisputed portions of an invoice even if there is a dispute between us about that invoice or another invoice. Where amounts remain due and unpaid we may charge you interest at an annual rate of 2% over the Bank Bill Swap Rate published in the Australian Financial Review on the date payment is due.
- 10.8 Without limiting any other rights we may have, we are entitled to suspend or terminate the Services, in whole or part, or to retain or withhold any Information we may hold in relation to the Services or any Work we have done for you if you do not pay our invoices on time.

- 10.9 If we are required to provide Information about you or the Services to comply with a statutory obligation, court order or other compulsory process, you agree to pay all of our reasonable costs and expenses we incur in doing so.

11. What you agree to do

- 11.1 You agree to co-operate with us and provide us with all reasonable and necessary assistance so that we can provide the Services to you. This includes providing us with timely and reasonable access as appropriate, to your premises, facilities, Information and Representatives.
- 11.2 In addition to any responsibilities you may have that are set out in the Letter, you are responsible for:
- (a) the performance of your Representatives;
 - (b) making timely decisions in connection with the Services;
 - (c) designating a competent employee to oversee the Services;
 - (d) evaluating the adequacy of the Services, as they have been described in the Letter, for your particular purposes and needs;
 - (e) providing us with accurate and complete Information. Where any Information that we require in order to provide the Services is to be provided by someone else, you are responsible for ensuring that Information is provided to us. You will need to give us all Information that is relevant to the Services, even if the same Information has been given to us previously during another engagement; and
 - (f) updating any Information where there has been a material change to that Information, including telling us if any of your circumstances change during the course of the Services.
- 11.3 You acknowledge that:
- (a) the Services may include advice and recommendations, but all decisions in connection with the implementation of such advice and recommendations will be your responsibility, and made by you;
 - (b) our ability to provide the Services depends on you meeting your responsibilities under this Agreement and instructing us or responding to our requests in a timely and effective manner; and
 - (c) we are entitled to and will rely on Information provided by you, the decisions you make and any approvals you give; and
 - (d) we will not be liable for any default that arises because you do not fulfil your obligations.

12. Unexpected Delay

- 12.1 We are not responsible to you or anyone else for any failure in providing the Services caused by an Unexpected Delay. We will tell you if there is a delay that will affect the Services and the cause of the delay, if known. You acknowledge that this Agreement will be varied to include any change to the scope of the Services, the Fees or the timeframes for completion of the Services if any delay requires it.
- 12.2 If we are required to perform additional services because of an Unexpected Delay, then this Agreement will also be varied to include those additional services and any additional Fees that apply.

13. Our responsibility to you

- 13.1 We are subject to a limitation of liability scheme approved under Professional Standards Legislation. Our aggregate liability to you is limited in the manner provided by the scheme. Please contact us if you require a copy of the relevant scheme.
- 13.2 Where the law requires it, our liability to you will not be limited. Where our liability is not limited by a scheme our aggregate liability to you for any Loss or causes of action arising in relation to this Agreement, including for negligence, is limited to the amount that is the lesser of ten times our Fees and \$20 million.
- 13.3 We will be liable to you only for that proportion of the total Loss that we have caused or to which we have contributed and we will not be liable for any Consequential Loss.
- 13.4 We will not be liable for any Loss, or failure to provide the Services, which is caused by an Unexpected Delay or which arises as a result of us relying on any false, misleading or incomplete Information.
- 13.5 The limit of liability set out above applies to all Addressees as a group and it is up to you to agree how the limit is allocated between you. You agree not to dispute the limit if you are unable to agree on how it will be allocated between you.

14. Conflict of interest

We have relationships with many clients. This means that after this Agreement starts we may identify circumstances that could cause us to have a conflict of interest. If this happens, we will evaluate the potential conflict and, depending on the circumstances, apply appropriate safeguards to manage it. For example, we may notify you of a

relationship that causes us a conflict and ask for your consent to continue to provide you with the Services. However, you acknowledge that we may need to terminate this Agreement if we are unable to resolve or manage a conflict of interest satisfactorily.

15. Insurance

We will maintain appropriate insurance in relation to the Services, including professional indemnity insurance in an amount of not less than \$10 million during the term of this Agreement and for a period of seven years after it ends.

16. Termination

16.1 Either of us may terminate this Agreement:

- (a) at any time by giving the other 30 days' written notice; or
- (b) immediately if the other suffers an Insolvency Event, is unable to pay all of its debts as and when they become due and payable, suspends payment of such debts or otherwise ceases to carry on business; or
- (c) immediately if the other commits any material breach of this Agreement that is either incapable of being remedied or is not remedied within 14 days of receipt of a notice requiring the breach to be remedied.

16.2 We may terminate this Agreement if:

- (a) you fail to meet your obligations under this Agreement including to pay our Fees within the time specified or to provide us with adequate Information or instructions; or
- (b) there is a change of circumstances beyond our reasonable control (such as auditor independence or regulatory related developments) that prevents us from providing the Services to you.

16.3 If this Agreement is terminated:

- (a) you agree to pay us the Fees for any work we have done and any expenses we have incurred up to the date of termination;
- (b) except as set out in this Agreement, and only where relevant, each of us will return to the other any documents or property of the other, except that we may retain one copy of all Information to allow us to satisfy our professional obligations and record keeping requirements;
- (c) the termination does not affect any accrued rights of either of us or any provision of this Agreement that continues to apply.

16.4 The provisions of this Agreement that survive its termination include those relating to clause 5, *About Deloitte*; clause 6, *Confidentiality*; clause 7, *Personal Information and privacy*; clause 8, *Intellectual Property*; clause 9, *Our Work*; clause 10, *Our Fees*; clause 13, *Our responsibility to you*; clause 15, *Insurance*; subclause 16.3, *Termination*; clause 17, *Dispute resolution*; and clause 18, *Disclosure of Tax Advice*.

17. Dispute resolution

- 17.1 Each of us agrees to use reasonable endeavours to resolve any dispute that arises in connection with this Agreement by mediation before bringing a legal claim or starting legal proceedings against the other.
- 17.2 Nothing in this clause prevents either of us from seeking any equitable relief in relation to our rights under this Agreement.

18. Disclosure of Tax Advice

In relation to Tax Advice and in compliance with Disclosure Laws, it is acknowledged and agreed that nothing contained in this Agreement shall be construed as limiting or restricting your disclosure of Tax Advice. It is also understood that none of your other advisers will or have imposed any conditions of confidentiality with respect to Tax Advice. Copies of any Tax Advice provided to others is on the basis that such recipients may not rely on such Tax Advice and that we owe no duty of care or liability to them, or any other persons who subsequently receive the same. Except as set out in this clause, all other terms of this Agreement remain unamended.

19. Relationship between the parties

We are engaged as an independent contractor. Neither of us is an agent or representative of or has the authority to bind the other. Neither of us will act or represent ourselves, directly or by implication, as an agent of the other or in any manner assume or create any obligation on behalf of, or in the name of, the other. This Agreement is not intended and will not be taken to constitute a partnership, agency, employment, joint venture or fiduciary relationship between us.

20. Entire agreement

- 20.1 This Agreement is the entire agreement between us for the Services. It supersedes all prior communications, negotiations, arrangements and

agreements, either oral or written between us in relation to its subject matter.

- 20.2 Any changes to this Agreement must be agreed to in writing by both of us.

21. Assignment

Neither of us may transfer, assign or novate this Agreement without the Consent of the other. However, we may assign this Agreement to any entity in Deloitte Australia or any successor to our business.

22. Electronic communication

Each of us agrees that we may communicate with each other electronically. You acknowledge that electronic transmissions are inherently insecure, can be corrupted or intercepted, may not be delivered and may contain viruses. Neither of us is responsible to the other for any loss suffered in connection with the use of e-mail as a form of communication between us.

23. Severability

If any of the terms of this Agreement are not legally enforceable then that term or the relevant part of it will be either amended as appropriate to make it enforceable or ignored, but in all other respects this Agreement will have full effect.

24. Governing Law

This Agreement is governed by the Laws of New South Wales and each party irrevocably submits to the jurisdiction of the courts exercising jurisdiction in that State.

25. Your feedback

We value your feedback. We aim to obtain, either formally or informally, a regular assessment of our performance. If you wish to make a complaint, please refer to the Complaints Management Policy available at http://www.deloitte.com/view/en_AU/au/index.htm or write to the Complaints Officer at complaints@deloitte.com.au.

26. General

- 26.1 A waiver by one of us of a breach by the other party of any term of this Agreement does not operate as a waiver of another term or a continuing breach by the other of the same or any other term of this Agreement.
- 26.2 To the extent permitted by Law, we disclaim all warranties, either express or implied, in relation to the Services and the Work other than any written warranty made in the Terms.
- 26.3 The rights and remedies in this Agreement are cumulative and not exclusive of any rights or remedies provided by Law.

27. Reading this Agreement

In this Agreement:

- (a) headings are for convenience only and do not affect how this Agreement is interpreted;
- (b) the singular includes the plural and conversely;
- (c) the word person includes an entity, a firm, a body corporate, an unincorporated association or an authority;
- (d) a reference to this Agreement or an act or instrument is to this Agreement, or that act or instrument as amended, varied, novated or replaced from time to time;
- (e) a reference to dollars or \$ means Australian dollars;
- (f) an Annexure forms part of this Agreement; and
- (g) if there is any conflict between these Terms and any other part of this Agreement, the following order of priority will apply:
 - (i) the Letter;
 - (ii) the Annexure; and
 - (iii) the Terms.

28. Definitions

In this Agreement the following words have the meanings set out below:

Addressee means each person to whom the Letter is addressed and includes, where relevant, any additional parties who may agree to the terms of this Agreement.

Agreement means the Letter and the Terms.

Annexure means a document which is annexed or attached to the Letter and identified as an annexure or attachment to it

Audit means an audit under the *Corporations Act 2001* (Cth) or an equivalent Law, conducted in accordance with relevant auditing standards.

Auditor means an auditor who is appointed to conduct an Audit of you.

Confidential Information means and includes:

- (a) the terms of this Agreement and the details of the Services;
- (b) any information or material which is proprietary to a party or acquired by either of us solely as a result of the Services;
- (c) any Intellectual Property and methodologies and technologies that:
 - (i) you use in your business, and to which we are exposed in the course of providing the Services; or
 - (ii) we use to provide the Services;
- (d) any information designated as confidential by either of us; and
- (e) any Work we provide to you,

but excludes any information that:

- (a) is or becomes publicly available, except by a breach of this Agreement;
- (b) is disclosed to either of us by a third party provided that the recipient reasonably believes the third party is legally entitled to disclose such information;
- (c) was known to either of us before we received it from the other or is developed by either of us independently;
- (d) is disclosed with the other's Consent; or
- (e) is required to be disclosed as contemplated by subclause 6.5.

Consent means prior written consent which may be granted at the consenting party's discretion and which may be subject to conditions.

Consequential Loss means any loss or damage which is indirect, consequential, special, punitive, exemplary or incidental, including any loss of profit, revenue, anticipated savings or business opportunity, loss or corruption of data or systems, or damage to goodwill however caused or arising as a result of the Services or this Agreement.

Deloitte means the Deloitte Australia entity or entities entering into the Agreement as identified in the Letter.

Deloitte Australia means the Australian partnership of Deloitte Touche Tohmatsu, each of the entities under its control and any of their respective predecessors, successors or assignees.

DTTL means Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee.

Disclosure Law means Rule 3501(c)(i) of PCAOB Release 2005-014, or US Internal Revenue Code sections 6011 and 6111 and related Internal Revenue Service guidance, or any equivalent legislation, statute or subordinate legislation or guidance in any relevant jurisdiction relating to the disclosure of Tax Advice which applies to you or any Tax Advice we may give you.

Fees means the fees for the Services as stated in, or calculated in accordance with, this Agreement.

GST has the meaning given to it under *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

Information means any information, documents, materials, facts, instructions or Confidential Information provided to us by you or your Representatives or anyone else at your request.

Insolvency Event means and includes:

- (a) the making of an arrangement, compromise or composition with, or assignment for the benefit of, one or more creditors of a party;
- (b) the appointment of administrators, liquidators, receivers, a bankruptcy trustee or analogous person to, or over, all or part of a party's business, assets or securities;
- (c) an application being made, or a resolution being proposed, which seeks to effect such an appointment other than for a solvent reconstruction; and
- (d) the existence of a legislative presumption of insolvency in relation to a party.

Intellectual Property means all industrial and intellectual property rights throughout the world and includes rights in respect of copyright, patents, trade marks, designs, trade secrets, know-how and circuit layouts.

Law includes the *Corporations Act 2001* (Cth) and the rules of the United States Securities and Exchange Commission.

Letter means the engagement letter between us to which the Terms are attached.

Licensed Entity means a Deloitte Australia entity that holds a licence or registration.

Licensed Services means that part of the Services that are required to be provided by a Licensed Entity.

Loss means any losses, liabilities, claims, damages, costs or expenses (including interest where applicable and Consequential Loss), judgments or orders however caused or arising as a result of the Services or this Agreement.

Member Firm means a partnership or an entity that is a member of DTTL and each of that partnership's or entity's controlled entities, predecessors, successors, assignees, partners, principals, members, owners, directors, employees and agents.

Personal Information has the meaning given to it in the Privacy Act.

Privacy Act means the *Privacy Act 1988* (Cth).

Professional Advisers means your professional advisers who are advising you in relation to the Services but excludes any investor, agent, intermediary, underwriter, syndicate participant, lender or other financial institution or anyone who may provide you with any credit enhancement or credit rating.

Professional Standards Legislation means a Law providing for the limitation of occupational liability by reference to schemes that are formulated and published in accordance with that Law and includes the *Professional Standards Act 1994* (NSW) and any similar legislation in each state and territory in Australia.

Purpose has the meaning given to it in the Letter or our Work, or where silent on this, the purpose for which we provide our Work to you.

Report has the meaning given to it in the Letter or where the Letter does not set out a specific report, means any final form documents, reports or deliverables we provide to you as a result of the Services or this Agreement including those consisting of advice or opinions.

Representative means any officer, employee, consultant, agent, contractor or subcontractor of either of us, who is involved in the activities to which this Agreement relates and in the case of Deloitte, includes a partner.

Services means the services described in the Letter.

Tax Advice means any advice, whether written or oral, relating to tax, tax structuring or tax treatment provided by us as a result of the Services but excludes any tax due diligence Work which we prepare as a result of the Services.

Terms means these standard terms and conditions.

Unexpected Delay means any delay in providing the Services that is caused or contributed to by an act or event (including the non-performance of your obligations) that is beyond our control or was not reasonably foreseeable by us at the date of this Agreement.

us means Deloitte, or both you and Deloitte, as the context requires.

we and **our** means Deloitte and, where applicable as the context requires, the members of Deloitte Australia and any of their Representatives.

Work means any advice or materials including any reports, documents, advice, opinions, e-mails, notes or other deliverables, whether in draft or final form, in writing or provided orally, that we prepare either alone or in conjunction with you or provide to you as a result of this Agreement and includes any Reports but excludes our Working Papers or any source code.

Working Papers means any files or working papers created by us as our record of the Services, in any form.

you and **your** means each Addressee, and where applicable as the context requires, each Addressee's Representative.



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Mr Geoff Whitbread
Acting CEO
City of Marion
PO Box 21
OAKLANDS PARK SA 5046

11 June 2015

Dear Sir

Independent Assurance Report on the Internal Controls of the Corporation of the City of Marion

Thank you for the opportunity to provide services to the Corporation of the City of Marion ('the Council'). This letter and our standard terms and conditions (the "Terms") which are enclosed with this letter set out the basis on which we will provide our services to you.

Background

Under *Section 125 of the Local Government Act 1999*, the Council must ensure that appropriate policies, practices and procedures of internal control are implemented and maintained in order to assist the Council to carry out its activities in an efficient and orderly manner to achieve its objectives, to ensure adherence to management policies, to safeguard the Council's assets, and to secure (as far as possible) the accuracy and reliability of Council records.

Our engagement

You have requested that we conduct a reasonable assurance engagement in order to express an opinion whether the Council has complied, in all material respects, with the requirements in relation to the design and implementation of internal controls as measured by *Section 125 of the Local Government Act 1999*. Our report will cover the period 1 July 2014 to 30 June 2015.

The purpose of the engagement is to audit the compliance of the Council with the requirements of *Section 125 of the Local Government Act 1999* in relation to the design and implementation of internal controls established by the Council to ensure that the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period under review are in accordance with legislative provisions.

Our engagement will be conducted in accordance with Australian Standards on Assurance Engagements (ASAE 3100 *Compliance Engagements*), issued by the Australian Auditing and Assurance Standards Board. Our engagement will provide reasonable assurance as defined in these standards. The procedures we will perform are described in more detail in section 4 below.

These standards also require us to comply with the relevant ethical requirements of the Australian professional accounting bodies.

The scope of our engagement is limited to the matters set out in this letter. So that we are able to assist you effectively, please ensure that you are satisfied that the scope of our engagement. If you wish to discuss this with us further please let us know.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

Engagement team

Penny Woods is the partner who is primarily responsible for the engagement. Jason Liu will assist with the engagement. From time to time we may need to include other partners and staff to assist us with our engagement. In the delivery of our services we may engage other Deloitte Member Firms including the Deloitte Extended Delivery Centre (EDC) to assist with certain aspects of this engagement. EDC refers to Deloitte Member Firms and their affiliates operating in India. We will at all times remain responsible for the work undertaken in the delivery of those services to you.

Procedures

Our engagement will include such procedures as we consider necessary in the circumstances, including, but not limited to obtaining an understanding of controls in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, evaluating management's assessment of these controls, assessing the risk that a material weakness exists, and testing and evaluating the design and implementation of internal controls on a sample basis based on the assessed risks.

Reporting

As part of our engagement, we will provide you with a report which contains our opinion. Our conclusion will state whether the Council has complied, in all material respects, with the requirements as measured by *Section 125 of the Local Government Act 1999*. An example of our report is contained in Appendix 1.

Our report may only be used by the members of the Council for the purpose described in this letter and otherwise, in the manner described in the Terms.

The Chief Executive Officer's responsibilities

The Chief Executive Officer is responsible for ensuring that the Council has complied, in all material respects, with the requirements as measured by *Section 125 of the Local Government Act 1999*.

The Chief Executive Officer is also responsible for making all related information available to us for the purpose of our engagement.

Further, as part of our engagement, we will request from management written confirmation concerning representations made to us in connection with the engagement.

Independence

We confirm that, to the best of our knowledge and belief, we currently meet the independence requirements of the Australian professional accounting bodies in relation to an assurance engagement. In conducting the engagement, should we become aware that we have contravened these independence requirements, we will notify you on a timely basis.

Inherent limitations

Because of the inherent limitations of any compliance procedure, it is possible that fraud, error or non-compliance may occur and not be detected. A reasonable assurance engagement is not designed to detect all instances of non-compliance with *Section 125 of the Local Government Act 1999* in relation to the design and implementation of internal controls, as the engagement is not performed continuously throughout the period and the procedures performed in respect of compliance with *Section 125 of the Local Government Act 1999* in relation to the design and implementation of internal controls are undertaken on a test basis.

Engagement Fees

Our fee for the engagement will be agreed in a separate fee letter. If you require us to provide additional services please let us know and we can provide you with an indication of the likely fees involved.

Timing

The engagement will be conducted at the same time as the statutory audit of the general purpose financial statements for the year ended 30 June 2015.

Engagement assumptions

The scope of our engagement, the time frames for completion and the fees have been prepared on the following assumptions:

- There are no undue complications or delays in performing the engagement.
- The scope of work and the procedures performed are the same as those which are outlined in this letter.
- You meeting your responsibilities as outlined in this letter and the Terms in a timely manner.

If these assumptions are wrong or the circumstances change then we may need to change the scope of the engagement, vary the fees or extend the timeframes for completion. We will contact you immediately we become aware of a potential delay, and agree on the best means to manage the issue.

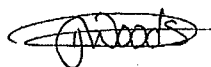
Acceptance

Please confirm that you agree to these terms by signing, dating and returning the enclosed copy of this letter to us.

Please contact Penny Woods if you would like to discuss this letter and the terms of engagement with us.

We look forward to working with you.

Yours faithfully
DELOITTE TOUCHE TOHMATSU



Penny Woods
Partner
Chartered Accountants

The Corporation of the City of Marion agrees to the terms of our engagement. Signed for and on behalf of the Corporation of the City of Marion by its duly authorised representative:

Signature: _____

Name: _____

Title: _____

Date: _____

APPENDIX A - EXAMPLE INDEPENDENT ASSURANCE REPORT

Independent Assurance Report on the Internal Controls to the members of the Corporation of the City of Marion

We have audited the compliance of to the Corporation of the City of Marion (the Council) with the requirements of *Section 125 of the Local Government Act 1999* in relation to the design and implementation of internal controls established by the Council to ensure that the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2014 to 30 June 2015 are in accordance with legislative provisions.

The Council's Responsibility for the Internal Controls

The Council is responsible for implementation and maintaining an adequate system of design and implementation of internal controls, in accordance with *Section 125 of the Local Government Act 1999* in relation to design and implementation of internal controls, to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and incurring of liabilities are in accordance with legislative provisions.

Our Responsibility

Our responsibility is to express an opinion on the Council's compliance with *Section 125 of the Local Government Act 1999* in relation to design and implementation of internal controls, based on our procedures. Our engagement has been conducted in accordance with applicable Australian Standards on Assurance Engagements ASAE 3100 *Compliance Engagements*, issued by the Australian Auditing and Assurance Standards Board, in order to state whether, in all material respects, the *Council* has complied with *Section 125 of the Local Government Act 1999* in relation to design and implementation of internal controls for the period 1 July 2014 to 30 June 2015. ASAE 3100 also requires us to comply with the relevant ethical requirements of the Australian professional accounting bodies.

Our procedures included obtaining an understanding of controls in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, evaluating management's assessment of these controls, assessing the risk that a material weakness exists, testing and evaluating the design and implementation of internal controls on a sample basis based on the assessed risks.

Limitation on Use

This report has been prepared for the members of the Council in accordance with *Section 129 of the Local Government Act 1999* in relation to design and implementation of internal controls. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the members of the Council, or for any purpose other than that for which it was prepared.

Inherent Limitations

Because of the inherent limitations of any compliance procedure, it is possible that fraud, error or non-compliance may occur and not be detected. A reasonable assurance engagement is not designed to detect all instances of non-compliance with *Section 125 of the Local Government Act 1999* in relation to design and implementation of internal controls, as the engagement is not performed continuously throughout the period and the procedures performed in respect of compliance with *Section 125 of the Local Government Act 1999* in relation to design and implementation of internal controls are undertaken on a test basis.

The conclusion expressed in this report has been formed on the above basis.

Independence

In conducting our engagement, we have complied with the independence requirements of the Australian professional accounting bodies.

APPENDIX A - EXAMPLE INDEPENDENT ASSURANCE REPORT

Opinion

In our opinion, the Council has complied, in all material respects, with *Section 125 of the Local Government Act 1999* in relation to design and implementation of internal controls, established by the Council to ensure that the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2014 to 30 June 2015 are in accordance with legislative provisions

DELOITTE TOUCHE TOHMATSU

Penny Woods
Partner
Adelaide, *[Month, Year]*



Standard Terms and Conditions

1. This Agreement

This Agreement sets out the terms on which we will provide the Services to you. Where the Letter is addressed to more than one Addressee, each Addressee is a party to, and is bound by, the terms of this Agreement. We will treat you as having accepted this Agreement if you continue to instruct us after you receive it.

2. Term

This Agreement starts on the date you sign and return the Letter to us or when we first start work on the Services for you, whichever is first. Unless it is terminated earlier, this Agreement terminates when we have completed providing the Services to you and you have paid us our Fees.

3. Our Services

- 3.1 We will provide the Services to you in accordance with this Agreement and with the degree of skill, care and diligence expected of a professional providing services of the same kind.
- 3.2 We will use all reasonable efforts to complete the Services within any agreed time frame.

4. Our team

- 4.1 We will use reasonable efforts to ensure that our Representatives named in the Letter are available to provide the Services. However, if we need to, we may replace or reassign any Representative at any time on reasonable notice to you.
- 4.2 Each of us agrees that, during the term of this Agreement and for a period of six months after it ends, neither of us will directly or indirectly solicit for employment any Representative of the other who is involved with the Services. However, both of us may advertise or recruit generally.

5. About Deloitte

- 5.1 We are a Member Firm of DTTL. Accordingly, you acknowledge that:
 - (a) each of the Member Firms is a separate and independent legal entity operating under the names "Deloitte", "Deloitte & Touche", "Deloitte Touche Tohmatsu" or other related names;
 - (b) the Services are provided by us and not by DTTL or any other Member Firm; and
 - (c) neither DTTL nor any of the Member Firms is liable for each other's acts or omissions.
- 5.2 Sometimes we may use other Member Firms to help us to provide the Services to you. Where this happens, we will be responsible for any work undertaken by another Member Firm and you agree that:
 - (a) none of the Member Firms, apart from us, will be responsible to you; and
 - (b) you will not bring any claim or proceedings in connection with the Services or this Agreement against any of the other Member Firms that we may use to provide the Services to you.
- 5.3 Any Member Firm that helps us to provide the Services to you will rely on subclause 5.2 and is, to the extent permitted by the Law of any relevant jurisdiction, an intended third-party beneficiary of, and entitled to enforce this Agreement as if it were a party to it.
- 5.4 If we provide you with Licensed Services, you acknowledge that:
 - (a) the relevant Licensed Entity will provide the Licensed Services directly to you;
 - (b) Deloitte enters into this Agreement as agent for the Licensed Entity; and
 - (c) the terms of this Agreement apply to the Licensed Services.

6. Confidentiality

- 6.1 Each of us agrees to protect and keep confidential any Confidential Information that is given to us by the other.
- 6.2 Except as set out in this Agreement, or where both of us agree otherwise in writing, we will only use or disclose your Confidential Information to provide the Services to you or other services you may request.

- 6.3 Where relevant, we may use, disclose and transfer your Information to other Member Firms and our Representatives, who will use and disclose it only to provide the Services to you.
- 6.4 We may disclose your Information to our own professional advisers and insurers on a confidential basis.
- 6.5 Subject to subclause 6.6, either of us may disclose any Confidential Information to the extent that it is required to be disclosed by Law, order of any court, tribunal, authority or regulatory body, rules of any stock exchange or any professional obligations or requirements.
- 6.6 A party disclosing any Confidential Information under subclause 6.5 must, where practical and to the extent permitted by Law, notify the other of the requirement to disclose and only disclose the minimum Confidential Information required to comply with the Law or requirement.
- 6.7 You agree that we may aggregate your Information and use and disclose that information in de-identified form as part of research and advice, including, without limitation, benchmarking services.
- 6.8 We will return your Information to you at any time at your request. We may also destroy it if you ask us to. However, we are entitled to retain a copy of any Information you provide to us or which forms part of our Work or our Working Papers, provided that we will continue to keep this Information confidential in accordance with this Agreement.

7. Personal Information and privacy

- 7.1 We will handle Personal Information in accordance with the Privacy Act and our privacy policy available at http://www.deloitte.com/view/en_AU/au/privacy/index.htm.
- 7.2 You agree to work with us to ensure that both of us meet any obligations that each of us may have under the Privacy Act including, where relevant, notifying the individual to whom the Personal Information relates of who we are and how we propose to use and disclose their information.
- 7.3 Where you provide us with any Personal Information, you confirm that you have collected the Personal Information in accordance with the Privacy Act, that you are entitled to provide the Personal Information to us and that we may collect, use and disclose the Personal Information for the purpose of providing the Services to you or as otherwise permitted by this Agreement.

8. Intellectual Property

- 8.1 Unless we agree otherwise, we will retain ownership of the Intellectual Property in our Work. We give you a royalty-free, non-exclusive, perpetual, world-wide licence to use and reproduce any Reports for the Purpose for which the Report was prepared and any related incidental internal purposes in accordance with the terms of this Agreement.
- 8.2 You agree we can use your logos and marks on our Work, unless you tell us otherwise.

9. Our Work

- 9.1 Our Work is for your exclusive use and must be used only by you and only for the Purpose.
- 9.2 Unless we give our Consent:
 - (a) our Work must not be used or disclosed for any other purpose or made available to any other person, except your Professional Advisers and Auditor, on the terms discussed in subclause 9.3, or except to the extent permitted by subclause 6.5;
 - (b) our Work and the Services may not be relied on by anyone other than you; and
 - (c) you must not name us or refer to us, our Work or the Services in any written materials (other than to your Professional Advisers and Auditor), or any publicly filed documents, except as required by Law.
- 9.3 You may provide a copy of our Report to:
 - (a) your Professional Advisers and Auditor, provided that you ensure that each Professional Adviser and Auditor:
 - (i) is aware of the limits placed on the use of our Report by this Agreement, including that they may not rely on the Report;
 - (ii) for the Professional Adviser, uses our Report only to advise you in relation to the Services or, for the Auditor, uses our Report only in conducting the Audit; and

- (iii) treats our Report as confidential and does not use or disclose our Report in a manner that is not expressly permitted by this Agreement;
- (b) any other person who is acceptable to us, with our Consent, but only where that person has first executed an agreement provided by us.

- 9.4 We are not responsible to anyone (apart from you) who is provided with or obtains a copy of our Work without our Consent.
- 9.5 If we give you our Work in draft form or orally, we do so only on the basis that you may not rely on it in that form. Accordingly, we will not be responsible if you or anyone else relies on our draft Work or oral comments or advice.
- 9.6 You acknowledge that the final or signed copy of our Report is the definitive version.
- 9.7 Sometimes, circumstances may change after we have provided our final Work to you; unless we agree with you otherwise, we will not update any final Work we have provided to you.
- 9.8 You acknowledge that any use of or reliance on our Work that is contrary to this Agreement may expose us to a claim from someone with whom we have no relationship or whose interests we have not considered in providing the Services.
- 9.9 Accordingly, you agree to indemnify us against any Loss we may suffer or incur in respect of any claim or action by a third party that arises as a result of:
 - (a) any use or distribution of, or reliance on, our Work that is contrary to the terms of this Agreement or a Consent; or
 - (b) any access to or use of our Work, by any of your Professional Advisers or Auditor.
- 9.10 This indemnity does not apply to any Loss incurred in defending a claim or action by a third party:
 - (a) that results from any wilful misconduct or fraudulent act or omission by us;
 - (b) where that third party has signed an agreement with us that provides that it can rely on our Work; or
 - (c) where we have agreed in writing that our Work may be included in publicly available documents.

10. Our Fees

- 10.1 The Fees and the basis on which they are calculated are set out in this Agreement. We may review the Fees where:
 - (a) an Unexpected Delay occurs;
 - (b) there is a change in the scope of the Services we agreed to provide to you; or
 - (c) you do not accept this Agreement within three months of the date of the Letter.
- 10.2 You agree to pay us the Fees for the Services in accordance with this Agreement.
- 10.3 Unless we state otherwise, our Fees exclude GST. You agree to pay any GST imposed on us, now or in the future, in relation to this Agreement. Where GST is payable on any taxable supply made under this Agreement, you agree that the Fee payable for this supply will be increased by an amount equivalent to the GST payable by us in respect of that supply.
- 10.4 We will charge you at cost for any expenses we incur in providing the Services to you. We will tell you what these expenses are before we incur them if they are anything other than incidental.
- 10.5 Unless we agree with you otherwise, we will use business class (or equivalent) for travel overseas and between the east and west coasts of Australia, and economy class for travel within the rest of Australia.
- 10.6 We will also charge you an administration, overhead and telecommunications charge, which is calculated at 5% of our Fees. This charge covers all our out-of-pocket expenses such as telecommunications, stationery and postage.
- 10.7 We will invoice you monthly in arrears for the Fees (unless we agree with you otherwise) and you agree to pay our invoice within 14 days of receiving it. You agree to pay any undisputed portions of an invoice even if there is a dispute between us about that invoice or another invoice. Where amounts remain due and unpaid we may charge you interest at an annual rate of 2% over the Bank Bill Swap Rate published in the Australian Financial Review on the date payment is due.
- 10.8 Without limiting any other rights we may have, we are entitled to suspend or terminate the Services, in whole or part, or to retain or withhold any Information we may hold in relation to the Services or any Work we have done for you if you do not pay our invoices on time.

- 10.9 If we are required to provide Information about you or the Services to comply with a statutory obligation, court order or other compulsory process, you agree to pay all of our reasonable costs and expenses we incur in doing so.

11. What you agree to do

- 11.1 You agree to co-operate with us and provide us with all reasonable and necessary assistance so that we can provide the Services to you. This includes providing us with timely and reasonable access as appropriate, to your premises, facilities, Information and Representatives.
- 11.2 In addition to any responsibilities you may have that are set out in the Letter, you are responsible for:
 - (a) the performance of your Representatives;
 - (b) making timely decisions in connection with the Services;
 - (c) designating a competent employee to oversee the Services;
 - (d) evaluating the adequacy of the Services, as they have been described in the Letter, for your particular purposes and needs;
 - (e) providing us with accurate and complete Information. Where any Information that we require in order to provide the Services is to be provided by someone else, you are responsible for ensuring that Information is provided to us. You will need to give us all Information that is relevant to the Services, even if the same Information has been given to us previously during another engagement; and
 - (f) updating any Information where there has been a material change to that Information, including telling us if any of your circumstances change during the course of the Services.
- 11.3 You acknowledge that:
 - (a) the Services may include advice and recommendations, but all decisions in connection with the implementation of such advice and recommendations will be your responsibility, and made by you;
 - (b) our ability to provide the Services depends on you meeting your responsibilities under this Agreement and instructing us or responding to our requests in a timely and effective manner; and
 - (c) we are entitled to and will rely on Information provided by you, the decisions you make and any approvals you give; and
 - (d) we will not be liable for any default that arises because you do not fulfil your obligations.

12. Unexpected Delay

- 12.1 We are not responsible to you or anyone else for any failure in providing the Services caused by an Unexpected Delay. We will tell you if there is a delay that will affect the Services and the cause of the delay, if known. You acknowledge that this Agreement will be varied to include any change to the scope of the Services, the Fees or the timeframes for completion of the Services if any delay requires it.
- 12.2 If we are required to perform additional services because of an Unexpected Delay, then this Agreement will also be varied to include those additional services and any additional Fees that apply.

13. Our responsibility to you

- 13.1 We are subject to a limitation of liability scheme approved under Professional Standards Legislation. Our aggregate liability to you is limited in the manner provided by the scheme. Please contact us if you require a copy of the relevant scheme.
- 13.2 Where the law requires it, our liability to you will not be limited. Where our liability is not limited by a scheme our aggregate liability to you for any Loss or causes of action arising in relation to this Agreement, including for negligence, is limited to the amount that is the lesser of ten times our Fees and \$20 million.
- 13.3 We will be liable to you only for that proportion of the total Loss that we have caused or to which we have contributed and we will not be liable for any Consequential Loss.
- 13.4 We will not be liable for any Loss, or failure to provide the Services, which is caused by an Unexpected Delay or which arises as a result of us relying on any false, misleading or incomplete Information.
- 13.5 The limit of liability set out above applies to all Addressees as a group and it is up to you to agree how the limit is allocated between you. You agree not to dispute the limit if you are unable to agree on how it will be allocated between you.

14. Conflict of interest

We have relationships with many clients. This means that after this Agreement starts we may identify circumstances that could cause us to have a conflict of interest. If this happens, we will evaluate the potential conflict and, depending on the circumstances, apply appropriate safeguards to manage it. For example, we may notify you of a

relationship that causes us a conflict and ask for your consent to continue to provide you with the Services. However, you acknowledge that we may need to terminate this Agreement if we are unable to resolve or manage a conflict of interest satisfactorily.

15. Insurance

We will maintain appropriate insurance in relation to the Services, including professional indemnity insurance in an amount of not less than \$10 million during the term of this Agreement and for a period of seven years after it ends.

16. Termination

16.1 Either of us may terminate this Agreement:

- (a) at any time by giving the other 30 days' written notice; or
- (b) immediately if the other suffers an Insolvency Event, is unable to pay all of its debts as and when they become due and payable, suspends payment of such debts or otherwise ceases to carry on business; or
- (c) immediately if the other commits any material breach of this Agreement that is either incapable of being remedied or is not remedied within 14 days of receipt of a notice requiring the breach to be remedied.

16.2 We may terminate this Agreement if:

- (a) you fail to meet your obligations under this Agreement including to pay our Fees within the time specified or to provide us with adequate Information or instructions; or
- (b) there is a change of circumstances beyond our reasonable control (such as auditor independence or regulatory related developments) that prevents us from providing the Services to you.

16.3 If this Agreement is terminated:

- (a) you agree to pay us the Fees for any work we have done and any expenses we have incurred up to the date of termination;
- (b) except as set out in this Agreement, and only where relevant, each of us will return to the other any documents or property of the other, except that we may retain one copy of all Information to allow us to satisfy our professional obligations and record keeping requirements;
- (c) the termination does not affect any accrued rights of either of us or any provision of this Agreement that continues to apply.

16.4 The provisions of this Agreement that survive its termination include those relating to clause 5, *About Deloitte*; clause 6, *Confidentiality*; clause 7, *Personal Information and privacy*; clause 8, *Intellectual Property*; clause 9, *Our Work*; clause 10, *Our Fees*; clause 13, *Our responsibility to you*; clause 15, *Insurance*; subclause 16.3, *Termination*; clause 17, *Dispute resolution*; and clause 18, *Disclosure of Tax Advice*.

17. Dispute resolution

- 17.1 Each of us agrees to use reasonable endeavours to resolve any dispute that arises in connection with this Agreement by mediation before bringing a legal claim or starting legal proceedings against the other.
- 17.2 Nothing in this clause prevents either of us from seeking any equitable relief in relation to our rights under this Agreement.

18. Disclosure of Tax Advice

In relation to Tax Advice and in compliance with Disclosure Laws, it is acknowledged and agreed that nothing contained in this Agreement shall be construed as limiting or restricting your disclosure of Tax Advice. It is also understood that none of your other advisers will or have imposed any conditions of confidentiality with respect to Tax Advice. Copies of any Tax Advice provided to others is on the basis that such recipients may not rely on such Tax Advice and that we owe no duty of care or liability to them, or any other persons who subsequently receive the same. Except as set out in this clause, all other terms of this Agreement remain unamended.

19. Relationship between the parties

We are engaged as an independent contractor. Neither of us is an agent or representative of or has the authority to bind the other. Neither of us will act or represent ourselves, directly or by implication, as an agent of the other or in any manner assume or create any obligation on behalf of, or in the name of, the other. This Agreement is not intended and will not be taken to constitute a partnership, agency, employment, joint venture or fiduciary relationship between us.

20. Entire agreement

- 20.1 This Agreement is the entire agreement between us for the Services. It supersedes all prior communications, negotiations, arrangements and

agreements, either oral or written between us in relation to its subject matter.

- 20.2 Any changes to this Agreement must be agreed to in writing by both of us.

21. Assignment

Neither of us may transfer, assign or novate this Agreement without the Consent of the other. However, we may assign this Agreement to any entity in Deloitte Australia or any successor to our business.

22. Electronic communication

Each of us agrees that we may communicate with each other electronically. You acknowledge that electronic transmissions are inherently insecure, can be corrupted or intercepted, may not be delivered and may contain viruses. Neither of us is responsible to the other for any loss suffered in connection with the use of e-mail as a form of communication between us.

23. Severability

If any of the terms of this Agreement are not legally enforceable then that term or the relevant part of it will be either amended as appropriate to make it enforceable or ignored, but in all other respects this Agreement will have full effect.

24. Governing Law

This Agreement is governed by the Laws of New South Wales and each party irrevocably submits to the jurisdiction of the courts exercising jurisdiction in that State.

25. Your feedback

We value your feedback. We aim to obtain, either formally or informally, a regular assessment of our performance. If you wish to make a complaint, please refer to the Complaints Management Policy available at http://www.deloitte.com/view/en_AU/au/index.htm or write to the Complaints Officer at complaints@deloitte.com.au.

26. General

- 26.1 A waiver by one of us of a breach by the other party of any term of this Agreement does not operate as a waiver of another term or a continuing breach by the other of the same or any other term of this Agreement.
- 26.2 To the extent permitted by Law, we disclaim all warranties, either express or implied, in relation to the Services and the Work other than any written warranty made in the Terms.
- 26.3 The rights and remedies in this Agreement are cumulative and not exclusive of any rights or remedies provided by Law.

27. Reading this Agreement

In this Agreement:

- (a) headings are for convenience only and do not affect how this Agreement is interpreted;
- (b) the singular includes the plural and conversely;
- (c) the word person includes an entity, a firm, a body corporate, an unincorporated association or an authority;
- (d) a reference to this Agreement or an act or instrument is to this Agreement, or that act or instrument as amended, varied, novated or replaced from time to time;
- (e) a reference to dollars or \$ means Australian dollars;
- (f) an Annexure forms part of this Agreement; and
- (g) if there is any conflict between these Terms and any other part of this Agreement, the following order of priority will apply:
 - (i) the Letter;
 - (ii) the Annexure; and
 - (iii) the Terms.

28. Definitions

In this Agreement the following words have the meanings set out below:

Addressee means each person to whom the Letter is addressed and includes, where relevant, any additional parties who may agree to the terms of this Agreement.

Agreement means the Letter and the Terms.

Annexure means a document which is annexed or attached to the Letter and identified as an annexure or attachment to it

Audit means an audit under the *Corporations Act 2001* (Cth) or an equivalent Law, conducted in accordance with relevant auditing standards.

Auditor means an auditor who is appointed to conduct an Audit of you.

Confidential Information means and includes:

- (a) the terms of this Agreement and the details of the Services;
- (b) any information or material which is proprietary to a party or acquired by either of us solely as a result of the Services;
- (c) any Intellectual Property and methodologies and technologies that:
 - (i) you use in your business, and to which we are exposed in the course of providing the Services; or
 - (ii) we use to provide the Services;
- (d) any information designated as confidential by either of us; and
- (e) any Work we provide to you,

but excludes any information that:

- (a) is or becomes publicly available, except by a breach of this Agreement;
- (b) is disclosed to either of us by a third party provided that the recipient reasonably believes the third party is legally entitled to disclose such information;
- (c) was known to either of us before we received it from the other or is developed by either of us independently;
- (d) is disclosed with the other's Consent; or
- (e) is required to be disclosed as contemplated by subclause 6.5.

Consent means prior written consent which may be granted at the consenting party's discretion and which may be subject to conditions.

Consequential Loss means any loss or damage which is indirect, consequential, special, punitive, exemplary or incidental, including any loss of profit, revenue, anticipated savings or business opportunity, loss or corruption of data or systems, or damage to goodwill however caused or arising as a result of the Services or this Agreement.

Deloitte means the Deloitte Australia entity or entities entering into the Agreement as identified in the Letter.

Deloitte Australia means the Australian partnership of Deloitte Touche Tohmatsu, each of the entities under its control and any of their respective predecessors, successors or assignees.

DTTL means Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee.

Disclosure Law means Rule 3501(c)(i) of PCAOB Release 2005-014, or US Internal Revenue Code sections 6011 and 6111 and related Internal Revenue Service guidance, or any equivalent legislation, statute or subordinate legislation or guidance in any relevant jurisdiction relating to the disclosure of Tax Advice which applies to you or any Tax Advice we may give you.

Fees means the fees for the Services as stated in, or calculated in accordance with, this Agreement.

GST has the meaning given to it under *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

Information means any information, documents, materials, facts, instructions or Confidential Information provided to us by you or your Representatives or anyone else at your request.

Insolvency Event means and includes:

- (a) the making of an arrangement, compromise or composition with, or assignment for the benefit of, one or more creditors of a party;
- (b) the appointment of administrators, liquidators, receivers, a bankruptcy trustee or analogous person to, or over, all or part of a party's business, assets or securities;
- (c) an application being made, or a resolution being proposed, which seeks to effect such an appointment other than for a solvent reconstruction; and
- (d) the existence of a legislative presumption of insolvency in relation to a party.

Intellectual Property means all industrial and intellectual property rights throughout the world and includes rights in respect of copyright, patents, trade marks, designs, trade secrets, know-how and circuit layouts.

Law includes the *Corporations Act 2001* (Cth) and the rules of the United States Securities and Exchange Commission.

Letter means the engagement letter between us to which the Terms are attached.

Licensed Entity means a Deloitte Australia entity that holds a licence or registration.

Licensed Services means that part of the Services that are required to be provided by a Licensed Entity.

Loss means any losses, liabilities, claims, damages, costs or expenses (including interest where applicable and Consequential Loss), judgments or orders however caused or arising as a result of the Services or this Agreement.

Member Firm means a partnership or an entity that is a member of DTTL and each of that partnership's or entity's controlled entities, predecessors, successors, assignees, partners, principals, members, owners, directors, employees and agents.

Personal Information has the meaning given to it in the Privacy Act.

Privacy Act means the *Privacy Act 1988* (Cth).

Professional Advisers means your professional advisers who are advising you in relation to the Services but excludes any investor, agent, intermediary, underwriter, syndicate participant, lender or other financial institution or anyone who may provide you with any credit enhancement or credit rating.

Professional Standards Legislation means a Law providing for the limitation of occupational liability by reference to schemes that are formulated and published in accordance with that Law and includes the *Professional Standards Act 1994* (NSW) and any similar legislation in each state and territory in Australia.

Purpose has the meaning given to it in the Letter or our Work, or where silent on this, the purpose for which we provide our Work to you.

Report has the meaning given to it in the Letter or where the Letter does not set out a specific report, means any final form documents, reports or deliverables we provide to you as a result of the Services or this Agreement including those consisting of advice or opinions.

Representative means any officer, employee, consultant, agent, contractor or subcontractor of either of us, who is involved in the activities to which this Agreement relates and in the case of Deloitte, includes a partner.

Services means the services described in the Letter.

Tax Advice means any advice, whether written or oral, relating to tax, tax structuring or tax treatment provided by us as a result of the Services but excludes any tax due diligence Work which we prepare as a result of the Services.

Terms means these standard terms and conditions.

Unexpected Delay means any delay in providing the Services that is caused or contributed to by an act or event (including the non-performance of your obligations) that is beyond our control or was not reasonably foreseeable by us at the date of this Agreement.

us means Deloitte, or both you and Deloitte, as the context requires.

we and **our** means Deloitte and, where applicable as the context requires, the members of Deloitte Australia and any of their Representatives.

Work means any advice or materials including any reports, documents, advice, opinions, e-mails, notes or other deliverables, whether in draft or final form, in writing or provided orally, that we prepare either alone or in conjunction with you or provide to you as a result of this Agreement and includes any Reports but excludes our Working Papers or any source code.

Working Papers means any files or working papers created by us as our record of the Services, in any form.

you and **your** means each Addressee, and where applicable as the context requires, each Addressee's Representative.

Mr Kris Hanna
Mayor
The Corporation of the City of Marion
PO Box 21
OAKLANDS PARK SA 5046

xxx May 2015
Our Ref: PJW/JL

Dear Sir

Re: Fee for the internal control audit opinion for the year ending 30 June 2015

Please find detailed below the proposed fee for the internal control audit opinion for the year ended 30 June 2015. In determining the fee, a number of assumptions and/or assertions have been made. These assumptions and/or assertions include:

1. The 30 June 2014 audit fee has been used as the base for the preparation of the current year fee;
2. All requirements schedules and dates will be met, and there will be sufficient and timely access during the course of the testing to all relevant personnel;
3. It is expected that all internal control records will be prepared to an appropriate level, and reviewed by an appropriate member of the management team prior to being provided to the team.
4. No errors or problems requiring significant additional work will be encountered;
5. The fee is exclusive of GST.

30 June 2015 Internal Control Audit Opinion Proposal

	\$
Audit fee for 30 June 2015	\$15,655
Impact of increased overhead and regulatory costs (capped at 3%)	\$470
Proposed audit fee for 30 June 2015	\$16,125

Proposed billing schedule

The proposed fee will be billed in accordance with the following schedule

Invoice Date	GST Exclusive Amount \$	GST Inclusive Amount \$
28 May 2015**	\$16,125	\$17,738

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Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited\\(-aC:USERS\\YUNHENGLIU\\DESKTOP\\DRAFTED FEE LETTER (INTERNAL CONTROL).DOCX

This is a draft document. As it is a work in progress it may be incomplete, contain preliminary conclusions and may change. You must not rely on, disclose or refer to it in any document. We accept no duty of care or liability to you or any third party for any loss suffered in connection with the use of this document.

**Due to our annual system shut down period in June this bill will be raised during May, ordinarily this bill would be raised when work commences in mid June, therefore, payment date has been extended through to July.

It would be appreciated if you could review the above proposal at your earliest convenience. Should you have any questions in relation to the above, please feel free to contact either Jason Liu on 04 2208 6722 or myself on 8407 7085.

Yours faithfully

P J Woods
Partner

DRAFT

**CITY OF MARION
AUDIT COMMITTEE MEETING
15 June 2015**

Originating Officer: David Harman, Financial Accountant / Catrin Johnson,
Strategy & Organisational Excellence Partner

Director: Vincent Mifsud / Kathy Jarrett

Subject: Draft Annual Business Plan and Budget 2015/16 & Long
Term Financial Plan 2015/16 to 2024/25

Report Reference: AC150615R7.2

REPORT OBJECTIVES & EXECUTIVE SUMMARY:

The purpose of this report is to seek Audit Committee feedback on the final Draft ABP&B 2015/16 and the final Draft LTFP endorsed by Council at its meeting on 9 June 2015 (GC090615R01) prior to its formal consideration for adoption by Council at the General Council Meeting on 23 June 2015.

In particular, feedback is sought in regards to:

- Fairness and equity of Council's proposed rating approach for 2015/16, including in the context of Council's LTFP and on-going financial sustainability (Section 7 of Appendix 1, ABP&B 2015/16)
- Reasonableness of the key Assumptions used in the development of the Draft ABP&B 2015/16 and Draft LTFP (as detailed in this report)
- Changes to the following financial policies as highlighted in Appendix1:-
 - Rating Policy (Appendix 1 page 42),
 - Treasury Management Policy (Appendix 1 page 51) and
 - Reserve Funds Policy (Appendix 1 page 63 to 64)
- Additional Financial Indicators as included in this report

With the intention of identifying on-going savings that can be passed onto rate payers to ease their financial burden, a concerted effort and strong focus on achieving efficiency and effectiveness savings across the organisation has been made. This has resulted in the Draft 2015/16 Budget being developed based upon the achievement of forecast gross savings in operational expenditure in the order of \$3.2m.

The final Draft ABP&B 2015/16 and Draft LTFP have been developed in accordance with the refined Strategic Financial Framework as endorsed by Council at its 28 April 2015 meeting (GC280415R05). This encompasses maintaining current service delivery levels for the community and business as usual, underpinned by a proposed average rate increase of 2.9% in 2015/16 with Council's Draft LTFP applying an on-going average rate increase of 2.75% from 2016/17 onwards.

Both the Draft ABP&B 2015/16 (Appendix 1) and Draft Summary of LTFP 2015/16 to 2024/25 (Appendix 2) have been provided for information only, and where necessary specific sections for Audit Committee consideration have been referred to in this report.

council. This has been achieved in the following key areas without having any impact on current service levels:

- **Employee Costs** - are forecast to decrease by \$638k (1.95%) after fully allowing for increases included in existing staff Enterprise Agreements. This is primarily due to identified efficiency gains which have enabled a gross saving of \$1,215k in employee costs across the organisation.
- **Contractor Services** - Forecast expenditure reductions of \$1,732k has been identified in operational expenditure for contractor services which include efficiency savings estimated at \$911k and budget variations on prior year of \$821k.
- **Materials and Other Expenses** - identified savings of \$1,040k have been achieved, in areas such as training and development, catering, utilities and communication expenses.

It should be noted that these identified savings have enabled a reduction in the average rate increase down to 2.9% without impacting on current service levels to the community.

As per Council's resolutions at its meeting on 12 May 2015 (GC120515M04) the funding provided for the CFPP "Community Facilities Partnership Program" (\$1.4 million for 2015/16, and a total of \$30.96 million over the term of the LTFP) has been quarantined and transferred into the Asset Sustainability Reserve. The CFPP eligibility has also been extended to include funding for the renewal, upgrade and purchase of council assets as decided by Council. The Reserves Funds Policy has been appropriately amended to reflect this (refer Appendix 1 page 63 to 64).

Key Assumptions

Observations regarding changes in the key assumptions made in the development of the Draft ABP&B 2015/16 and Draft LTFP include:

- **Rates** - For the purpose of consultation, the Draft ABP&B 2015/16 has been prepared on the basis of a proposed average rate increase of 2.9%. Council's Draft LTFP then applies an ongoing average rate increase of 2.75% from 2016/17 onwards. This reduction in the rating assumption from 5% in the previously adopted LTFP has been facilitated through the achievement of operational savings as identified above and other key changes to ongoing assumptions as follows:
- **Employee Assumption** - a reduction in the employee assumption from 4.5% to 2.0% from 2016/17 onwards, which has resulted in a significant reduction in forecast employee costs of \$43.2m over the 10 years of the LTFP; and
- **CPI** - A reduction in the CPI assumption from 3.0% to 2.5% being the mid-range of the Reserve Bank's forecast CPI, which has resulted in a net reduction in forecast operational costs of \$3.73m over the 10 years of the LTFP.

With ever-increasing cost pressures to residents, there has been a focus on reviewing the impact that possible lower rate increases would have on the 2015/16 Annual Budget. Following is a table providing rating sensitivity analysis in \$000's on different rating increase options:

Rate Model			
% increase in 2015/16	% increase in years 2016/17 to 2024/25	Impact on	Impact on LTFP
		ABP&B 2015/16 funding position \$000s	cumulative funding position \$000s
1 2.9% (current Draft ABP&B)	2.75%	0	0
2 1.1% (March CPI)	2.75%	(1,194)	(14,194)
3 2.75%	2.75%	(100)	(1,198)
4 2.5% (RBA midrange CPI Forecast)	2.50%	(265)	(12,565)
5 2%	2.00%	(597)	(34,838)

At its meeting on 9 June 2015 (GC090615R01) Council resolved to have the Draft ABP&B and LTFP prepared on the basis of a 2.9% increase in 2015/16, reverting to 2.75% for 2016/17 through to 2024/25.

- The Draft ABP&B 2015/16 has been prepared on the basis of business as usual, and currently includes a significant funding surplus due to ongoing savings identified. It also includes the following new initiative with Council resolving to include it as per GC090615R01:
 - Resilient South Project (\$23,556)
- In regards to the funding surplus, at its meeting on 14 April 2015 (AC140415R6.1) the Audit Committee noted that this should be used wisely to either reduce debt or placed in the Asset Sustainability Reserve to support long term asset objectives, or used as a guide to possible further sustainable rate reduction. Council resolved to have the budgeted \$4,197k funding surplus transferred into the Asset Sustainability Reserve for use in the Community Facilities Partnership Program (GC090615R01).

Financial Policies

At its meeting on 9 June 2015, Council endorsed the following changes to the Financial Policies:

- Some minor changes to the Rating Policy (Appendix 1 page 42) following the announcement by the State Government on 14 May 2015 that it will replace all Council Rate Concessions with the Cost of Living Concession for 2015-16.
- Changes to the Treasury Management Policy (Appendix 1 page 51) following Audit Committees feedback (AC161214R6.1) to ensure the concept of inter-generational equity is reflected within the policy, specifically with regard to the funding of major new or upgraded long-term infrastructure projects.
- Finally, changes to the Reserve Funds Policy as attached (Appendix 1 page 63 to 64). These changes have arisen from the Council resolution (GC120515M04) to quarantine the budgeted Community Facilities Partnership Fund in a reserve for the purpose of funding the renewal, upgrade and purchase of Council assets.

Public Consultation

Public consultation of the Draft Annual Business Plan and Budget was completed on 26 May 2015 and generated the following feedback:

- Three written submissions (two letters from one community member) on the draft Plan from members of the community:
 - An initial and follow-up letter suggesting that Council reduce the rates by 50% for any ratepayer who has paid rates to Marion Council for 50 years (or more).
 - Feedback via the website raising concern that while an average rate increase of 2.9% is lower than past years, it is still considerably higher than inflation. The feedback also raised concern over staff performance management, and the practice of staff being internally redeployed in light of the “No Redundancy” clause in the EBA.
- One oral submission by phone raising concern that the proposed rate rise of 2.9% was higher than the current CPI rate (1.1%). The feedback was that Council should have proposed a rate rise more in line with CPI and not above it.

Additional Financial Indicators

At the request of the Audit Committee (AC161214R6.1) additional internal financial indicators have been prepared based upon the 2015/16 ABP&B. These are as follows:

Indicator 1: Working Capital Ratio (Quick Ratio)

[Current Assets – \(Less Restricted Assets\)](#)

[Current Liabilities – \(Liabilities Associated with Restricted Assets\)](#)

Proposed Target Range – Between 1.0 and 1.1

Projected as per ABP&B 2015/16 – 1.7

Indicator 2: Debt Service Coverage Ratio

[Total Debt Service Costs \(Loan Principal & Interest Repayments\)](#)

[Rate Revenue](#)

Proposed Target Range – Average of between 0% and 5% over a rolling five year period.

Projected as per ABP&B 2015/16 – 5.3%

Indicator 3: Operating Cash Flow Coverage Ratio

[Cash Flows from Operations – \(Loan Principal Repayments\)](#)

[Average Annual Optimal Level of Expenditure per Council's Asset Management Plans](#)

Proposed Target Range – Between 100% and 105% over a rolling five year period.

Projected as per ABP&B 2015/16 – 100% for the five years to 2015/16

CONCLUSION:

The City of Marion Community Plan sets out the aspirations of the community and, along with the draft Council Plan, provide the basis for the preparation of the Draft ABP&B 2015/16 and the Draft LTFP.

The Final ABP&B 2015/16 and LTFP 2015/16 to 2024/25 will be updated, for adoption by Council at its 23 June 2015 meeting, with information that was not available or finalised at the time of preparing this report including:

- Feedback provided by the Audit Committee.
- Rating schedule comparisons will not be available until the final Valuer General update is received in the last week of June and processed. Final rate in the dollar figures and average rate increase figures will also be updated at this time.
- Rating Policy will be updated in the final ABP&B for adoption once property data has been finalised.

Appendix 1 – Draft Annual Business Plan & Budget 2015/16

Appendix 2 – Draft Summary Long Term Financial Plan 2015/16 to 2024/25

ANNUAL BUSINESS PLAN & BUDGET 2015/16

- DRAFT



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INTRODUCTION

The Annual Business Plan and Budget 2015/16 describes the services and projects that council intends to undertake over the next 12 months and the financial decisions that underpin them, so that we can progress towards the longer term aspirations for the city as expressed in the Community Plan.

With the intention of identifying on-going savings that can be passed onto rate payers to ease their financial burden a concerted effort and strong focus on achieving efficiency and effectiveness savings across the organisation has been made. As a result, the Draft 2015/16 Budget has now been developed based upon the achievement of forecast gross savings in operational expenditure in the order of \$3.2m in the following key areas;

- Employee Costs - are forecast to decrease by \$638k (1.95%) after fully allowing for increases included in existing staff Enterprise Agreements. This is primarily due to identified efficiency gains which have enabled a gross saving of \$1,215k in employee costs across the organisation.
- Contractor Services - Forecast expenditure reductions of \$1,732k has been identified in operational expenditure for contractor services which include efficiency savings estimated at \$847k and budget variations on prior year of \$885k.
- Materials and Other Expenses - identified savings of \$1,040k have been achieved, in areas such as training and development, catering, utilities and communication expenses.

It should be noted that these identified savings have enabled a reduction in the average rate increase down to 2.9% without impacting on current service levels to the community.

Your rates

The Annual Business Plan and Budget is based on a proposed average rate increase of 2.9%. In setting rates for 2015/16, council has forecast the revenue required to meet the costs of delivering the services and projects that will be provided to the community in 2015/16. Last financial year the City of Marion had the sixth lowest average residential rate of the 18 metropolitan Adelaide councils, and council is committed to remaining among the lower rating metropolitan councils while providing a level of service that meets community needs. The rate proposed is also aligned with the rate required in the council's Long Term Financial Plan which will ensure that we continue to operate in a financially sustainable way and continue to maintain and develop our city to meet the needs and aspirations expressed in our Community Plan towards 2040.

Your voice

The voice of the community has been an important consideration in the development of the suite of Strategic Management Plans, including this Annual Business Plan and Budget.

The City of Marion Community Plan –‘Towards 2040’, which was endorsed by council on 10 December 2013, was the result of the biggest listening campaign in council’s history. This Annual Business Plan and Budget has been developed using the Community Plan as a starting point.

The most frequently expressed needs, aspirations and concerns of the community were around connectivity and transport, affordability, environmental protection and sustainability, open and shared spaces and places and community activities. This feedback indicates strong support for Council’s planned services, programs and projects for 2015/16.

Our purpose is wellbeing. With council and the community working together, we can achieve amazing outcomes.

Mayor Kris Hanna

Geoff Whitbread, Acting Chief Executive

1. Our purpose is wellbeing

Wellbeing is our purpose, central to our community, central to the services we deliver and at the heart of our decision making.

In late 2012, council, in collaboration with the community, embarked upon an innovative strategic journey – “Making Marion” – to define and build a city of the future. The Making Marion campaign asked residents, businesses and community groups how they wanted their street, neighbourhood and city to look in 2040, and the services they will need.

Thousands of postcards and discussion papers were released and workshops held to generate ideas and feedback. Online discussion groups and social media were also used to connect people. More than 16,000 pieces of community information were received and analysed. The most frequently expressed needs, aspirations and concerns of the community were around achieving wellbeing through connectivity and transport, affordability, environmental protection and sustainability, open and shared spaces and places and community activities.

The release of the City of Marion’s inaugural Community Plan – ‘Towards 2040’ was a most significant milestone. It is an expression of the Community’s vision for the future – an aspirational statement of outcomes that are important for this city and the wellbeing of its community now and into the future:



Engaged

By 2040 our city will – Be a community where people are engaged, empowered to make decisions, and work together to build strong neighbourhoods.

Liveable

By 2040 our city will – Be well planned, safe and welcoming, with high quality and environmentally sensitive housing, and where cultural diversity, arts, heritage and healthy lifestyles are celebrated.

Biophilic

By 2040 our city will – Be deeply connected with nature to enhance peoples’ lives, while minimizing the impact on the climate, and protecting the natural environment.

Prosperous

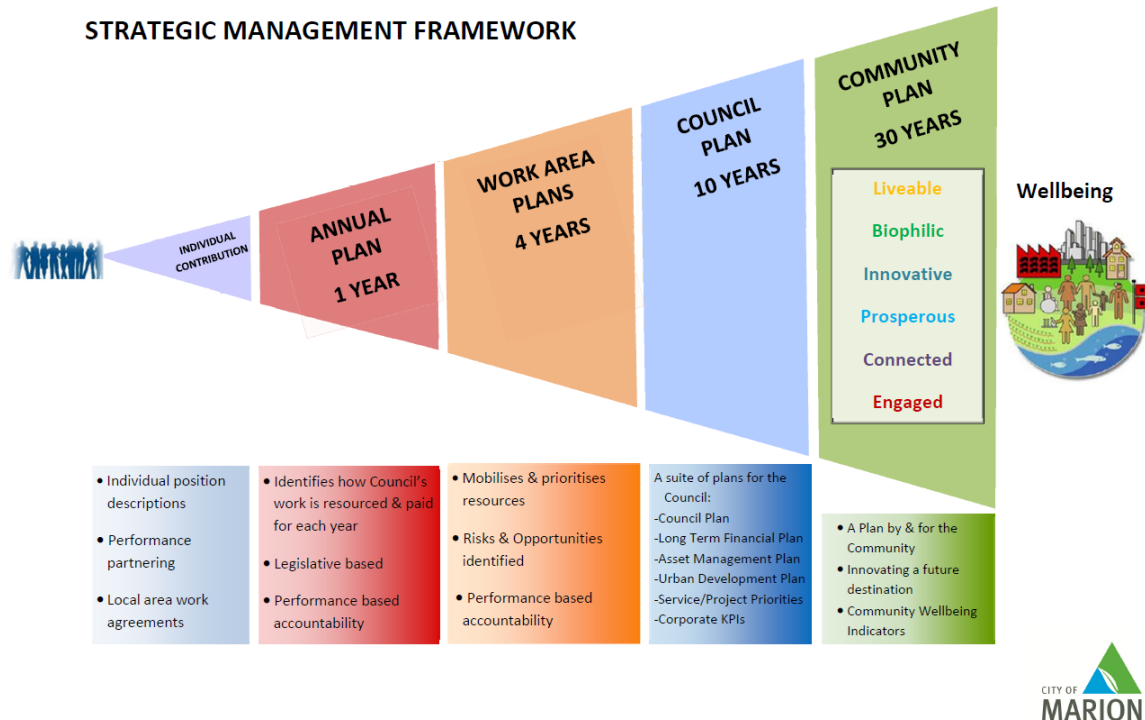
By 2040 our city will – Be a diverse and clean economy that attracts investment and jobs, and creates exports in sustainable business precincts while providing access to education and skills development.

Innovative

By 2040 our city will – Be a leader in embracing and developing new ideas and technology to create a vibrant community with opportunities for all.

Connected

By 2040 our city will – Be linked by a quality road, footpath and public transport network that brings people together socially, and harnesses technology to enable them to access services and facilities.



This Annual Business Plan and Budget 2015/16 is an integral part of council's suite of strategic management plans, which comprise:

- Community Plan towards 2040 (adopted by council 10 December 2013) – an outcomes focused Vision Statement by and for the community.
- The Draft Council Plan (to be finalised in 2015) articulates council's role and focus over the next 10 years in progressing towards the community's aspirations.
- Asset Management Plans provide a long term approach to ensuring infrastructure and facilities are maintained and renewed to a standard in alignment with the Community Plan that allows the continued provision of services required by the community.
- The Long Term Financial Plan (LTFP – adopted by council 24 June 2014 and under review) enables council to plan for the long term financial sustainability of the organisation and translates the outcomes and strategies of the Council Plan into financial terms.
- The Strategic Development Report sets out council's strategic urban development policies.
- 4-Year Work Area Plans identify how council plans to mobilise and prioritise the deployment of human, physical and financial resources.
- The Annual Business Plan & Budget (this document) – identifies how council plans to resource, fund and deliver planned work and work area plans for the next financial year.
- A suite of key performance indicators that enable the monitoring and review of strategy through continuous feedback and learning.

The plans within the strategic management framework enable a clear "line of sight" within council; focusing our people on how best to contribute to the aspirations in the Community Plan.

2. Significant influences and priorities

2.1 Key emerging internal and external considerations

A comprehensive environmental scan of internal and external political, economic, environmental, social, technological issues was conducted, providing a context for the development of the Annual Business Plan and Budget 2015/16.

It should be noted that the majority of these influences are longer term – such as changing demographics, the Urban Policy direction of both State and Federal Governments, technological change and opportunities regarding the future direction of local government. They will require action over a longer timeframe than the Annual Business Plan and Budget provides. As such, these issues and opportunities have been considered through the development of the draft Council Plan, council's 10 year Long Term Financial Plan, council's Asset Management Plans and council's Development Plan.

The following considerations that arose from the environmental scan that have a direct impact on the ABP&B 2015/16 are as follows:

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 • Development of the Tonsley site
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 • Marion is gradually becoming more culturally and linguistically diverse 	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 • Community reaction to urban infill

<p>Transport & Connectivity</p> <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 	<p>Public Health</p> <ul style="list-style-type: none"> • HACC transitioning to national and regional customer led wellbeing and 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
<p>Key internal pressures and opportunities:</p>	
<p>Service provision</p> <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 • Commitment to a full service review in 2015/16 • Some Community Plan goals could be more economically realised through the engagement of external providers 	<p>Risk and strategic alignment</p> <ul style="list-style-type: none"> • Opportunity to maximise public value focussed around the aspirations of the community • Significant change over in Chief Executive , Elected Members (7 new members and new Mayor elected in November 2014), bringing a fresh outlook and expectations • Alignment of risk management throughout the organisation
<p>Financial sustainability</p> <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 • An environment of decreasing grant opportunities 	<p>Asset reliability and sustainability</p> <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
<p>Employer of Choice</p> <ul style="list-style-type: none"> • The need for all work groups to be aligned in terms of the Community Plan and Council Plan • Requirements of Work Health & Safety Act • Vacancy Policy: positions are not filled unless a clear case can be made • The potential for internal redeployment in light of the "No Redundancy" clause in the EBA 	

2.2 Framework of the 2015/16 Annual Business Plan and Budget

The Annual Business Plan and Budget 2015/16 has been prepared on the following basis:

Support the achievement of the City of Marion's Strategic Directions

This Annual Business Plan and Budget has been reviewed against the Community Plan to ensure that council's activities over the next 12 months make the best possible progress towards achieving the community's vision for the future City of Marion.

Address issues arising from internal audit reviews and business excellence assessments

Every year council undertakes a number of internal audits and from time to time undertakes a thorough assessment against the Business Excellence Framework. These reviews and assessments have identified a number of key opportunities or requirements for council to improve its operations. This document includes the necessary resources to continue council's independent review process and implement recommendations accordingly.

Maintain a financial position at an average of category 3 over any five consecutive years, with a primary focus being on Cash Flow and Funding

The Independent Inquiry into the Financial Sustainability of Local Government identified that a council with a sustainability ranking of 3 was 'sustainable with a moderate level of comfort'. A category 3 ranking equates to an operating surplus ratio to rates of between 0-5%. Council has committed to maintaining this category after adjusting for any significant 'once off' items.

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 where it is cost effective to do so

The Annual Business Plan and Budget has been prepared taking into consideration Asset Management Plan requirements, outcomes of recent infrastructure audits, targets set for renewal versus depreciation (95-100% as per Asset Management Policy) and a focus on maintaining council's asset base.

Review existing services and assets to ensure they meet prioritised community needs

The council continues its rolling process of independent Service Reviews, aimed at maximising public value through continuously improving its operating efficiency and service performance to the community. This Annual Business Plan and Budget has been prepared on the basis of continuing existing services, noting that a rolling program of review is being implemented.

Council only considers new Major Projects where it has the identified funding capacity to do so

Between 30 June 2014 and 30 June 2016 Council debt is forecast to increase from \$13.5m to \$25.2m for the construction of Cove Civic Centre and the City Services Depot, both of which have been primarily financed by borrowings.

Maintain council's position for an average residential rate which remains among the lower rating metropolitan councils

Comparative 2014/15 data shows council's position as 6th lowest of 18 metropolitan councils.

Implement responses for progressing liveable cities strategies and funding opportunities within Marion.

The 30 Year Plan for Greater Adelaide identified the "Southern Corridor" (Adelaide to Noarlunga rail line and the 'Tonsley Spur' line) as a growth opportunity. It is anticipated that the corridor will provide for an additional 19,500 dwellings and 36,400 net additional population as a key contributor in the overall 82,000 additional people and 43,000 additional jobs anticipated for the southern region over the next 30 years.

The City of Marion is working closely with the State Government and continues to be well positioned to ensure progress on key urban development projects identified in the Southern Corridor are aligned with its ongoing strategic planning. Elected Members are acutely aware, however, of the need to resolve the tension between the urban infill required by the State Government's 30 Year Plan versus the expectations of residents living on traditional large housing blocks.

3. Continuing and improving services

All councils have responsibilities under the Local Government Act 1999 and other relevant legislation to deliver services for the community. Council is committed to maintaining all services including, but not limited to:

Ongoing Services	Enabling Services
Land use and development planning	Strategic Management
Development and building assessments	Organisational Excellence
Facilitation of urban developments	Strategic Asset Management
Local Government Searches	Financial management
Economic Planning and leadership	Governance support
Environmental planning & leadership	Communications & marketing
Biodiversity management	Human Resources & Workforce Planning
Waste services	ICT & Knowledge management
Water Management	Operational support
Infrastructure management	
Community facilities management	
Reserves, parks and gardens management	
Arts and cultural promotion and support	
Library services	
Sports & Recreation promotion and support	
Community capacity building and development	
Inspection, regulation and control	
Emergency planning & response	
Community Care	
Immunisation services	
Public Health Planning	

Council participates in a number of benchmarking programs which focus on ensuring council's service programs, efficiency and effectiveness are of a high standard.

4. Project priorities for 2015/16

Council has considered its areas of highest strategic priority and potential strategic initiatives to progress these priorities.

Strategic projects intended to continue in 2015/16:

- The Cove Civic Centre which commenced construction in 2013 and is due for completion early in the 2015/16 financial year.
- City Services redevelopment which commenced construction in 2014 and is due for completion by December 2015.

New strategic projects identified for further investigation in 2015/16:

Based on detailed assessment of the current supply and state of sports infrastructure across the City of Marion, Council has identified key priorities for responding to the sports and recreational needs of the community and has identified the following four sports initiatives for further investigation:

- new soccer pitches and a BMX track in the South of the City
- an indoor multipurpose 4-8 court stadium that meets SA regional standards
- the Edwardstown Oval Masterplan
- building upgrades at the Mitchell Park Sports and Community Club

Each of these strategic projects will involve significant collaboration with other partners, the consideration of options and partnership funding.

Council will also consider priorities for other initiatives throughout the year.

Asset Management

Council has been moving towards a stronger long-term planning approach to community assets – it manages approximately \$1 billion of roads, footpaths, drains, community buildings, parks and reserves on behalf of the community. The asset management planning process provides a long term approach to ensuring infrastructure and facilities continue to provide the services required by the community. Council continues to develop, implement and review its Asset Management Policy and Plans with a focus on whole-of-life asset management, including maintenance and renewal of assets, and sustainable decision making.

Key initiatives in maintenance, renewal and replacement of community assets and facilities for 2015/16 include:

- Reviewing our existing asset base in light of:
 - 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 opportunities
- The renewal of Council's assets with forecast spends of approximately \$14.8m.
- Capital renewal of Council's roads and kerbs with a forecast spend of approximately \$5.5m.
- Improving Marion's existing footpath network at a cost of \$1.7m.

5. Measuring our success

Monitoring performance is a critical element of strategic planning management. It is the mechanism for critically ensuring that council is contributing to the achievement of both the Community Plan and the 10 year Council Plan.

Our measure dashboard for 2015/16 (provided in the table below) takes account of Council's objectives over the next four years. It will continue to be refined as part of the finalisation of the 2015/16 Annual Business Plan and Budget.

Council Performance Measure	Target
Actual operating surplus ratio for 2015/16 (adjusted for extraordinary items)	0-6 %
Total Employee Costs (staff plus agency)	Decrease by at least 1.4%, in Dollar terms, over the previous year adopted budget
Lost Employee Time due to injury	Reduce by 1% (compared to average of last 5 years)
Major Capital Works (>\$4m)	Completed strictly on time and on budget (or better)
Number of specific Major Capital Works proposals ready for approval by Council	2
Achieving goals of (10 year) Council Plan (as adopted in 2015)	high level of achievement
Alignment throughout administration to Community Plan and Council Plan	high level of alignment

6. Funding the Business Plan

An operating surplus of \$8.924m before capital revenues is forecast for 2015/16. An operating surplus is required to fund the renewal of existing infrastructure in accordance with its asset management plans.

6.1 Budgeted Income Statement

	Original Budget 2014/15 \$'000	Draft Budget 2015/16 \$'000	Variance \$'000
Budgeted Income Statement			
Operating Revenue			
Rates - General	65,480	68,489	3,009
Rates - NRM Levy *	1,571	1,569	(2)
Statutory Charges	1,803	1,630	(173)
User Charges	1,717	1,633	(84)
Grants/Subsidies	5,667	6,324	657
Investment Income	560	270	(290)
Reimbursements	910	770	(140)
Other Revenue	399	536	137
Share of Profit/(Loss) SRWRA	246	315	69
Total Operating Revenue	78,353	81,536	3,183
Operating Expenditure			
Employee Costs	32,777	32,139	(638)
Contractor Services	16,293	14,561	(1,732)
Materials	5,086	4,668	(418)
Finance Charges	770	1,343	573
Depreciation	12,958	13,821	863
Other Expenses	6,726	6,104	(622)
Total Operating Expenditure	74,610	72,636	(1,974)
Operating Surplus/(Deficit) before Capital Revenues	3,743	8,900	5,157
Capital Grants and Contributions	657	-	(657)
Physical resources received free of charge	1,500	1,500	-
Net Surplus/(Deficit) resulting from Operations	5,900	10,400	4,500

* Note: The NRM Levy is collected by Council on behalf of the Adelaide and Mt Lofty Ranges Natural Resources Management Board.

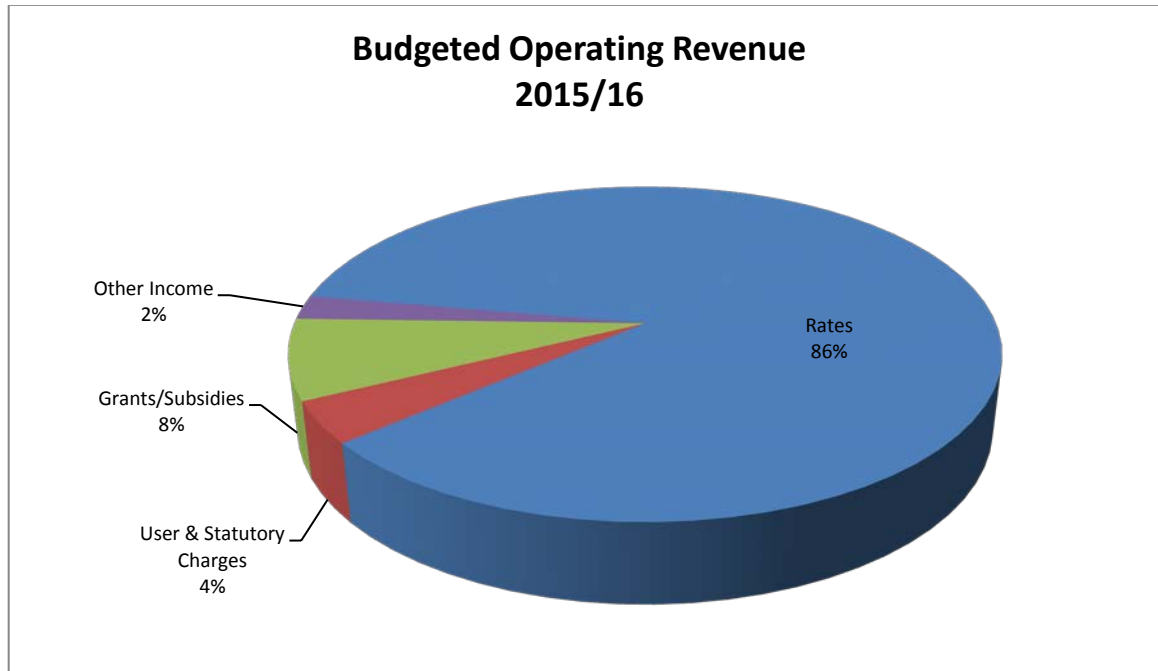
Following the adoption of the 2014/15 budget there has been a concerted effort and strong focus on achieving efficiency and effectiveness savings across the organisation, with the intention that identified on-going savings can be passed onto rate payers to reduce their financial burden. The Draft 2015/16 Budget has been developed based upon the achievement of forecast gross savings in the order of \$3.2m in the following key areas;

- Employee Costs - are forecast to decrease by \$638k (1.95%) after allowing for increases included in existing staff Enterprise Agreements. This is primarily due to identified efficiency gains which have enabled a gross saving of \$1,227k in employee costs across the organisation.
- Contractor Services - Forecast expenditure reductions of \$1,732k has been identified in operational expenditure for contractor services which include efficiency savings estimated at \$847k and budget variations on prior year of \$885k.
- Materials and Other Expenses - identified savings of \$1,040 have been achieved, in areas such as training and development, catering, utilities and communication expenses.

It should be noted that these identified savings have enabled a reduction in the average rate increase down to 2.9% without impacting on current service levels to the community.

6.2 Operating Revenue

The main source of income for council is rate revenue; making up 86% of total council revenue in 2015/16, with other sources being government regulated fees for statutory services, an environment of diminishing levels of untied federal grant monies, as well as other grants from State and Federal government.



General Rates

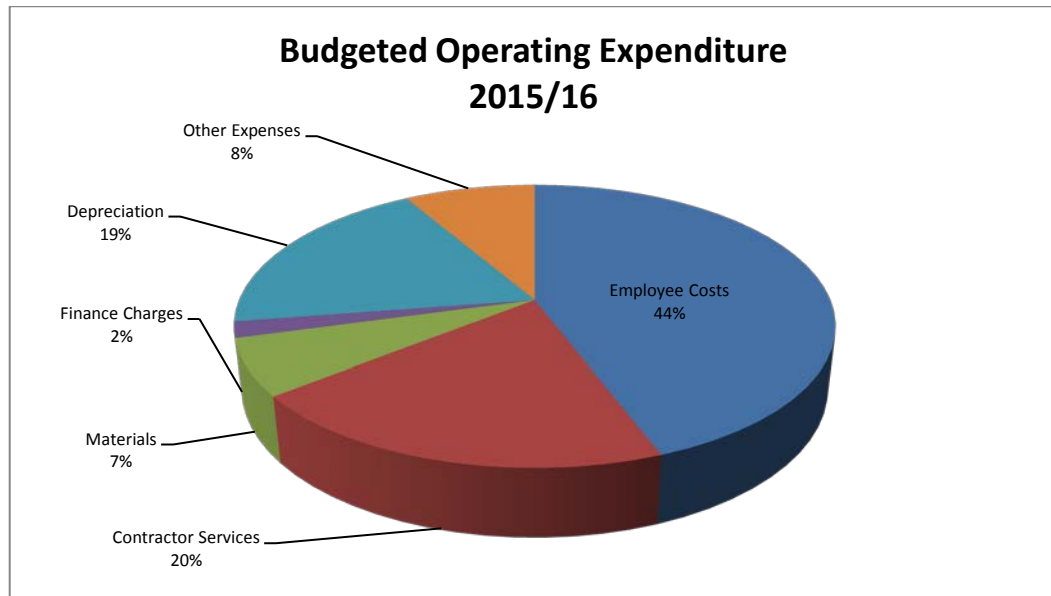
Council's revenue in 2015/16 includes \$68.5m to be raised in general rates. The budget has been developed on the basis of a proposed average rate increase of 2.9% (excluding new developments and capital improvements).

Other Sources of Revenue

- **User Charges set by council** – Relate mainly to the recovery of service delivery costs through the charging of fees to users of council's services. These include charges for the use of council's community facilities, swimming pool admission and the like.
- **Statutory Charges set by State Government** – Relate mainly to fees and fines levied in accordance with legislation and include development application fees, health act registrations and parking fines.
- **Grants and Subsidies** – Grants include all monies received from State and Federal sources for the purpose of funding the delivery of council's services to ratepayers and for the funding of the capital works program.

6.3 Operating Expenditure

Council's operating expenses are forecast to decrease in 2015/16 due to a major endeavour to achieve operating efficiencies while maintaining existing services.



Employee Costs

Employee Costs are forecast to decrease by \$638k (1.95%) after fully allowing for increases included in existing staff Enterprise Agreements. This is primarily due to identified efficiency gains which have enabled a gross saving of \$1,215k in employee costs across the organisation. Employee costs include all labour related expenditure such as wages, salaries and “on-costs” such as allowances, leave entitlements, employer superannuation, workers compensation and agency staff. The Long Term Financial Plan, of which this budget is the first year, forecasts Total Employee Costs will grow at the rate of 2% per annum from 2016/17.

Contractor Services

Contractor services relate mainly to the provision of council services by external providers. A forecast expenditure reduction of \$1,732k has been achieved which includes the identification of efficiency and effectiveness savings in the order \$847k which have been achieved without impacting on service levels, in addition to budget variations on prior year of \$885k. This followed a concerted effort and strong focus on achieving efficiency and effectiveness savings across the organisation following the adoption of the 2014/15 budget.

6.4 Capital Revenue

Capital Grants and Contributions

Council does not currently expect to receive any capital grants in 2015/16; however any grant funding opportunities will be actively pursued as they arise as this is an important source of revenue for council.

6.5 Budgeted Capital Expenditure

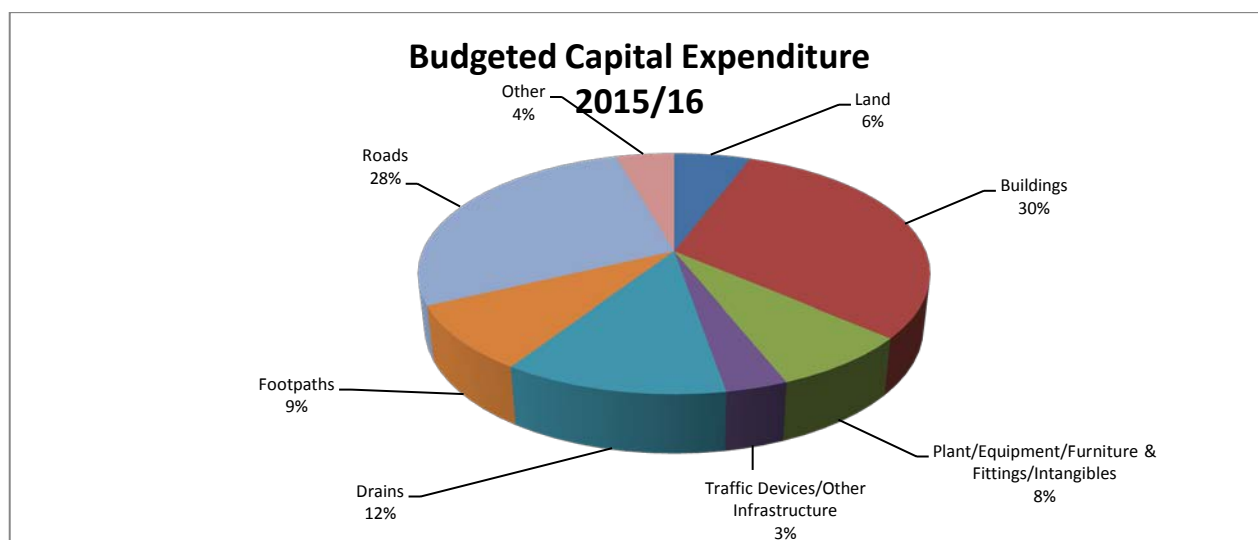
The 2015/16 Budgeted Statement of Capital Expenditure forecasts total capital expenditure of \$21.261m including \$14.757m renewal and \$6.504m new.

The significant decrease in 'Buildings' relates predominantly to the construction of Council's two major projects in 2014/15, being the Cove Civic Centre and the City Services Redevelopment.

Note: Maintenance of existing infrastructure assets is appropriately included in operating expenditure.

The following table summarises council's planned Capital Works Program for 2015/16.

Capital Expenditure	Original Budget 2014/15 \$'000	Draft Budget 2015/16 \$'000	Variance \$'000
Land	420	1,151	731
Buildings	15,401	6,075	(9,326)
Infrastructure:			
Roads	4,749	5,504	755
Drains	2,711	2,372	(339)
Footpaths	1,824	1,721	(103)
Traffic Control Devices	148	178	30
Other	643	479	(164)
Plant and Equipment	1,218	1,333	115
Furniture and Fittings	0	175	175
Other	1,316	873	(443)
Total Capital expenditure	28,430	19,861	(8,569)
Represented By:			
Capital Expenditure			
Assets - New	14,516	6,504	(8,012)
Assets - Renewal	13,914	13,357	(557)
	28,430	19,861	(8,569)



Cove Civic Centre

Following the Federal Budget announcement on 8 May 2012 a government grant of \$3.4m was provided towards the project. Construction of the Cove Civic Centre commenced in 2013/14 and is expected to be completed early in 2015/16, with a total project budget of \$13.4m.

City Services Redevelopment

The City Services redevelopment commenced construction in 2014/15 and is expected to be completed in 2015/16, with a total project budget of \$14.3m. The redevelopment will include a new office building, stores and workshop, which will ensure essential services are delivered well into the future and will see a better planned, more accessible, energy efficient buildings, enabling staff to improve the level of service to the community.

City Services will be a high quality operations hub, capable of supporting the city's roads, reserves and 85,000 residents for many years to come. It will also act as an operational base to help the community in the event of a regional emergency.

6.6 Financing the Budget

Financing the budget refers to the use of borrowings or available cash balances to meet any shortfall between expenditure (both operating and capital) and revenue.

	Original Budget 2014/15 \$'000	Draft Budget 2015/16 \$'000
Net Lending/(Borrowing)		
Operating Surplus/Deficit before Capital Amounts	3,743	8,900
<u>less: Net Outlay on Existing Assets</u>		
Capital expenditure on asset renewal/replacement	13,914	13,357
less Depreciation/Ammortisation	(12,958)	(13,821)
	956	(464)
<u>less: Net Outlay on New/Upgrade Assets</u>		
Capital expenditure on New & Upgrade Assets	14,516	6,504
less Capital Grants	(657)	0
	13,859	6,504
Adjustments		
Share of Equity - Southern Region Waste Resource Authority	(246)	(315)
	(246)	(315)
Net Lending/(Borrowing)	(11,318)	2,545

The table above identifies the council's net lending/(borrowing) result. Council's budget for 2015/16 is expected to result in a net lending position of \$1.169m, which will lead to a decrease in the level of net financial liabilities in 2015/16 of the equivalent amount.

Financing transactions associated with accommodating the expected net lending result in 2015/16 are as follows:

	Original Budget 2014/15 \$'000	Draft Budget 2015/16 \$'000
Financing Transactions		
New Borrowings	12,628	5,388
less: Repayment of Principal on Borrowings	(1,417)	(2,314)
less: Increase/(Decrease) in Cash & Investments		
Transfers from/(to) Reserves	107	(5,619)
Cash Drawdowns/(Investment)	0	0
Equals: Financing Transactions	11,318	(2,545)

6.7 Borrowings

Council plans to finance the expected net borrowing result in 2015/16 via the use of fixed term borrowings and transfers from Reserve.

The additional borrowings of \$5.388 in 2015/16 less principal repayments of existing loans will result in a forecast balance outstanding as at 30 June 2016 of \$25.1m.

It should be noted that in the past council has had the capacity to fund some, and in a number of cases all, funding requirements of major projects via our treasury management policy. As such there may not be a need to borrow the full amount currently included in the ABP&B.

6.8 Financial Ratios

To assist council in meeting its objective of financial sustainability a series of financial indicators endorsed by the Local Government Association are provided. Where a council target has not been adopted, the recommended Local Government Association (LGA) target has been used. The following table details these financial indicators and whether or not the prescribed target has been achieved over the five years up to the end of 2015/16.

Ratio	Target	2015/16 Draft Budget	5 Year Average	On Track
Operating Surplus	0% - 5%	13.0%	9.0%	*
Asset Sustainability	95% - 100%	91.2%	83.4%	✓
Asset Consumption	80% - 100%	89.3%	84.3%	✓
Net Financial Liabilities	0% - 50%	18.5%	N/A	✓
Interest Cover	0% - 5%	2.0%	N/A	✓

*The Operating Surplus Ratio is forecast to exceed the currently adopted 5 year average target. This is primarily as a result of substantial forecast gross operational savings of \$3.2m for 2015/16 which has had a significant impact on the operating surplus ratio, bringing the current year figure to 13.0 % and the 5 year rolling average to 9.0%. Any future operating savings identified will further increase the operating surplus ratio. Council's operating profit result provides the basis to fund normal day to day community services for both (1) provision of community services, and (2) capital renewal of existing infrastructure.

Council's next iteration of its Asset Management Plans (AMP's) are due to be completed by the end of 2014/15. Once the new AMP's are adopted and fully integrated within the LTFP, a greater degree of clarity as to Council's capital renewal funding requirements will be defined.

The 5 year average Asset Sustainability ratio of 85.5% falls short of the target range of 95 – 100%. The actual 2013/14 Asset Sustainability Ratio, as reported in council's audited Annual Financial Statements, was 57% causing a considerable reduction in the 5 year average. The 2013/14 result was negatively impacted by a significant amount of capital renewal expenditure (\$3.65m) being carried over into 2014/15. In preparing the 2015/16 Annual Business Plan & Budget, the assumption has been made that the capital renewal program for 2014/15 will be fully completed. The forecast ratio over the LTFP is 95.8% which falls within the targeted range.

All other ratios are within their targeted ranges. Meeting these targeted ranges is consistent with Council meeting its objective of long-term financial sustainability.

7. What it means for your rates

7.1 Your rates in 2015/16

Rates account for 86 per cent of council's operating revenue. They are essential for providing community services and infrastructure.

Council strategic and financial plan parameters include a commitment to maintain its position for an average residential rate which remains among the lower rating metropolitan councils.

With changing community needs and other external influences impacting on the community, there is a need for council to consider how to plan more effectively, both for the longer term and more immediate community benefit. The proposed rate increase is set at a level that provides confidence that services will be maintained and that a significant capital expenditure program is planned to maintain council's assets.

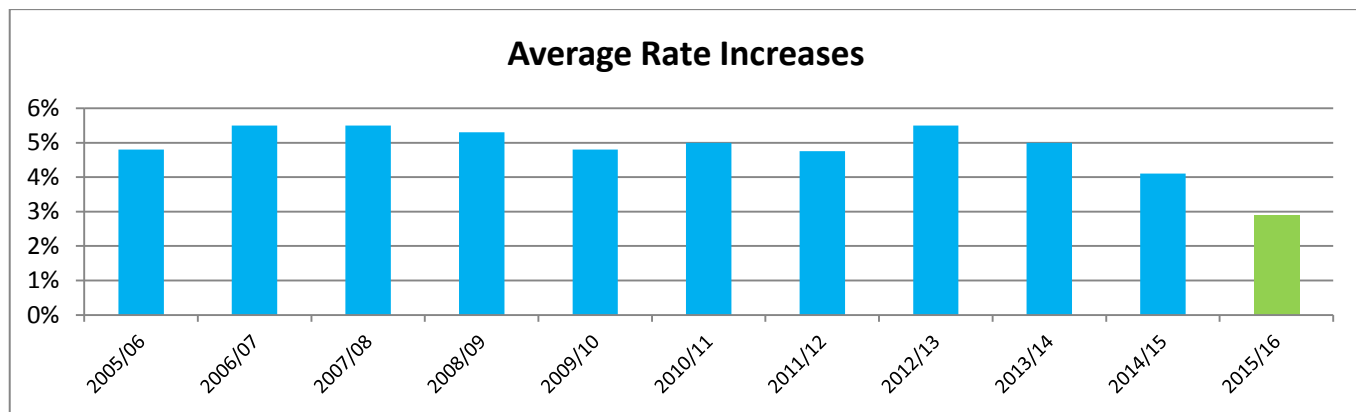
Since the introduction of mandatory long-term financial planning obligations, council has acted to return its financial position from a large operating deficit to an operating surplus. This approach has been further supplemented by an annual budget review process aimed at reducing service delivery costs to a minimum.

The Draft Annual Business Plan and Budget for 2015/16 has been developed for public consultation based on an average proposed rate increase of 2.9%. This is after taking into account any other revenue sources such as fees, charges, grants and other income that will be received. This will also contribute to the necessary funding for planned capital renewal programs in 2015/16. However, it is to be noted that actual rates payable by a rate payer will, in fact, vary according to individual property valuations, according to the attributed land use, and whether there has been any new development or capital improvement at the land. Council is aware of the impact of rate increases on sections of the community (Pensioners and Self-Funded Retirees) and will review its Rating Policy on an on-going basis with regard to a fair and equitable distribution of rates.

Also, whilst the Draft Annual Business Plan and Budget proposes an average general rate increase of 2.9%, the final average increase for 2015/16 may be lesser or greater according to the final determination of council. This is because the proposals in the Draft Annual Business Plan and Budget are subject to public consultation and consideration by council of the submissions received in response to that consultation. Council may therefore, upon consideration of the submissions, make final revenue and expenditure decisions which will result in an increase or decrease to the proposed average rate increase.

The outcomes of community consultation will be considered in forming the Annual Business Plan and Budget.

The following average rate increases have applied since 2005/06:

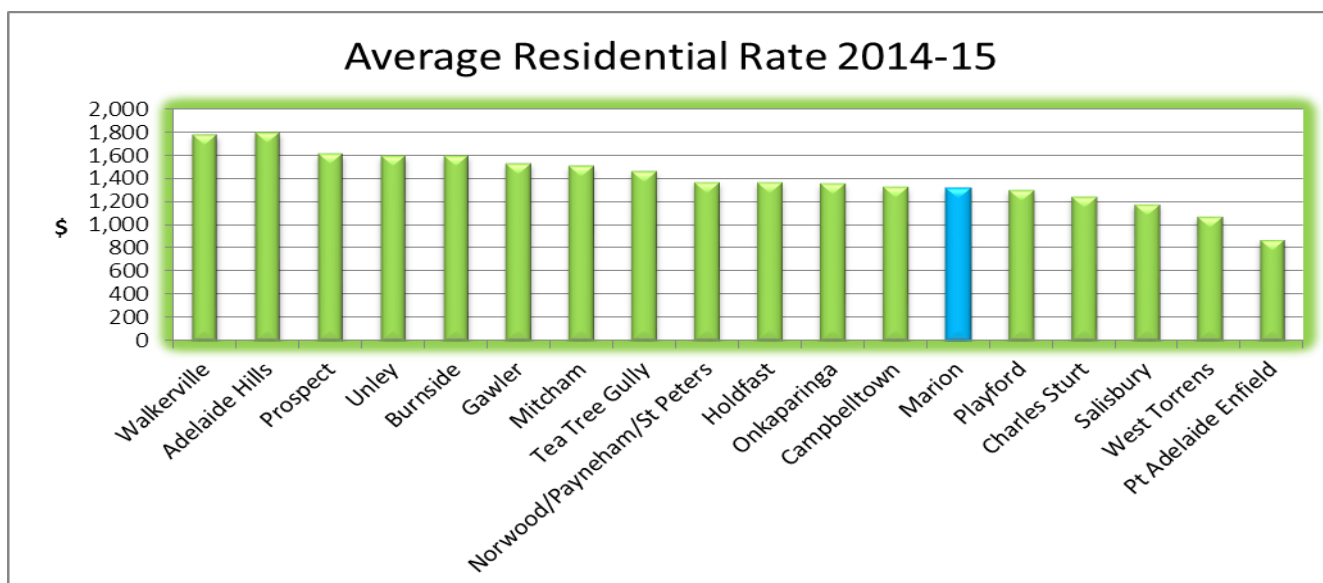


	2005/ 2006	2006/ 2007	2007/ 2008	2008/ 2009	2009/ 2010	2010/ 2011	2011/ 2012	2012/ 2013	2013/ 2014	2014/ 2015	2015/ 2016
Ave Rate Increase	4.8	5.2	5.5	5.3	4.8	5.0	4.75	5.5	5.0	4.1	TBA
Growth	1.5	1.2	1.4	2.0	1.8	1.4	1.6	1.3	1.0	1.0	TBA
Total	6.3	6.4	6.9	7.3	6.6	6.4	6.35	6.8	6.0	5.1	TBA

Note: Growth is predominantly the result of new housing in Marion and property improvements as reported by the Valuer General.

7.2 Rating Impact Analysis - Residential

The graph presented below illustrates council's relative rating effort compared to other Adelaide metropolitan councils. In 2001/02 council's relative rating position compared with other Adelaide metropolitan councils was 9th lowest. Council has consistently remained at or below this level since this time and was ranked at 6th lowest in 2014/15.



Note: Comparative data for the 2015/16 year will be available following the release of the LGA Council Rates Survey which is typically released in the first quarter of the next calendar year.

7.3 Rating Impact Analysis - Commercial

Council currently derives 18% (2014/15: 18%) of its rate revenue from the Commercial and Industrial sectors. Commercial and Industrial users consume a greater proportion of council resources than residential properties, particularly in regard to the use of roads, footpaths, traffic, parking, storm water drainage, public health and environment.

Council uses a differential rating system to raise revenue based upon its Land Use and will continue to do so to ensure a fair and equitable distribution of rates within the City of Marion. The differential rate is charged in addition to the normal rate. In applying this approach, council will take into consideration all prevailing economic conditions and changes and adjust its differential rates accordingly, to ensure an appropriate and fair equalisation of rates across all land use categories. Differential rates proposed to apply to land use as follows:

Commercial 85% (2014/15: 85%)

Industrial 65% (2014/15: 65%)

Vacant Land 90% (2014/15: 90%)

The following table shows a comparison of differential rating percentage applied to commercial and industrial properties by a number of Adelaide metropolitan councils in 2014/15.

2014-2015 Comparison Differential Percentage			
Council	Commercial	Industrial	Vacant Land
Charles Sturt	202%	285%	200%
West Torrens	128%	128%	128%
Port Adelaide Enfield	118%	118%	118%
Unley	107%	84%	84%
Prospect	105%	105%	25%
Mitcham	97%	97%	97%
Marion	85%	65%	90%
*Tea Tree Gully	50%	50%	100%
Holdfast Bay	45%	45%	45%
Salisbury	41%	41%	30%
Onkaparinga	31%	31%	55%
Norwood Payneham St Peters	20%	20%	20%
Average	86%	89%	83%
For Information only			
Adelaide	23%	23%	23%
Playford	576%	576%	n/a

*Third year applying differential rates – Additional increments will apply for the next year.

7.4 Valuation Method

Council may adopt one of three valuation methodologies to value the properties in its area. They are:

- Capital Value – the value of the land and all of the improvements on the land.
- Site Value – the value of the land and any improvements which permanently affect the amenity or use of the land, such as drainage works, but excluding the value of buildings and other improvements.
- Annual Value – a valuation of the rental potential of the property.

Capital value has continued to be used as the basis for valuing land within the council area. This method of valuing land provides the fairest method of distributing the rate responsibility across all ratepayers on the following basis:

- the equity principle of taxation requires that ratepayers of similar wealth pay similar taxes and ratepayers of greater wealth pay more tax than ratepayers of lesser wealth;
- property value is a relatively good indicator of wealth, and capital value, which closely approximates the market value of a property, provides the best indicator of overall property value;
- the distribution of property values throughout the council area is such that few residential ratepayers will pay significantly more than the average rate per property.

7.5 Separate Rates

The City of Marion is in the Adelaide and Mount Lofty Ranges Natural Resources Management Board area and is required under the Natural Resources Management Act 2004 to fund the operations of the Board. It does so by imposing a separate rate for all properties within the city.

Council is operating as a revenue collector for the Natural Resources Management Board in this regard. It does not retain this revenue or determine how the revenue is spent.

7.6 Minimum Amount

A minimum amount is levied against the whole of an allotment (including land under a separate lease or licence) and only one minimum amount is levied against two or more pieces of adjoining land (whether intercepted by a road or not) if they are owned by the same owner and occupied by the same occupier. The reasons for imposing a minimum amount are:

- the council considers it appropriate that all rateable properties make a contribution to the cost of administering the council's activities;
- the council considers it appropriate that all rateable properties make a contribution to the cost of creating and maintaining the physical infrastructure that supports each property.
- no more than 35% of properties will be subject to the minimum amount.

No maximum amount of rates is applied against an allotment.

7.7 What assistance is available?

Rebate of Rates

The Local Government Act 1999 requires councils to rebate the rates payable for certain land uses. This includes land used for health and community services, religious purposes, cemeteries, educational institutions, housing associations and housing cooperatives.

The mandatory rebates vary from 75% to 100%. People or bodies seeking a rebate must make a written application to Council. Information and application forms can be obtained from the Council office at 245 Sturt Rd, Sturt. Applications for Discretionary Rebates must be received by 31 May 2015 for consideration in the following financial year.

Rate Capping (Discretionary Rebate)

Section 166 (1) (l) of the Local Government Act provides for the discretionary rebate of rates.

Council has proposed to provide relief against a substantial increase in rates payable on residential properties by applying a rebate (capping) of general rates to eligible ratepayers.

Council has proposed to adopt a two tiered rate capping policy for the 2015/16 financial year.

Tier 1 – Rate Capping for Qualifying Residential Ratepayers

A rebate of general rates will be granted to Residential ratepayers on their principal place of residence within the category of residential land use, under the above Act.

The Annual Business Plan and Budget 2015/16 proposes to apply a 12% rate-cap with a \$20 minimum and a \$200 maximum (excluding new or improved properties) for ratepayers who meet the Qualifying Criteria set out below.

Tier 2 – Rate Capping for Qualifying Pensioners and Self-Funded Retirees

A rebate of general rates will be granted to qualifying Pensioners and Self-Funded Retirees, who are residential ratepayers on their principal place of residence within the category of residential land use under the above Act and do not own any other property and meet the Qualifying Criteria set out below.

The Annual Business Plan and Budget 2015/16 proposes to apply a 9% rate-cap with a \$10 minimum and a \$300 maximum for those Pensioners and Self-Funded Retirees who meet the qualifying criteria set out below.

Qualifying Criteria:

- The property is the owner's principal place of residence.
- The property has not had more than \$20,000 of improvements.
- The property value has not increased due to a zoning change.
- The land use for rating purposes has not changed since 1st July of the previous financial year.
- The property has not sold since the 1st January of the previous financial year.

A rebate of general rates will be applied automatically under both rate capping tiers, where the Council has sufficient information to determine the entitlement to the rebate.

Residential Construction on Vacant Land (Discretionary Rebate)

Under Section 166 (1) (a) of the Act, and for the purpose of securing the proper development of the area, a rebate of general rates for the 2015/16 financial year will be granted in respect of an Assessment classed as vacant land in the council's Assessment Book where the:

- Principal Ratepayer of the Assessment applies to the council in writing for the rebate prior to 30 June 2016, and
- Dwelling's footings have been poured on the property by 30 June 2016

The amount of the rebate will be the difference between the general rate in the dollar applicable to Vacant land, and the general rate in the dollar applicable to Residential property. This is calculated by the number of days remaining between 1 July 2015 and 30 June 2016 from the date footings are poured for a residence on the land. However, if the calculated rebate reduces the rates payable to less than the amount fixed as the minimum amount payable by way of rates, then the rebate shall be reduced so that the rates payable are equal to the amount of the minimum.

Postponement of Rates – Hardship

Section 182 of the Act permits the council, on the application of the ratepayer, to partially or wholly remit rates or to postpone rates, on the basis of hardship. Where a ratepayer is suffering hardship in paying rates they are invited to submit an application in writing to the council's Team Leader Rating Services. The council treats such inquiries confidentially.

Postponement of Rates - Seniors

The following criteria must be satisfied before the postponement is granted.

- The person is a prescribed ratepayer, or the spouse of a prescribed ratepayer.
- A prescribed ratepayer means the holder of a current State Seniors Card or a person eligible to hold such a card who has applied but is yet to be issued with a card.
- Rates are payable on the principal place of residence.
- The land is owned by the prescribed ratepayer, or the prescribed ratepayer and his or her spouse, and no other person has an interest, as owner, in the land.
- Any current mortgage over the property which was registered prior to 25 January 2007 will be no more than 50% of the Valuer-General's capital value of the property.

An application must be made in the prescribed manner and form and be accompanied by such information as the council may require. Any rates which are postponed will become due and payable when:

- the title to the land is transferred to another person; or
- there is failure to comply with a condition of postponement.

A minimum amount of \$500 of the annual rates must be paid.

An entitlement to a concession or remission will be applied to the proportion of the rates that has not been postponed, unless notice to the contrary is received in writing from the owner.

Interest will accrue on the amount postponed at the prescribed rate per month, under the Act until the amount is paid.

Should the entitlement to a postponement cease to exist, the owner of the land must inform council in writing, unless the rates and any interest have been paid in full.

Concessions

Pensioner and Self-Funded Retiree Concessions

The State Government announced on 14 May 2015 that it will replace all Council Rate Concessions with the Cost of Living Concession for 2015-16.

Cost of Living Concession

Pensioners, low-income earners and self-funded retirees holding a Commonwealth Seniors Health Card will receive up to \$200 per year. This will come into effect on 1 July 2015. Eligibility for the new concession has been expanded to include pensioners and low-income earners who are tenants.

The concessions will be paid to recipients by cheque with payments expected to be made in about September 2015 (and to tenants by early 2016).

Home owners who currently receive the council rate concession will not need to apply separately for this concession.

For further information contact the Concessions Hotline on 1800 307 758.

8. Financial Sustainability and Annual Savings

- Since 2000, council has continuously improved its strategic and financial planning. This has overturned an operating deficit of \$3.6m in 1998/99 to moderate operating surpluses since 2005-2006. In February 2005, following consultation with all SA councils, the public and State Government, the Local Government Association commissioned an Independent Inquiry into the Financial Sustainability of Local Government. The Inquiry's independent advisers, using Grants Commission data, rated the City of Marion as Category 3 – sustainable with a moderate margin of comfort. The framework for preparation of the Annual Business Plan and Budget 2015/16 includes commitment to maintaining this Category 3 Financial Sustainability rating on average over each five year period, with a primary focus being on Cash Flow and Funding.
- The Long Term Financial Plan takes account of inflation by assuming an annual inflation rate of 2.5%.
- In June 2006 council resolved to adopt a savings target of 2% per annum of operating expenditures from the original adopted budget.
- 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 up front in development of the 2015/16 budget to reduce their financial burden.
- Since 2003 Council's savings program has identified the level of annual savings (cost reduction/productivity) achieved by the organisation each financial year. Guidelines have been prepared to ensure that confirmed savings identified are allocated to provide a balance between funding new service improvements from the Strategic Plan and improving council's financial position. This reduces the reliance on rate revenue to achieve community objectives. Savings of \$8.7m have been identified to date through council's savings program to the end of 2013/14 with a further forecast net reduction in Council's operating expenditure of \$1.998m incorporated into the 2015/16 Draft Budget. This is after allowing for increases included in existing staff Enterprise Agreements and increased finance charges relating to approved new borrowings.

Key savings have been made in the following areas:

- | | |
|---|---|
| • Waste collection. | • Plant and Equipment maintenance. |
| • Waste disposal. | • Asbestos removal. |
| • Treasury Management. | • Cost recovery of developer damage. |
| • Community Bus service. | • Publications produced electronically rather than printed. |
| • Golf Course. | • Home and Community Care. |
| • Water tariff audit. | • Continuous improvement programs. |
| • Water restrictions applied to reserves. | • Training and development. |
| • Weed spraying program. | • ICT maintenance and leasing contracts. |
| • Bus Shelters. | |
| • Energy reduction program. | |
| • Telecommunications contract. | |

The savings in each case were not at the expense of service delivery. These improvements were as a result of:

- Successful contract negotiations.
- Process improvement.
- Partnership with State and Federal Government (i.e. Grants which minimise Council's costs).
- Auditing and review of existing expenditures.
- Improved methods of service delivery.

APPENDICES

Budget 2015/16

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Appendix 1. Budgeted Income Statement

CITY OF MARION			
Budgeted Income Statement			
Budget 2014/15 \$'000	3rd Review 2014/15 \$'000		Budget 2015/16 \$'000
		Operating Revenue	
65,480	65,783	Rates - General	68,489
1,571	1,517	Rates - NRM Levy	1,569
1,803	1,762	Statutory Charges	1,630
1,717	1,699	User Charges	1,633
5,667	6,203	Grants/Subsidies	6,324
560	903	Investment Income	270
910	935	Reimbursements	770
399	1,088	Other Revenue	536
246	306	Share of Profit/(Loss) SRWRA	315
78,353	80,196	Total Operating Revenue	81,536
		Operating Expenditure	
32,777	31,692	Employee Costs	32,139
16,293	18,636	Contractor Services	14,561
5,086	4,822	Materials	4,668
770	830	Finance Charges	1,343
12,958	13,136	Depreciation	13,821
6,726	6,689	Other Expenses	6,104
74,610	75,805	Total Operating Expenditure	72,636
3,743	4,391	Operating Surplus/(Deficit) before Capital Revenues	8,900
657	1,555	Capital Grants and Contributions	-
1,500	1,500	Physical resources received free of charge	1,500
5,900	7,446	Net Surplus/(Deficit) resulting from Operations	10,400

Appendix 2. Budgeted Statement of Financial Position

CITY OF MARION				
Budgeted Statement of Financial Position				
Budget 2014/15 \$'000	3rd Review 2014/15 \$'000			Budget 2015/16 \$'000
			<u>Current Assets</u>	
5,974	12,801		Cash	18,421
6,495	3,545		Receivables	3,545
306	172		Inventory	172
12,775	16,518		Total Current Assets	22,138
			<u>Current Liabilities</u>	
7,821	9,049		Creditors	9,049
2,291	2,291		Provisions	2,291
2,143	2,169		Loans	1,839
12,255	13,509		Total Current Liabilities	13,179
520	3,009		Net Current Assets/(Liabilities)	8,959
			<u>Non-Current Assets</u>	
5,367	4,609		Investment in Regional Subsidiaries	4,924
336,083	343,922		Land	345,093
105,391	109,499		Buildings	111,157
627,670	644,802		Infrastructure	649,492
8,331	7,642		Equipment	7,696
329	299		Furniture & Fittings	441
9,879	10,752		Other	10,576
1,093,050	1,121,525		Total Non-Current Assets	1,129,379
			<u>Non-Current Liabilities</u>	
477	527		Provisions	527
22,191	19,847		Loans	23,251
22,668	20,374		Total Non-Current Liabilities	23,778
1,070,902	1,104,160		Net Assets	1,114,560
			<u>Equity</u>	
359,228	363,239		Accumulated Surplus	368,020
711,674	740,921		Reserves	746,540
1,070,902	1,104,160		Total Equity	1,114,560

Appendix 3. Budgeted Statement of Changes in Equity

CITY OF MARION				
Budgeted Statement of Changes in Equity				
Budget 2014/15 \$'000	3rd Review 2014/15 \$'000			Budget 2015/16 \$'000
			Accumulated Surplus	
353,221	340,053		Balance at beginning of period	363,239
5,900	7,146		Net Surplus/(Deficit)	10,400
140	16,668		Transfers from Reserves	0
(33)	(628)		Transfers to Reserves	(5,619)
359,228	363,239		Balance at end of period	368,020
			Asset Revaluation Reserve	
707,427	736,779		Balance at beginning of period	736,779
707,427	736,779		Balance at end of period	736,779
			Open Space Reserve	
1,275	1,288		Balance at beginning of period	888
33	(400)		Net change	22
1,308	888		Balance at end of period	910
			Other Reserves	
3,079	18,894		Balance at beginning of period	3,254
(140)	(15,640)		Net change	5,597
2,939	3,254		Balance at end of period	8,851
711,674	740,921		Total Reserves	746,540
1,070,902	1,104,160		Total Equity	1,114,560

Appendix 4. Budgeted Statement of Cash Flows

CITY OF MARION				
Budgeted Statement of Cash Flows				
Budget 2014/15 \$'000	3rd Review 2014/15 \$'000			Budget 2015/16 \$'000
			Cash Flows from Operating Activities	
77,807	79,650		<i>Receipts</i>	80,921
(61,652)	(62,669)		<i>Payments</i>	(58,815)
16,155	16,981		Net Cash Provided by Operating Activities	22,106
			Cash Flows from Financing Activities	
			<i>Receipts</i>	
12,628	10,116		Loans Received	5,388
			<i>Payments</i>	
(1,417)	(1,572)		Principal	(2,314)
11,211	8,544		Net Cash (Used In) Financing Activities	3,074
			Cash Flows from Investing Activities	
			<i>Receipts</i>	
657	1,555		Capital Grants/Subsidies &	0
			<i>Payments</i>	
(420)	(1,984)		Purchase of Land	(1,151)
(15,401)	(22,130)		Purchase of Buildings	(6,075)
(10,075)	(14,150)		Purchase/Construction of Infrastructure	(10,253)
(1,218)	(1,834)		Purchase of Equipment	(1,333)
0	(57)		Purchase of Furniture & Fittings	(175)
(1,016)	(2,189)		Purchase/Construction of Other Assets + Investments	(573)
(27,473)	(40,789)		Net Cash (Used In) Investing Activities	(19,560)
(107)	(15,264)		Net Increase/(Decrease) in Cash Held	5,619
6,081	28,065		Cash at Beginning of Reporting Period	12,801
5,974	12,801		Cash at End of Reporting Period	18,421

CITY OF MARION				
Budgeted Statement of Cash Flows				
Budget 2014/15 \$'000	3rd Review 2014/15 \$'000			Budget 2015/16 \$'000
		Notes to the Budgeted Statement of Cash Flows		
			1. Budgeted cash at the end of the reporting period	
5,974	12,801		Cash at Bank	18,421
5,974	12,801			18,421
			2. Reconciliation of Changes in Equity Resulting From Operations to Net Cash Provided by Operating Activities	
5,900	7,146		Increase/(Decrease) in Equity resulting from operations	10,100
			Items not involving cash	
12,958	13,136		Depreciation	13,821
(246)	(246)		Share of Profit SRWRA	(315)
(1,500)	(1,500)		Physical resources received free of charge	(1,500)
(657)	(1,555)		Capital Grant Revenue	0
10,555	9,835			12,006
16,455	16,981		Net Cash provided by Operating Activities	22,106
			3. Reconciliation of Budget Surplus/(Deficit) as per Funding Statement to Net increase in Cash	
0	1,076		Surplus/(Deficit) as per Funding Statement	0
(107)	(16,040)		Net Reserves Transfer	5,619
(107)	(14,964)		Net Increase/(Decrease) in Cash	5,619

Appendix 5. Budgeted Funding Statement

CITY OF MARION				
Budgeted Funding Statement				
Budget				
Budget 2014/15 \$'000	3rd Review 2014/15 \$'000			Budget 2015/16 \$'000
		Operating Revenue		
67,051	67,300	Rates		70,058
1,803	1,762	Statutory Charges		1,630
1,717	1,699	User Charges		1,633
5,667	5,903	Operating Grants & Subsidies		6,324
560	903	Investment Income		270
910	935	Reimbursements		770
399	1,088	Other		536
246	306	Net gain - SRWRA		315
78,353	79,896			81,536
		Operating Expenses		
32,777	31,692	Employee Costs		32,139
16,293	18,636	Contractual Services		14,561
5,086	4,822	Materials		4,668
770	830	Finance Charges		1,343
12,958	13,136	Depreciation		13,821
6,726	6,689	Other		6,104
74,610	75,805			72,636
3,743	4,091	Operating Surplus/(Deficit) before Capital Revenues		8,900
		Capital Revenue		
657	1,555	Capital Grants & Subsidies		-
1,500	1,500	Contributed Assets		1,500
-	-	Gain/(Loss) on Asset Disposal		-
2,157	3,055			1,500
5,900	7,146	Net Surplus/(Deficit) resulting from operations		10,400
12,958	13,136	add Depreciation		13,821
246	246	less Share of Profit SRWRA (excluding dividend)		315
18,612	20,036	Funding available for Capital Investment		23,906
		Capital		
13,914	16,644	less Capital Expenditure - Renewal		13,357
14,516	25,400	less Capital Expenditure - New		6,504
1,500	1,500	less Capital - contributed assets		1,500
(11,318)	(23,508)	Net Overall lending/(borrowing)		2,545

Budgeted Funding Statement				
Budget 2014/15 \$'000	3rd Review 2014/15 \$'000			Budget 2015/16 \$'000
			Funded by;	
			Loans	
12,628	10,116		Loan Principal Receipts (Net)	5,388
-	-		Loan Receipts/(Payments) from Sporting Clubs (Net)	-
1,417	1,572		less Loan Principal Repayments	2,314
11,211	8,544		Loan Funding (Net)	3,074
			Movement in level of cash, investments and accruals	
-	1,076		Cash Surplus/(Deficit) funding requirements	-
107	16,040		less Reserves (Net)	(5,619)
(107)	(14,964)		Cash/Investments/Accruals Funding	5,619
-	-		Funding Surplus/(Deficit)	-
11,318	23,508		Funding Transactions	(2,545)

Appendix 6. Service Improvements & New Initiatives

Service Improvements included in the Budget as per the Long Term Financial Plan	Timing/Ongoing	Total
Business Enterprise Centre	Ongoing	45,000
Marion Learning Festival	Ongoing	32,150
Harm Minimisation	Ongoing	6,242
Marion Sports Grant	Ongoing	10,000
Refugee Scholarship	Ongoing	1,500
Public Art Management project	Ongoing	7,550
Walk the Talk - reconciliation	Ongoing	4,255
Economic Diversification	Ongoing	25,000
Business Engagement	Ongoing	25,000
Marion Historical Village	Ongoing	5,500
Community Capacity Building - Rajah Reserve	Ongoing	5,797
Community Capacity Building - Environment Focussed	Ongoing	60,000
Community Capacity Building - Trott Park	Ongoing	15,500
Community Capacity Building - Park Holme	Ongoing	25,000
Community Capacity Building - Community Initiatives	Ongoing	80,000
Community Capacity Building - Partnership Development	Ongoing	75,000
Art of Respect	Ongoing	6,000
Review of Ageing Strategy & DDA action plan	Ongoing	10,000
SES Floodsafe Project	Ongoing	10,000
History Centre in Red House	Ongoing	73,671
Glandore Laneways	Ongoing	5,815
Marion City Band Five Year Agreement	Ongoing	15,710
NARI - New Arrival & Refugee Immunisation	Ongoing	8,366
Stormwater Quality Improvement & Planning	Ongoing	35,000
Library Collection Management Funding	Ongoing	28,000
Ramsay Avenue Reserve	Ongoing	6,200
Creating Biophilic Cities	2015/16 - 2017/18	30,000
Rajah Reserve Extra Maintenance	Ongoing	7,055
Resilient South Project	2015/16	23,556
		682,867

Appendix 7. Capital Works Program

ROAD RESEAL PROGRAM 2015/16				
Road Name	Suburb	Ward	From Street	To Street
Beaconsfield Terrace	Ascot Park	Woodlands	John Street	Robert Street
Birch Street	Clovelly Park	Warriparinga	Sturt Road	Ash Avenue
Mimosa Terrace	Clovelly Park	Warriparinga	South Road	Ash Avenue
Myrtle Grove	Clovelly Park	Warriparinga	Birch Street	Oak Avenue
Oak Avenue	Clovelly Park	Warriparinga	Myrtle Grove	Mimosa Terrace
Rosslyn Street	Clovelly Park	Woodlands	Harcourt Avenue	Glandore Avenue
Saxon Street	Clovelly Park	Warriparinga	Byron Avenue	Scott Avenue
Walker Avenue	Clovelly Park	Woodlands	Scottish Avenue	English Avenue
Wingfield Street	Clovelly Park	Woodlands	Newton Avenue	Norrie Avenue
York Avenue	Clovelly Park	Woodlands	Celtic Avenue	Australian Avenue
Aaron Avenue	Darlington	Warriparinga	Mostyn Road	Cul-De-Sac
Grace Road	Darlington	Warriparinga	Crystal Street	Aaron Avenue
Nathan Court	Darlington	Warriparinga	Aaron Avenue	End
Gemmell Road	Dover Gardens	Warracowie	Laurence Street	Council Boundary Hb
Howard Street	Dover Gardens	Warracowie	Scarborough Terrace	Branksome Terrace
Joyner Street	Dover Gardens	Warracowie	Morphett Rd	Branksome Terrace
Maitland Street	Dover Gardens	Warracowie	Morphett Road	Branksome Terrace
Winchester Street	Dover Gardens	Warracowie	Crown St	Clacton Rd
Yarmouth Road	Dover Gardens	Warracowie	Clacton Road	Bristol Street Eastern End
Arabrie Avenue	Edwardstown	Woodlands	Conmurra Avenue	Konando Terrace
Deloraine Road	Edwardstown	Woodlands	South Road	Waverley Avenue
Russell Terrace	Edwardstown	Woodlands	Furness Avenue	Flinders Street
Clark Avenue	Glandore	Woodlands	Gazeby Street	Pleasant Avenue
Marryatt Street	Glengowrie	Mullawirra	Ranelagh Street	Kipling Avenue
Penn Corner	Glengowrie	Mullawirra	St Giles Way	Wycombe Way
Rosslyn Street	Glengowrie	Mullawirra	Baker Street	Harding Street
Wendover Walk	Glengowrie	Mullawirra	St Peters Way	Chesham Road
Wilkins Street	Glengowrie	Mullawirra	Baker Street	Harding Street
Willoughby Avenue	Glengowrie	Mullawirra	Francis Avenue	Cul-De-Sac
Wycombe Way	Glengowrie	Mullawirra	Hazelmere Road	Chalfont Way
Alfonso Drive	Hallett Cove	Coastal	Antonia Circuit	Aroona Road
Anna Court	Hallett Cove	Coastal	Quailo Avenue	Cul-De-Sac
Blossom Terrace	Hallett Cove	Coastal	Quinvale Road	Cul-De-Sac
Boonga Street	Hallett Cove	Coastal	Kurnabinna Terrace	Peera Street
Brampton Court	Hallett Cove	Coastal	Ingleton Drive	Dead-End
Clifftop Crescent	Hallett Cove	Coastal	Central Avenue	End
Coringle Crescent	Hallett Cove	Coastal	Warilda Crescent (South)	Warilda Crescent (North)
Dart Street	Hallett Cove	Coastal	Osmanli Drive	Vennachar Drive
Fielders Way	Hallett Cove	Coastal	Quinvale Road	Cul-De-Sac
Luderitz Close	Hallett Cove	Coastal	Luderitz Close	Cul-De-Sac North
Madison Court	Hallett Cove	Coastal	Quailo Avenue	Cul-De-Sac
Nungamoora Street	Hallett Cove	Coastal	Munada Street	End
Oakvale Way	Hallett Cove	Coastal	Wayside Drive North	Wayside Drive South
Rosa Close	Hallett Cove	Coastal	Aroona Road	Cul-De-Sac
Second Street	Hallett Cove	Coastal	Central Avenue	End
Slade Crescent	Hallett Cove	Coastal	Quinway Court	Planters Drive
Wayside Drive	Hallett Cove	Coastal	Barramundi Drive	Nalimba Street
Carlton Terrace	Marino	Coastal	Bandon Terrace	Shaftesbury Terrace
Dudley Terrace	Marino	Coastal	Jervois Terrace	End
Esplanade	Marino	Coastal	Boundary	End
Nimboya Road	Marino	Coastal	Yomara Road	End
Lynne Court	Marion	Coastal	Tweed Aveune	Cul-De-Sac
Pethick Terrace	Marion	Coastal	Coolah Terrace	Melanto Terrace
Tweed Avenue	Marion	Coastal	Tilley Court	Lynne Court
Charnwood Street	Mitchell Park	Warriparinga	Waterman Terrace	Sampson Road
Emma Close	Mitchell Park	Warriparinga	Bradley Grove	Dead End
Geraldine Avenue	Mitchell Park	Warriparinga	Sampson Road	Waterman Terrace
Hester Avenue	Mitchell Park	Warriparinga	Bradley Grove	Kelly Grove
Kelly Grove	Mitchell Park	Warriparinga	Harkin Avenue	Cul-De-Sac
Kenmay Avenue	Mitchell Park	Warriparinga	Maldon Avenue	Mcinerney Avenue
Lodge Street	Mitchell Park	Warriparinga	Byard Terrace	Waterman Terrace
Maldon Avenue	Mitchell Park	Warriparinga	Karu Crescent	Mcinerney Avenue
Orange Grove	Mitchell Park	Warriparinga	Sturt Road	Cul-De-Sac
Raggatt Crescent	Mitchell Park	Warriparinga	Quick Road	Minke Avenue
Thorne Crescent	Mitchell Park	Warriparinga	Harlow Street	Thorne Crescent West
Woodland Road	Mitchell Park	Warriparinga	Bradley Grove	Bradley Grove

ROAD RESEAL PROGRAM 2015/16 - CONTINUED				
Croker Road	Morphettville	Mullawirra	Claines Avenue	Dead End
Gordon Terrace	Morphettville	Mullawirra	Stephens Place	Alua Grove
Hamley Street	Morphettville	Mullawirra	Oaklands Road	Hendrie Street
Hunt Avenue	Morphettville	Mullawirra	Hendrie Street	Lloyd Street
Lloyd Street	Morphettville	Mullawirra	Houston Street	Hunt Street
Owen Street	Morphettville	Mullawirra	Houston Street	Hamley Street
Jacaranda Grove	Oaklands Park	Warracowie	Dwyer Road	Cul-De-Sac
Neville Court	Oaklands Park	Warracowie	Cul-De-Sac	Perrin Street
Christopher Court	Ohalloran Hill	Southern Hills	Christopher Grove	Cul-De-Sac
Craig Avenue	Ohalloran Hill	Southern Hills	Ella Crescent	Erin Place
Craig Court	Ohalloran Hill	Southern Hills	Craig Avenue	Cul-De-Sac
Bowaka Street	Park Holme	Mullawirra	Nilpena Avenue	Nunyah Avenue
Edwards Avenue	Park Holme	Mullawirra	Western Avenue	Ragless Avenue
Galbraith Street	Park Holme	Mullawirra	Duncan Avenue	Pildappa Avenue
Nunyah Avenue	Park Holme	Mullawirra	Rotorua Avenue	Hendrie Street
Sutherland Street	Park Holme	Mullawirra	Parsons Grove	Western Avenue
Tiparra Avenue	Park Holme	Mullawirra	Rotorua Avenue	Mulcra Avenue
Clement Street	Plympton Park	Mullawirra	Browning Avenue	South Terrace
Coles Street	Plympton Park	Mullawirra	Bray Street	Tarranna Avenue
Downer Street	Plympton Park	Mullawirra	Bray Street	Aldridge Avenue
Jordan Street	Plympton Park	Mullawirra	Bray Street	Aldridge Avenue
Milton Avenue	Plympton Park	Mullawirra	Park Terrace	Swinburne Avenue
Tarranna Avenue	Plympton Park	Mullawirra	Marion Road	Jackson Street
High Street	Seacliff Park	Southern Hills	Arthur Street	End
Eurunderee Avenue	Seacombe Gardens	Warracowie	Morphett Road	Rider Street
Fern Grove	Seacombe Gardens	Warracowie	Harbrow Grove	Russell Avenue
Kingston Avenue	Seacombe Gardens	Warracowie	Glamis Avenue	Alderman Avenue
Rider Street	Seacombe Gardens	Warracowie	Limbert Avenue	Eurunderee Avenue
Bangalla Road	Seaview Downs	Southern Hills	Davenport Terrace	Ross Street
Eyre Street	Seaview Downs	Southern Hills	Fowler Street	Kara Road
Mitchell Street	Seaview Downs	Southern Hills	Eyre Street	Keen Avenue
Carya Court	Sheidow Park	Southern Hills	Oakbank Crescent	Dead End
Pryor Loop	Sheidow Park	Southern Hills	Kew Court	Reserve
Pryor Loop	Sheidow Park	Southern Hills	Pryor Loop	Loop
Rees Court	Sheidow Park	Southern Hills	Rees Street	Cul-De-Sac
Rees Street	Sheidow Park	Southern Hills	Bryans Strret	Heysen Drive
Tindall Court	Sheidow Park	Southern Hills	Tindall Crescent	Cul-De-Sac
Weanda Court	Sheidow Park	Southern Hills	Werlinga Road	Cul-De-Sac
Laurence Street	South Plympton	Woodlands	Daly Street	William Street
New Street	South Plympton	Woodlands	Cross Road	Pleasant Avenue
Wheaton Street	South Plympton	Woodlands	Wintrena Street	Towers Terrace
Greenock Drive	Sturt	Warriraringa	Parkmore Avenue	Grandview Road
Lindsay Street	Sturt	Warriraringa	Duncan Street	Maesbury Circuit
Lindsay Street	Sturt	Warriraringa	Maesbury Circuit	Inverell Avenue
Moss Street	Sturt	Warriraringa	Melbourne Street	Darlington Street
Travers Street	Sturt	Warriraringa	Marion Road	Bradman St
Austin Court	Trott Park	Southern Hills	Klippel Avenue	Cul-De-Sac
Cassab Court	Trott Park	Southern Hills	Adams Road	Cul-De-Sac
Coburn Court	Trott Park	Southern Hills	Klippel Avenue	Cul-De-Sac
Dobell Court	Trott Park	Southern Hills	Hessing Crescent	Cul-De-Sac
Hele Court	Trott Park	Southern Hills	Heysen Drive	Grieve Court
Hessing Crescent	Trott Park	Southern Hills	Heysen Drive	Tucker Court
Kahan Court	Trott Park	Southern Hills	Whiteley Drive	Cul-De-Sac
Kemp Court	Trott Park	Southern Hills	Whiteley Drive	Cul-De-Sac
Klippel Avenue	Trott Park	Southern Hills	Adams Road	Scarvel Avenue
Lyons Circuit	Trott Park	Southern Hills	Deakin Court	End
Meldrum Street	Trott Park	Southern Hills	Boyd Court	French Crescent
Ming Court	Trott Park	Southern Hills	Doulton Drive	Cul-De-Sac
Scarvell Avenue	Trott Park	Southern Hills	Adams Road	Klippel Avenue
Spode Court	Trott Park	Southern Hills	Doulton Drive	Cul-De-Sac
Dorset Avenue	Warradale	Warracowie	Cedar Avenue	Pine Avenue
Egmont Avenue	Warradale	Warracowie	Ballara Avenue	Mcarthur Avenue
Hobart Avenue	Warradale	Warracowie	Sturt Road	Gardiner Ave
Louise Avenue	Warradale	Warracowie	Balmoral Avenue	Astrid Avenue
Walkley Avenue	Warradale	Warracowie	Jeffery Avenue	Ballara Ave

KERB & WATER TABLE PROGRAM 2015/16				
Road Name	Suburb	Ward	From Street	To Street
Percy Avenue	Clovelly Park	Woodlands	Terra Avenue	Thirza Avenue
Windsor Avenue	Clovelly Park	Woodlands	English Avenue	Scottish Avenue
Yarmouth Road	Dover Gardens	Warracowie	Clacton Road	Bristol Street Eastern End
Arabrie Avenue	Edwardstown	Woodlands	Conmurra Avenue	Service Lane
Russell Terrace	Edwardstown	Woodlands	Furness Avenue	Flinders Street
Gilpippi Avenue	Edwardstown	Woodlands	Kordando Terrace	Service Lane
Konando Terrace	Edwardstown	Woodlands	South Road	Coongie Avenue
Konando Terrace	Edwardstown	Woodlands	Yanyarrie Avenue	Allambee Avenue
Lockhart Terrace	Edwardstown	Woodlands	Calstock Avenue	Weaver Street
Marryatt Street	Glengowrie	Mullawirra	Hardy Avenue	Meredith Avenue
Penn Corner	Glengowrie	Mullawirra	St Giles Way	Wycombe Way
Willoughby Avenue	Glengowrie	Mullawirra	Francis Avenue	Cul-De-Sac
Coringle Crescent	Hallett Cove	Coastal	Warilda Crescent (South)	Warilda Crescent (North)
Robertson Place	Marino	Coastal	Jervios Terrace	Rockford Place
Clyde Street	Marion	Warriparinga	Alison Avenue	Oakleigh Road
Emma Close	Mitchell Park	Warriparinga	Bradley Grove	Dead End
Kelly Grove	Mitchell Park	Warriparinga	Harkin Avenue	Hester Avenue
Maldon Avenue	Mitchell Park	Warriparinga	Karu Crescent	Mcinerney Avenue
Raggatt Crescent	Mitchell Park	Warriparinga	Thorne Crescent	Minke Avenue
Thorne Crescent	Mitchell Park	Warriparinga	Minkie Avenue	Thorne 2 Crescent West
Woodland Road	Mitchell Park	Warriparinga	Bradley Grove	Handley Avenue
Hunt Avenue	Morphettville	Mullawirra	Hendrie Street	Everest Avenue
Lloyd Street	Morphettville	Mullawirra	Houston Street	Hunt Street
Owen Street	Morphettville	Mullawirra	Houston Street	Hurst Street
Ellis Avenue	Morphettville	Mullawirra	Bray Street	Austral Terrace
Barry Road	Oaklands Park	Warracowie	Shearing Street	Doreen Street
Johnstone Road	Oaklands Park	Warracowie	Masters Avenue	Perrin Street
Osborne Street	Oaklands Park	Warracowie	Morphett Road	Barry Road
Coles Street	Plympton Park	Mullawirra	Bray Street	Tarranna Avenue
Downer Street	Plympton Park	Mullawirra	Bray Street	Aldridge Avenue
Jordan Street	Plympton Park	Mullawirra	Bray Street	Aldridge Avenue
Aldridge Avenue	Plympton Park	Mullawirra	Ferry Avenue	Park Terrace
Kingston Street	Plympton Park	Mullawirra	Bray Street	Tarranna Avenue
Eurunderee Avenue	Seacombe Gdns	Warracowie	Moonya Avenue	Reid Street
Gorda Place	Seacombe Gdns	Warracowie	Morphett Road	Greenasche Grove
New Street	South Plympton	Woodlands	Cross Road	Pleasant Avenue
Castle Street	South Plympton	Woodlands	Korana Street	Yapinga Street
Hele Court	Trott Park	Southern Hills	Heysen Drive	Strutt Court
Klippel Avenue	Trott Park	Southern Hills	Austin Court	Scarvel Avenue
Scarvell Avenue	Trott Park	Southern Hills	Reserve Street	Klippel Avenue
Eucla Avenue	Warradale	Warracowie	Gardiner Avenue	Sunshine Avenue
McLaughlan Avenue	Warradale	Warracowie	Macarthur Avenue	Lindley Avenue

STORMWATER DRAINAGE PROGRAM 2015/16				
Road Name	Suburb	Ward	From Street	To Street
Radstock Avenue	Morphettville	Mullawirra	Rosedale Avenue	Radstock Avenue
Keen Avenue	Seaview Downs	Southern Hills	Davenport Terrace	Ross Street
Hammersmith Avenue	Edwardstown	Woodlands	Cross Road	Hammersmith Avenue
Farne Terrace	Oaklands Park	Warracowie	Alison Avenue	End
Pindee Street	Hallett Cove	Coastal	The Cove Road	End
First Avenue	Hallett Cove	Coastal	South Avenue	Cul-de-sac
Maxwell Terrace	Glengowrie	Mullawirra	Duggan Avenue	Boundary
Nannagai Avenue	Hallett Cove	Coastal	Capella Drive	Reserve
Towers Terrace	Edwardstown	Woodlands	Lawerance Street	Castle

TRAFFIC DEVICES PROGRAM 2015/16		
Location	Suburb	Ward
George Street / Dwyer Road Treatments	Marion / Oaklands Park	Warriparinga
Jervois Street	Edwardstown	Woodlands
Minor proactive traffic control treatments (eg signs, equipment, traffic islands)	Various	Various

RESIDENTIAL FOOTPATH PROGRAM (RENEWAL) 2015/16		
Road Name	Suburb	Ward
Proactive Footpath Works	Various	Various

Appendix 8. Rating Policy

This document sets out the policy of the City of Marion for the setting and collection of rates from its community. The policy has been prepared to ensure transparency and accountability under the Local Government Act 1999 (the Act) and it is the Council's intent when imposing rates to do so in a fair and equitable manner.

RATING POLICY

(1) Valuation Methodology and Adoption

Council uses Capital Value as the basis for valuing land within the Council area. Capital Value is the value of the land and all of the improvements on the land. The Council also continues to adopt the capital valuations distributed by the Valuer-General.
(See Annexure 1)

(2) Differential General Rates

All land within a council area, except for land specifically exempt under section 147 (2) of the Act is rateable. The Act provides for a council to raise revenue through a general rate, which applies to all rateable land, or through differential general rates, which apply to classes of land. Council uses a differential rating system to raise revenue based upon Land Use and will continue to do so to ensure a fair and equitable distribution of rates within the City of Marion. In applying this approach Council will take into consideration all prevailing economic conditions and changes and adjust its differential rates accordingly, to ensure an appropriate and fair equalisation of rates across all land use categories.

The differential general rate Land Use categories are as follows

Category 1	Residential
Category 2	Commercial – Shop
Category 3	Commercial – Office
Category 4	Commercial – Other
Category 5	Industrial – Light
Category 6	Industrial – Other
Category 7	Primary Production
Category 8	Vacant
Category 9	Other

These differential rates will be used to determine the rates in the dollar for all properties within the City of Marion area for the financial year. These rates will be specified in Council's rate declaration for each financial year.
(See Annexure 1)

(3) Minimum Rate

A minimum amount payable by way of general rates is determined to apply to the whole of an allotment (including land under a separate lease or licence) and only one minimum amount is payable in respect of two or more pieces of adjoining land (whether intercepted by a road or not) if they are owned by the same owner and occupied by the same occupier.

The Minimum Rate to apply to properties within the City of Marion will be detailed in Councils rate declaration for each financial year.
(See Annexure 1)

(4) Service Charge

The Council has decided not to impose any service charges for this financial year.

(5) Natural Resources Management (NRM) levy

The Council, under the Natural Resource Management Act 2004, is required to collect this levy. It does so by imposing a separate rate for all properties within the Council area.

For each financial year, the levy for each property will be determined by the total capital valuation within the City of Marion. The calculation is as follows;

- Total Capital Value divided by the Total Amount Required, (set for the financial year by the NRM Board) determines an appropriate rate in the dollar, this rate in the dollar will then be adopted to each property.

(See Annexure 1)

(6) Payment of Rates

The Council has determined that payment of rates for the 2015/16 financial year will be by four instalments, due on 1 September 2015, 1 December 2015, 1 March 2016 and 1 June 2016. However the total amount of rates may be paid in full at any time.

Council has determined that rates may be paid by the following methods;

- Australia Post – Post Office, Telephone or Internet
- Bpay – Telephone or internet payments
- Centrepay – Deductions directly from Centrelink deductions
- Direct Debit – Direct from either a Cheque or Savings account
- Eservices – Direct through the Councils Internet system
- In person - At Council Offices
- By Mail - Locked Bag 1 Oaklands Park SA 5046

(7) Late Payment of Rates

Council imposes an initial penalty (a fine) of 2% as prescribed under the Act on any payment for rates, whether by instalment or otherwise, that is received late. A payment that continues to be late is then charged a prescribed interest rate (which includes the amount of any previous unpaid fine and interest) on the expiration of each month that it continues to be late.

When the Council receives a payment in respect of overdue rates the Council applies the money received in accordance with Section 183 of the Act,

- First – to satisfy any costs awarded in connection with court proceedings;
- Second – to satisfy any interest costs;
- Third – in payment of any fines imposed;
- Fourth – in payment of rates, in chronological order (starting with the oldest account first).

(See Annexure 1)

(8) Rebates and Postponement of Rates

(8.1) Rate Rebate Policy

Refer to the Rate Rebate Policy attached.

(8.2) Rate Capping

Section 166(1)(i)(ii) of the Local Government Act 1999 provides the power to grant a discretionary rebate of rates where, amongst other things, there has been a rapid change in valuations.

The Council has determined to provide relief against a substantial increase in rates payable on residential land due to large increases in valuations by applying a rebate (capping) of general rates for eligible ratepayers.

Further information about this relief may be found in the Annual Business Plan and Budget (Section 7.7), including the qualifying criteria.

(8.3) Residential Construction on Vacant Land

Under Section 166 (1) (a) of the Act, and for the purpose of securing the proper development of the area, a discretionary rebate of general rates for the 2014/15 financial year will be granted in respect of an Assessment classed as vacant land by the Council, where:

- The Principal Ratepayer of the Assessment applies to the Council for the rebate prior to 30 June 2016, and
- The footings have been poured on the property by 30 June 2016, and

The amount of the rebate will be the difference between the general rate in the dollar applicable to Vacant land, and the general rate in the dollar applicable to Residential land. This is calculated by the number of days remaining between 1 July 2015 and 30 June 2016 from the date footings are poured for a residence on the land. Minimum Rate is still applicable.

(8.4) Postponement of Rates – Hardship

Section 182 of The Act permits the Council, on the application of the ratepayer, to partially or wholly remit rates or to postpone rates, on the basis of hardship. Where a ratepayer is suffering hardship in paying rates he/she is invited to submit an application in writing to the Council's Team Leader Rating Services. The Council treats such inquiries confidentially.

(8.5) Postponement of Rates – Seniors

An Application may be made to Council by ratepayers who meet the criteria required for qualification for the postponement under Section 182A of The Act. (see Annexure 1 for criteria)

(9) Sale of Land for Non-Payment of Rates

The Act provides that a council may sell any land where the rates have been in arrears for three years or more. Except in extraordinary circumstances, the Council enforces the sale of land for arrears of rates.

(10) Concessions

Pensioner and Self-Funded Retiree Concessions

The State Government announced on the 14th May 2015 that it will replace all Council Rate Concessions with the Cost of Living Concession for 2015-16.

Cost of Living Concession

Pensioners, low-income earners and self-funded retirees holding a Commonwealth Seniors Health Card will receive up to \$200 per year. This will come into effect on 1 July 2015. Eligibility has been extended to include pensioners and low-income earners who are tenants.

The concessions will be paid to recipients by cheque with payments expected to be made in about September 2015 (and to tenants by early 2016).

Home owners who currently receive the council rate concession will not need to apply separately for this concession.

For further information contact the Concessions Hotline on 1800 307 758.

~~Government concessions are granted under the Rates and Land Tax Remission Act 1986, and are only applicable for the principal place of residence.~~

(10.1) Pensioner Concessions

~~An eligible pensioner must hold a pension card, state concession card or be a TPI pensioner and be eligible prior to 1st September in the current financial year. Application forms are available and administered by the Department for Communities and Social Inclusion (DCSI) Ph. 1800 307 758. Further information can be obtained at www.dcsi.sa.gov.au~~

(10.2) Concessions for Self-Funded Retirees

~~Self-funded retirees meeting certain conditions may be entitled to a concession on rates for their principal place of residence. Application forms are available and administered by Revenue SA. Ph 1300 366 150. Further information can be obtained at www.revenuesa.sa.gov.au~~

(10.3) Unemployed Persons Concessions

~~The Department for Communities and Social Inclusion (DCSI), through Families SA, may assist with the payment of Council rates for the principal place of residence. Further information can be obtained at www.dcsi.sa.gov.au~~

RATE REBATE POLICY

(1) Policy Statement

Council has decided to adopt a Rate Rebate Policy for all rateable land within the Council's area which is applied in accordance with Sections 159 to 166 of the Act. This Policy will assist the Council as a decision making function and is intended to provide guidance to the community as to the matters that the Council will take into account in deciding an application for a rebate.

The Policy also sets out the type of land use for which the Council must grant a mandatory rebate of rates and the percentage amount applicable, and those types of land use where the Council has the ability to grant a discretionary rebate of rates. Rebates will only be available when the applicant satisfies the requirements under both the Act and, where appropriate, the requirements of this Policy.

(2) Mandatory Rebates

Mandatory rate rebates will be granted by Council at the prescribed rate in accordance with Sections 159 to 165 of The Act.

S160 – Health Services	100% Rebate
S161 – Community Services (Including Housing Associations)	75% Rebate
S162 – Religious Purposes	100% Rebate
S163 – Public Cemeteries	100% Rebate
S164 – Royal Zoological Society of SA	100% Rebate
S165 – Educational Purposes	75% Rebate

Where the Council is satisfied from its own records, or from other sources, that a person or body meets the necessary criteria for a mandatory rate rebate, the Council will grant the rebate accordingly. Where the Council is not satisfied based upon the information in its possession or otherwise does not hold relevant information it will require the person or body to lodge an application in accordance with this Policy.

Where a person or body is entitled to mandatory rate rebate of 75% only, the Council may increase the rebate up to a further 25%. The Council may grant this further 25% rebate upon application.

Where an application is made to the Council for a rebate of up to a further 25% the application will be determined and written notice will be provided to the applicant of its determination of that application.

(3) Discretionary Rebates

A discretionary rate rebate may be granted by Council at its absolute discretion up to and including 100% relief to any cases pursuant to Section 166 of the Act.

Any persons or bodies seeking a discretionary rebate, will be required to submit an application form to the Council and provide to the Council such information as stipulated on the application form and any other information that the Council may reasonably require.

(4) Application

The Council will inform the community of the provisions for rate rebate under the Act by the inclusion of suitable details in the Rating Policy Summary distributed with the annual rate notice.

Application forms may be obtained from the Council office located at 245 Sturt Road, Sturt.

The Council will advise an applicant for a rebate of its determination of that application in due course, after receiving the application and receiving all information requested by the Council. The advice will state –

- if the application has been granted, the amount of the rebate; or
- if the application has not been granted, the reasons why.

(5) In regards to prescribed discretionary rate rebates the Council will take into account, in accordance with Section 166(1a) of the Act, the following matters –

- The nature and extent of Council services provided in respect of the land for which the rebate is sought, in comparison to similar services provided elsewhere in the Council area;
- The community need that is being met by activities carried out on the land for which the rebate is sought; and
- The extent to which activities carried out on the land, for which the rebate is sought, provides assistance or relief to disadvantaged persons ; and
- Such other matters as the Council considers relevant.

(6) The Council may take into account other matters considered relevant by the Council including, but not limited to, the following–

- Why there is a need for financial assistance through a rebate;
- The level of rebate (percentage and dollar amount) being sought and why it is appropriate;
- The extent of financial assistance, if any, being provided to the applicant and/or in respect of the land by Commonwealth or State agencies;
- Whether the applicant has made/intends to make applications to another Council;
- Whether, and if so to what extent, the applicant is or will be providing a service within the Council area;
- Whether the applicant is a public sector body, a private not for profit body or a private for profit body;
- Whether there are any relevant historical considerations that may be relevant for all or any part of the current Council term;
- The desirability of granting a rebate for more than one year;
- Consideration of the full financial consequences of the rebate for the Council;
- The time the application is received;

- The availability of any community grant to the person or body making the application;
- Whether the applicant is in receipt of a community grant; and
- Any other matters and policies of the Council, which the Council considers relevant.

All persons or bodies wishing to apply to the Council for a discretionary rebate of rates must do so on or before 31 May in that financial year.

- The Council may grant a rebate of rates on such conditions as the Council thinks fit.
- The Council may, for proper cause, determine that an entitlement to a rebate of rates under the Act no longer applies.
- Where an entitlement to a rebate of rates ceases or no longer applies during the course of a financial year, the Council is entitled to recover rates, or rates at the increased level (as the case may be), proportionate to the remaining part of the financial year.

It is an offence for a person or body to make a false or misleading statement or representation in an application, or to provide false or misleading information or evidence in support of an application made (or purporting to be made) under the Act.

The maximum penalty for this offence is \$5,000.

If a person or body has the benefit of a rebate of rates and the grounds on which the rebate has been granted cease to exist, the person or body must immediately inform the Council of that fact and (whether or not the Council is so informed) the entitlement to a rebate ceases. If a person or body fails to do so that person or body is guilty of an offence.

The maximum penalty for this offence is \$5,000.

(7) Delegation

The Council has delegated its power, pursuant to Section 44 of the Act, to grant applications for mandatory rebates that meet the requirements of the Act, to the Chief Executive Officer.

The Council has delegated its power, pursuant to Section 44 of the Act to determine applications and to grant a discretionary rebate of rates, to the Chief Executive Officer subject to the following condition:

- Where the discretionary rebate is not more than \$5,000.

(8) Review of Rebate

A person or a body aggrieved by a determination of the Council in respect of an application for a rebate may, within 14 days of the date of the notice of determination, seek a review of that decision in accordance with the Council's Internal Review of Council Decisions Policy.

(9) Community Grants

If an application for a rebate is unsuccessful, the Council has an absolute discretion to then treat the application as one for a community grant and to determine it in accordance with the Council's Community Grant's Policy.

(10) Availability of Policy Documents

Policy documents are available for inspection at the Council offices and on the website at www.marion.sa.gov.au. Persons may obtain a copy of any Policy document upon payment of the fee set by the Council.

DISCLAIMER

A rate cannot be challenged on the basis of non-compliance with this Policy and must be paid in accordance with the required payment provisions.

Where a ratepayer believes that the Council has failed to properly apply this Policy he/she/it should raise the matter with the Council. In the first instance contact the Council's Team Leader – Rating Services on 8375 6617 to discuss the matter. If, after this initial contact, a ratepayer is still dissatisfied they should write to the Chief Executive Officer, City of Marion, PO Box 21, Oaklands Park, SA 5046.

Annexure 1

1. Valuation Methodology and Adoption

Under the Act, the Council may adopt one of three valuation methodologies to value the properties in its area. They are:

- Capital Value – the value of the land and all of the improvements on the land.
- Site Value – the value of the land and any improvements which permanently affect the amenity of use of the land, such as drainage works, but excluding the value of buildings and other improvements.
- Annual Value – a valuation of the rental potential of the property

The Council considers that the Capital Value method of valuing land provides the fairest method of distributing the rate burden across all ratepayers on the following basis:

- The equity principle of taxation requires that ratepayers of similar wealth pay similar taxes and ratepayers of greater wealth pay more tax than ratepayers of lesser wealth;
- Property value is a relatively good indicator of wealth and capital value, which closely approximates the market value of a property, provides the best indicator of overall property value;
- The distribution of property values throughout the Council area is such that few residential ratepayers will pay significantly more than the average rate per property.

Any ratepayer dissatisfied with the valuation made by the Valuer-General may object in writing to the Valuer-General, served personally or by post, within 60 days of receiving a rate notice, explaining the basis for the objection. This is provided that ratepayer has not:

- (a) previously received a notice of this valuation under the Act, in which case the objection period is 60 days from the receipt of the first notice; or
- (b) previously raised an objection to that valuation.

The 60 day objection period may be extended by the Valuer-General where it can be shown there is reasonable cause to do so.

It is important to note that the lodgement of an objection does not change the due date for payment of rates.

2. Differential General Rates

All land within a council area, except for land specifically exempt (e.g. crown land, council occupied land and other land prescribed under the Act – refer to Section 147), is rateable. The Act provides for a council to raise revenue for the broad purposes of the council through the imposition of a single general rate or through differential general rates that apply to all rateable properties within the council area.

Following a review of rating options available under the Act during the 2002/2003 financial year, the Council consulted extensively with the community on this issue and concluded that a differential rating system would improve the equity in rate distribution across the community. The review included a comparison of rating methods and rates by land use within the Adelaide metropolitan area.

Differential general rates are based on Land Use as determined in the Local Government (General) Regulations 2013 under the Act. If a ratepayer believes that a particular property has been wrongly classified by the Council as to its land use, then they may object (to the Council) to that land use within 60 days of being notified. A ratepayer may discuss the matter with a Rates Officer, on 8375 6600 in the first instance. The Council will provide, on request, a copy of Section 156 of the Act which sets out the rights and obligations of ratepayers in respect of objections to a land use.

An objection to the land use:

- must be in writing
- must set out-
 - the grounds of the objection; and
 - the land use (being a land use being used by the Council as a differentiating factor) that should, in the objector's opinion, have been attributed to the land; and
- must be made within 60 days after the objector receives notice of the particular land use to which the objection relates.
- this 60 day objection period may be extended where it can be shown there is reasonable cause to do so.

The Council may then decide the objection as it sees fit and notify the ratepayer. A ratepayer also has the right to appeal against the Council's decision to the Land and Valuation Court. It is important to note that the lodgement of an objection does not change the due date for payment of rates.

3. Minimum Rate

The reasons for imposing a minimum amount payable by way of general rates are:

- The Council considers it appropriate that all rateable properties make a contribution to the cost of administering the Council's activities;
- The Council considers it appropriate that all rateable properties make a contribution to the cost of creating and maintaining the physical infrastructure that supports each property.

No more than 35% of properties will be subject to the minimum amount.

4. Natural Resource Management Levy

It is important to note that Council is required to collect this levy under the Natural Resource Management Act 2004 and operates as a revenue collector for the Natural Resources Management Board in this regard. It does not retain this revenue or determine how the revenue is spent.

For further information contact the board by phone 8273 9100 , email reception@adelaide.nrm.sa.gov.au

5. Late Payment of Rates

Under the Act, the Council applies penalties (fines and interest) to arrears of rates (i.e rates which are not paid on or before the due date). The Council issues a final notice for payment of rates when rates are overdue i.e. unpaid by the due date. If rates remain unpaid more than 21 days after the issue of the final notice then the Council may refer the debt to a debt collection agency for collection. The debt collection agency may charge collection fees to the ratepayer.

The Council has adopted a policy to assist ratepayers experiencing difficulty in making their rate payment by the due date. The Council will consider approving extended payment provisions or, in circumstances where hardship can be demonstrated, deferring the payment of rates.

The Council may be prepared to remit penalties for late payment of rates where ratepayers can demonstrate hardship or sufficient other reason for late payment.

All applications for remissions must be in writing, addressed to: Rating Services Section, City of Marion, PO Box 21, Oaklands Park, SA 5046.

6. Discretionary Rebate

The Act requires the Council to rebate the rates payable on certain land ('mandatory rebates'). The Act, at section 166, also empowers the Council to grant discretionary rebates of rates of up to 100% of the rates and/or charges payable. The Council, in considering discretionary rebates, must balance the benefits of providing rebates, with the impact that such rebates have on its overall income (and hence upon the general ratepayer base). To promote the transparency of this process the Council has adopted a Rate Rebate Policy. A copy of this Policy is available at the Council offices or on Council's website at www.marion.sa.gov.au.

7. Postponement of Rates – (Seniors)

The following criteria must be satisfied before the postponement is granted.

- The person is a prescribed ratepayer, or the spouse of a prescribed ratepayer;
- A prescribed ratepayer means the holder of a current State Seniors Card or a person eligible to hold such a card who has applied but is yet to be issued with a card.
- Rates are payable on the principal place of residence.
- The land is owned by the prescribed ratepayer, or the prescribed ratepayer and his or her spouse, and no other person has an interest, as owner, in the land.
- Any current mortgage over the property which was registered prior to 25 January 2007 will be no more than 50% of the Valuer-General's capital value of the property.

An application must be made in the prescribed manner and form and be accompanied by such information as the Council may require. Any rates which are postponed will become due and payable when:

- the title to the land is transferred to another person; or
- there is failure to comply with a condition of postponement.

A minimum amount of \$500 of the annual rates must be paid.

An entitlement to a remission will be applied to the proportion of the rates that has not been postponed, unless notice to the contrary is received in writing from the owner.

Interest will accrue on the amount postponed at the prescribed rate per month, under the Act until the amount is paid.

Should the entitlement to a postponement cease to exist, the owner of the land must inform the Council in writing, unless the rates and any interest have been paid in full.

Appendix 9. Treasury Management Policy

POLICY STATEMENT:

INTRODUCTION

This policy provides clear direction to the management, staff and Council in relation to the treasury function. It underpins Council's decision-making regarding the financing of its operations as documented in its annual budget, long-term financial plan, projected and actual cash flow receipts and outlays.

Council is committed to adopting and maintaining a long-term financial plan and operating in a financially sustainable manner.

POLICY OBJECTIVES

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

- funds are available as required to support approved outlays;
- interest rate and other risks (e.g. liquidity and investment credit risks) are acknowledged and responsibly managed;
- the net interest costs associated with borrowing and investing are reasonably likely to be minimised on average over the longer term

OTHER RELATED POLICIES

Reserve Funds Policy

DEFINITIONS

Financial Assets include cash, investments, receivables and prepayments. Equity held in a Council business is normally regarded as a financial asset but is excluded for the purpose of calculating Local Government published financial indicators. Also, inventories and land held for resale are not regarded as financial assets.

Financial Sustainability is achieved where planned long-term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services.

Net Financial Liabilities equals total liabilities less financial assets, where financial assets for this purpose include cash, investments, receivables and prepayments, but excludes equity held in a Council business, inventories and land held for resale.

Interest Cover Ratio indicates the extent to which a Council's operating revenues are committed to interest expenses.

Net Financial Liabilities Ratio indicates the extent to which net financial liabilities of a Council could be met by its operating revenue.

Non-financial or Physical Assets means infrastructure, land, buildings, plant, equipment, furniture, and fittings, library books and inventories.

Operating Revenues are “operating revenues” as shown in the Income Statement but exclude profit on disposal of non-financial assets and grants and contributions received specifically for new/upgraded infrastructure and other assets, e.g. from a developer. For Local Government published financial indicators calculated where the denominator specified is total operating revenue, Natural Resource Management (NRM) levy revenue is excluded. For the purpose of calculating the **Interest Cover Ratio** investment income also is excluded from the denominator.

Rates Revenue is general and other rates net of the impact of rate rebates and revenue from the NRM levy.

PRINCIPLES

Treasury Management Strategy

Council’s operating and capital expenditure decisions are made on the basis of:

- identified community need and benefit relative to other expenditure options;
- cost effectiveness of the proposed means of service delivery; and,
- affordability of proposals having regard to Council’s long-term financial sustainability (including consideration of the cost of capital and the impact of the proposal on Council’s Net Financial Liabilities and Interest Cover ratios)

Council manages its finances holistically in accordance with its overall financial sustainability strategies and targets. This means Council will:

- maintain target ranges for both its Net Financial Liabilities and Interest Cover ratios;

Net Financial Liabilities ratio: Between 0 - 50%

Interest Cover ratio: Between 0 - 5%

- borrow funds in accordance with the requirements set out in its Long-Term Financial Plan;
- not utilise borrowings to finance operating activities or recurrent expenditure;
- endeavour to fund all capital renewal projects from operating cash flow and borrow only for new/upgrade capital projects, having regard to sound financial management principles and giving consideration to inter-generational equity for the funding of long term infrastructure projects;
- not retain and quarantine money for particular future purposes unless required by legislation or contractual agreement with other parties (related policy : Reserve Funds Policy);

- apply any funds that are not immediately required to meet approved expenditure (including funds that are required to be expended for specific purposes but are not required to be kept in separate bank accounts) to reduce its level of borrowings or to defer and/or reduce the level of new borrowings that would otherwise be required.

Borrowings

All borrowings will be subject to Council approval on the recommendation of the Director responsible for Financial Services.

To ensure an adequate mix of interest rate exposures, Council will structure its portfolio of borrowings to ensure an optimal Treasury Management position, taking into account all borrowing options including fixed and variable terms. In order to spread its exposure to interest rate movements, Council will aim to have a variety of maturity dates on its fixed interest rate borrowings over the available maturity spectrum.

Council will establish, and make extensive use of, a *long-term variable interest rate borrowing facility / LGFA's Cash Advance Debenture facility* that requires interest payments only and that enables any amount of principal to be repaid or redrawn at call. The redraw facility will provide Council with access to liquidity when needed.

Investments

Council funds that are not immediately required for operational needs and cannot be applied to either reduce existing borrowings or avoid the raising of new borrowings will be invested. The balance of funds held in any operating bank account that does not provide investment returns at least consistent with 'at call' market rates shall be kept at a level that is no greater than is required to meet immediate working capital requirements.

Council funds available for investment will be lodged 'at call' or, having regard to differences in interest rates for fixed term investments of varying maturity dates, may be invested for a fixed term. In the case of fixed term investments the term should not exceed a point in time where the funds could otherwise be applied to cost-effectively defer the need to raise a new borrowing or reduce the level of Council's variable interest rate borrowing facility.

When investing funds Council will select the investment type which delivers the best value, having regard to investment returns, transaction costs and other relevant and objectively quantifiable factors.

Investments fixed for a period greater than 12 months are to be approved by Council.

Council may from time to time invest surplus funds in:

- deposits with the Local Government Finance Authority;
- bank interest bearing deposits;
- bank accepted/endorsed bank bills;
- bank negotiable Certificate of Deposits;
- State/Commonwealth Government Bonds.

Investment of surplus funds outside of the above investment choices must be reported to Council for approval.

Examples of specific investment activities Council would not participate in include shares in private/public companies, listed or unlisted property trusts and derivatives.

Reporting

In accordance with Section 140 of the Local Government Act, a report will be presented to Council annually which will summarise the performance of the investment portfolio.

RELEVANT LEGISLATION

For Borrowings

- Local Government Act, 1999
 - Section 44/Section 122/Section 134
- Regulations 5 and 5B of the Financial Management Regulations under the Act

The main legislative provisions in the Local Government Act covering borrowings are:

- *Section 44 – a Council must approve all borrowings and the legislation clearly states that the power to borrow cannot be delegated (for simplicity many Councils appropriately just have all proposed borrowings for the year approved at the time the annual budget is adopted)*
- *Section 22 – a Council's strategic managements plans must include an assessment a Council's proposals with respect to debt levels*
- *Section 134 – empowers a Council to borrow and requires a Council to consider expert advice before entering into financial arrangements for the purpose of managing, hedging or protecting against interest rate movements and other risks associated with borrowing money*
- *Regulations 5 and 7 of the Financial Managements Regulations under the Act – require the preparation of Cash Flow Statements (including financing transactions) covering Councils' Long-term Financial Plans and Budgets*

For Investments

- Local Government Act, 1999
 - Section 47/Section 139/Section 140

The main Local Government Act provisions covering investments are:-

- *Section 47 – prohibits a Council from directly acquiring shares in a company*
- *Section 139 – empowers a Council to invest and requires that the power of investment be exercised with the care, diligence and skill that a prudent person of business would exercise in managing the affairs of other persons. Section 139 also requires Council to avoid investments that are speculative or hazardous in nature*
- *Section 140 – requires that a Council review the performance of its investments at least annually*

Appendix 10. 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 of assets in order to deliver asset related services and programs. The strategic management framework sets

out the process to determine the life cycle cost and funding requirements of each service 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.
8. Asset disposal will occur following a transparent process, aligned with all legislative requirements.
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).

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 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 Plan and Budgeting process to ensure Council considers potential funding of prioritised initiatives as part of the setting of the budget.
- These actions are not reflected in the Asset Management Plans or Long Term Financial Plan until Council has made a decision to implement the action.

Appendix 11. Fees and Charges Policy

POLICY STATEMENT:

Council will adopt a Fees and Charges Schedule on an annual basis separated between Statutory and User Charges. Where Council's Fees and Charges are not of a statutory nature, Council will apply the principle of user pays and where possible recover the full cost of operating or providing the service or goods. Where it can be demonstrated that members of the community are unable to meet the full cost, concessions may apply.

DEFINITIONS:

Statutory Charges - fees from regulatory services. They are associated with the granting of a permit/license or the regulation of an activity

User Fees/Charges - revenues from the sale of goods and services or rent of property facilities. They are discretionary charges for which the payer receives a direct benefit.

PRINCIPLES:

The Fees and Charges Schedule details the user charges to be set by Council and the current statutory charges set by the State Government in regulations.

User Charges set by Council includes:

- Swimming Pool Fees
- Land Clearing Fees
- Library Service Fees
- Halls/Community Centre Hire Fees
- Recreational Fees

Statutory Charges set by State Government in regulations includes:

- Animal Registration Fees
- Parking Infringements
- By Laws
- Development Assessment Fees

The statutory fees and charges listed may be amended at any time during the financial year. The Fees and Charges Schedule will be updated as statutory charges are amended.

Concessions can be applied for by members of the community in relation to User Charges. These applications are required to be in writing on the basis that it can be demonstrated that due to financial hardship they are unable to meet the full cost. Council will consider applications for concessions on a case by case basis.

The relevant work areas and community groups have been consulted in relation to the proposed fees and charges and the following factors have been examined when determining the proposed fees:

- the cost of providing the service, inclusive of overhead costs
- the importance of the service to the community
- market comparison of fees and pricing structures with other enterprises who offer a similar service
- the level of service/facility provided by the City of Marion
- increase in statutory charges set by regulation

Appendix 12. Reserve Funds Policy

POLICY STATEMENT:

Council will maintain Accounting Reserves as a means by which to separate monies for a particular purpose.

DEFINITIONS:

Reserve - any part of the accumulated surplus of Council or controlling authority set aside for a particular purpose.

PRINCIPLES:

Council has established the following reserves:

Asset Revaluation Reserve

Purpose - this is a statutory reserve fund required under Australian Accounting Standards. The balance of this reserve represents net increments associated with the revaluation of non-current assets.

Open Space Reserve

Purpose - this reserve has been established to account for the following:

- I. set aside open space contributions provided by developers in accordance with the Development Act (conditions may apply)
- II. separate net proceeds associated with Road Closures.
- III. net proceeds associated with disposal of minor land holdings
- IV. funds received from the 'Urban Trees Fund'

Use of Fund - monies can be applied to the development of Open Space facilities as approved by Council and in accordance with the Open Space Policy (pending). Interest revenues earned on contributions provided by developers are transferred to the Fund.

Grants/Carry Forward Projects Reserve

Purpose - this reserve was created to account for:

Grants received in advance - occasionally a funding body has provided Grant funds relating to the following financial year in advance. When this has occurred it has been necessary to transfer these funds to this reserve so that they can be matched against the expenditures planned to be incurred in the next financial year.

Unexpended Grants - when grant monies have not been fully acquitted in the financial year this reserve is used to transfer the unexpended balance to the following financial year.

Carryovers - typically represent unspent capital and service improvement budgets carried forward to the following financial year.

Use of Fund - monies are utilised in accordance with the initial transfer of funds

Asset Sustainability Reserve

Purpose - this is a reserve fund established to:

- I. Primary Purpose – Provide Council with the ability to access sufficient funds to enable it to respond to a major infrastructure failure or fund an infrastructure gap identified in periodic asset audits. A minimum balance of \$2 million will be retained in the Asset Sustainability Reserve for this purpose.
- II. Assist Council fund its Long Term Asset Management objectives.
- III. Provide a means by which to spread the cost of intergenerational assets thereby reducing the need for borrowings.
- IV. Provide a means by which Council can strategically plan to maintain its asset base within a long term Financial framework.
- V. Quarantine funds specifically set aside in the Community Facilities Partnership Program (CFPP) for the purpose of funding the renewal, upgrade and purchase of Council assets as resolved by Council. This will include encouraging organisations leasing council facilities to seek partnership funding for required renewal and upgrade of those community facilities.

The Asset Sustainability Reserve is underpinned by Council's Annual Savings Initiative that was established in June 2003 with the objective of identifying annual budget savings. Initially the target was set at \$1 million per annum over a 3 year period. As of 27 June 2006 this target was revised to 2% per annum of operating expenditures from original adopted budget. This resolution came as a result of a number of discussions that raised the need for Council to have increased flexibility in setting the annual budget to more effectively respond to the changing needs of the people of Marion.

Identified savings are allocated providing a balance between funding new prioritised service improvements identified in the Strategic Plan and addressing Council's financial position.

- I. Savings identified during a financial year are forecasts only and therefore will be held for consideration by Council in the 1st Budget Review in the following year.
- II. Savings will be separated between recurrent (ongoing) and once off savings. This process is designed to develop a high level of trust in the organisation in the budget review process.
- III. Savings of a:
 - a. recurrent nature may be allocated to service improvements identified in the Strategic Plan that are of a recurrent nature.
 - b. one-off nature may be applied to capital items, new or renewal, or a non recurrent service improvement (once off).
- IV. Council must ensure that it continues the improvement in its financial performance. It is essential that the Annual Savings Initiative focuses on achieving that objective. In relation to the long term financial plan the Annual Savings Initiative will focus on four areas:
 - a. Increase expenditure on Infrastructure/Asset replacement/renewal sustainability
 - b. Reduce proposed borrowing program - debt servicing ratio improves
 - c. Retain savings to improve liquidity (cash) - working capital improves
 - d. Reduce reliance on rate revenue to achieve community objectives

The Asset Sustainability Reserve will be funded from planned surpluses identified in the Long Term Financial Plan (LTFP) and from funds specifically set aside for the CFPP in the LTFP.

The Asset Sustainability Reserve will benefit Council by enabling the allocation of funds for future capital expenditure for the purpose of funding major infrastructure failures, replacing, renewing and procuring significant assets, [as well as utilising funds in accordance with the CFPP eligibility criteria](#). This will assist in minimising the impact on rates and/or debt levels.

Use of Fund - Reserve transfers will be controlled by specific Council resolutions or identified as part of the approved annual Strategic Plan and Budget.

Appendix 13. Asset Accounting Policy

POLICY STATEMENT:

Assets shall be recognised and accounted for in accordance with Australian Accounting Standards and the details contained in this policy.

DEFINITIONS:

Fair value - is the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

Materiality - in relation to information, that information which if omitted, misstated or not disclosed has the potential to adversely affect decisions about the allocation of scarce resources made by users of the financial report or the discharge of accountability by the management or governing body of the entity.

Consideration - in the context of this policy, shall be recognised in "monetary terms" e.g. purchase cost.

PRINCIPLES:

Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including architects' fees and engineering design fees and all other costs incurred in getting the assets ready for use.

Capitalisation

Assets should have a useful life of greater than one year in order for the expenditure to be capitalised and have a value above the Materiality Thresholds described below.

Any expenditure considered to be Capital must also pass a materiality test. Materiality levels are set so as not to misstate financial statements and to provide a guide whether it is practical from an Administrative perspective that expenditure is capitalised.

Materiality Levels are;

Infrastructure	\$5,000
Land	\$5,000
Buildings	\$5,000
Furniture & Fittings	\$3,000
Equipment	\$3,000
Other	\$3,000

Networked/Aggregate Assets - Expenditure can still be capitalised on items that fall below materiality thresholds individually but operate together as a cohesive whole to form a substantial/significant total value. Examples include the computer network, library books, and reserve furniture.

Maintenance or Capital Expenditure

Maintenance

Expenditure on a non-current asset that does not meet capitalisation criteria is considered maintenance expenditure and must be expensed as incurred. In general, maintenance expenditure will allow the asset to realise its expected service levels and estimated life.

Capital

Capital expenditure can relate to new or existing assets. Capital expenditure shall be recognised (taken into consideration materiality levels) where:

- Expenditure results in an effective increase in future economic benefits
- Expenditure results in an increase in the quality of services provided by the asset beyond that previously determined; or
- Expenditure results in an effective extension to the asset's useful life.

Asset Stocktake

A stocktake of current Inventory items will be conducted at least annually.

Revaluations of Non-current Assets

Infrastructure assets and library stock are revalued annually. Land, Buildings and Other assets are revalued with sufficient regularity to ensure the carrying amount does not differ materially from the fair value that would otherwise be determined at the reporting date.

Plant, Equipment, Furniture and Fittings are recognised at cost less accumulated depreciation and any accumulated impairment and are not subject to revaluation.

Non-monetary assets received without charge are recognised as assets and revenues at their fair value at the date of receipt, except for land under roads. Land under roads and trees are not recognised because there is currently no reliable method of valuation.

Depreciation of Non-current Assets

All non-current assets having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of the economic benefits provided by those assets. Land is not a depreciable asset. The Depreciation method applied shall be the straight-line basis, except for infrastructure assets where the "Advanced Straight Line Asset Management" consumption based depreciation methodology is employed. Depreciation rates shall be reviewed each year.

Appendix 14. Budget Policy

POLICY STATEMENT:

INTRODUCTION:

The City of Marion's Strategic Management Framework provides the strategic direction for the development of the Long Term Financial Plan (LTFP) and Annual Business Plan & Budget (ABP&B). Continually improving the integration between Marion's Strategic Plan, LTFP and ABP&B processes ensures Council develops and implements a robust and transparent system of financial management aligned to Marion's Strategic Plan and aimed at establishing, maintaining and assessing long term financial sustainability.

POLICY OBJECTIVES:

To develop and produce robust, flexible and leading practice long-term (LTFP) and short-term (ABP&B) financial plans that are directly aligned to Council's Strategic Plan, which:-

- establish clear lines of accountability;
- include the use and assessment of appropriate Key Performance Indicators as a performance measurement tool;
- enable regular monitoring, assessment and reporting of financial performance in all Work Areas across Council;
- provide a strong basis for sound decision making;
- facilitates Council's long term financial sustainability.

COMPLIANCE - LEGISLATIVE REQUIREMENTS:

On an annual basis Council is required to:-

1. Prepare and adopt a Long Term Financial Plan for a period of at least 10 years - LG Act 1999 s122 (1a)
2. Prepare an Annual Business Plan - LG Act 1999 s123 (1a)
3. Prepare a Budget - LG Act 1999 s123 (1b)
4. Prepare and consider three Budget Reviews – LG (Financial Management) Regulations 2011 s9

DEFINITIONS:

Long Term Financial Plan (LTFP) – financial planning to accomplish long term goals. Enables Council to plan for the long term financial sustainability and deliver the Strategic Plan of the organisation. It translates the objectives and strategies of the Strategic Plan into financial terms.

Budget – is a financial document used to project future income and expenses and represents the first year in the LTFP. A budget is a management tool that enables the effective ongoing management and monitoring of income and expenses (financial performance). It translates the objectives and strategies of the Annual Business Plan into financial terms.

Budget Review – is a revised forecast of the original budget or previous budget review and requires the preparation of revised Financial Statements and associated Financial Ratios.

Budget Carryovers - represent unspent capital and service improvement budgets, together with unspent grant funds that are carried forward to the following financial year.

PRINCIPLES:

Framework and Assumptions

The LTFP and Annual Business Plan & Budget (ABP&B) are prepared under a single framework that is reviewed annually and which links to the key objectives of Council's Strategic plan. The framework details the specific parameters under which the LTFP and ABP&B are set. In addition a number of assumptions and variables underpin the construction of the LTFP and Annual Budget (AB).

LTFP linked to Asset Management Plans (AMP)

The LTFP is linked to Council's established AMPs thereby identifying funding requirements and assessing the adequacy of existing funding capacity within the LTFP.

Financial Modeling and Scenarios

In preparing the LTFP and AB various financial modeling is to be conducted, including, but not limited to, a variety of:-

- Rating scenarios
- Borrowing options
- Savings targets

In addition appropriate consideration needs to be given to prevailing economic conditions nationally and on a global basis, and the potential impact that these conditions may have on the local community.

Budgeting Approach

"Zero Based" budgeting is to be employed when preparing budgets:-

- Budgets are built around what is actually needed for the upcoming budget period, regardless of the previous budget and must be based on reality.
- Sound, logical assumptions are to be used and documented to support budget items wherever required.
- All expense and revenue lines must be fully justified for each new budget period.
- Budgets are to be reviewed line by line and at transaction level, analysing each line item for its relevant needs and costs.
- Any proposed expenditure increases must be fully justified and appropriately approved by the relevant Director and Executive Management Group, prior to presentation to Council.
- In regards to Fees & Charges Council will apply the principle of user pays and where possible recover the full cost of operating or providing the service or goods. Where it can be demonstrated that members of the community are unable to meet the full cost, concessions may apply.
- General contingencies are to be eliminated.
- Where necessary budgets for major projects can include contingencies to reflect cost uncertainties, however any contingencies are to be separately identified and reported.

- Consideration should be given to:
 - Current year and prior year actual results;
 - Once-off events not to be repeated;
 - New events not previously encountered;
 - New information and data now available.

Budget Objectives

1. Maintain a financial position at an average of Category 3 (moderate level of comfort with an Operating Profit range of 0 – 5% of rates revenue), over any five consecutive years.
2. Achievement of a breakeven Funding position or better.

Budget Carryovers

Budget Carryovers should be avoided wherever possible, but where necessary (for example “Work In Progress”) are limited to unspent:-

- capital budgets;
- service improvement budgets;
- grant funds and grants received in advance.

Carryovers do **not** include normal operating expenditures and Labour and Internal Charges (eg. Plant Hire) cannot be carried over under any circumstances.

Budget Reviews

Budget Reviews are required to be conducted 3 times per financial year and this will typically be at the end of September, December and March.

A Budget Review is a reforecast of the full year budget and:-

- Is an assessment of the YTD actual result plus a reforecast of the budget for the remainder of the financial year;
- Should include a thorough and rigorous review of every budget line item (income, expense and capital);
- Should identify any savings opportunities (once-off and recurrent).

Budget Approval

The Corporate Management Group is responsible for the review and approval of all budgets within their Departmental/Work Area responsibility, as well presenting their finalised budgets to their Director for clearance and final approval.

Appendix 15. Glossary

Asset Consumption Ratio

The Asset Consumption Ratio highlights the potential service level remaining in Council's assets. The ratio is calculated by measuring the written down value of the assets against their replacement cost. If the Asset Consumption Ratio is high, this indicates that Council's assets are in relatively good condition - that is they are either relatively new or have been maintained in good condition. If the Asset Consumption Ratio is low, this indicates that Council's assets are in relatively poor condition - that is assets have not been renewed at a time when renewal was expected to occur.

Asset Sustainability Ratio

Asset Sustainability Ratio indicates whether the Council is renewing or replacing existing non-financial assets at the same rate as its assets are used or 'consumed'. The ratio is calculated by measuring capital expenditure on renewal and replacement of assets relative to the level of depreciation. Where a Council has a soundly based Infrastructure and Asset Management Plan, a more meaningful asset sustainability ratio would be calculated by measuring the actual level of capital expenditure on renewal and replacement of assets (or proposed in the Budget) with the optimal level identified in the Plan.

Directions

The Directions provide more detail to the Themes in Council's Strategic Plan, providing key areas of focus to achieve the Community Vision for 2020.

Financial Assets

Financial Assets include cash, investments, loans to community groups, receivables and prepayments, but excludes equity held in Council businesses, inventories and land held for resale.

Financial Sustainability

Financial Sustainability is where planned long-term service and infrastructure levels and standards are met without unplanned and disruptive increases in rates or cuts to services.

Key Objectives

A high level expression of what Council seeks to achieve on an annual basis, the key objectives guide Council's activities in the coming year. They can be seen as steps towards achievement of the long-term Vision.

Local Government Price Index (LGPI)

The LGPI is a reliable and independent measure of the inflationary effect on price changes in the South Australian Local Government sector. It is prepared and updated on a quarterly basis by the South Australian Centre for Economic Studies. The index is similar in nature to the Consumer Price Index (CPI), however represents the movements of prices associated with the goods and services consumed by local government in South Australia as opposed to the basket of goods and services consumed by the 'average metropolitan household'. Unlike the CPI however, the LGPI is not an "official" ABS publication.

Net Financial Liabilities

Net Financial Liabilities equals total liabilities less financial assets, where financial assets for this purpose includes cash, investments, loans to community groups, receivables and prepayments, but excludes equity held in Council businesses, inventories and land held for resale.

Net Financial Liabilities Ratio

Net Financial Liabilities Ratio expresses Net Financial Liabilities as a percentage of total operating revenue. The ratio allows interested parties to readily equate the outstanding level of the Council's accumulated financial obligations against the level of one-year's operating revenue. Where the ratio reduces over time, it generally indicates that the Council's capacity to meet its financial obligations is strengthening.

Net Lending/ (Borrowing)

Net Lending/ (Borrowing) equals Operating Surplus / (Deficit), less net outlays on non-financial assets. The Net Lending / (Borrowing) result is a measure of the Council's overall (i.e. Operating and Capital) budget on an accrual basis. Achieving a zero result on the Net Lending / (Borrowing) measure in any one year essentially means that the Council has met all of its expenditure (both operating and capital) from the current year's revenues.

Non-financial or Physical Assets

Non-financial or Physical Assets refer to infrastructure, land, buildings, plant, equipment, furniture and fittings, library books and inventories.

Operating Deficit

Operating Deficit is where operating revenues are less than operating expenses (i.e. operating revenue is therefore not sufficient to cover all operating expenses).

Operating Expenses

Operating Expenses are expenses shown in the Income Statement, including depreciation, but excluding losses on disposal or revaluation of non-financial assets.

Operating Revenues

Operating Revenues are incomes shown in the Income Statement, but exclude profit on disposal of non-financial assets and amounts received specifically for new/upgraded assets (e.g. from a developer). For ratios calculated where the denominator specified is total operating revenue or rate revenue, Natural Resource Management (NRM) levy revenue is excluded.

Operating Surplus

Operating Surplus is where operating revenues are greater than operating expenses (i.e. operating revenue is therefore sufficient to cover all operating expenses).

Themes

Council's fundamental goals for the year 2020, expressed in its Strategic Plan.

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CITY OF MARION
LONG TERM FINANCIAL PLAN

APPENDIX 2

Summarised Budgeted Funding Statement

		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	81,221	83,275	86,243	89,316	92,503	95,807	99,231	102,780	106,461	110,277
<i>Less</i>	Operating Expenses	72,636	75,120	76,995	79,779	81,515	83,354	85,296	87,909	89,506	91,568
	Operating Surplus/(Deficit) before Capital Revenues	8,585	8,155	9,248	9,537	10,988	12,453	13,935	14,871	16,955	18,709
Capital											
<i>Add</i>	Depreciation	13,821	14,374	14,949	15,546	16,168	16,815	17,488	18,189	18,917	19,674
<i>Less</i>	Capital Expenditure (Net of Capital Revenues)	19,861	18,895	17,599	18,334	19,934	21,286	21,536	24,536	23,476	22,301
<i>Equals</i>	Net Overall funding Surplus/(Deficit)	2,545	3,634	6,598	6,749	7,222	7,982	9,887	8,524	12,396	16,082
Funding transactions associated with accommodating the above net overall funding deficit (or applying the net overall funding surplus) are as follows:											
	Loans - Increase/(Decrease)	3,074	1,121	(2,076)	(2,029)	(2,151)	(2,281)	(1,922)	(2,033)	(2,152)	(1,601)
<i>Less</i>	Reserves Transfer from/(Transfer to)	(5,619)	(1,828)	(2,070)	(2,613)	(3,458)	(3,564)	(3,673)	(3,785)	(3,901)	(4,000)
<i>Less</i>	Funding Surplus / (Deficit)	-	2,927	2,452	2,107	1,613	2,137	4,292	2,706	6,343	10,481
<i>Equals</i>	Funding Transactions	(2,545)	(3,634)	(6,598)	(6,749)	(7,222)	(7,982)	(9,887)	(8,524)	(12,396)	(16,082)
Closing Cash Balance		18,421	23,176	27,697	32,418	37,490	43,192	51,157	57,648	67,892	82,372

Note that the closing cash balance includes funding of \$35.1m quarantined for the Community Facilities Partnership Program and transferred to the Asset Sustainability Reserve as per Council Resolution GC120515M04.

**CITY OF MARION
AUDIT COMMITTEE MEETING
15 JUNE 2015**

Originating Officer: John Silverblade, Manager Strategic Assets
Director: Heather Montgomerie, Director
Subject: Asset Management Plan
Report Reference: AC150615R7.3

REPORT OBJECTIVES:

The City Of Marion's Asset Management Plan (AMP) has been drafted in preparation for public consultation. The plan covers transport infrastructure (roads, footpaths, kerbing, bridges, signage and traffic control devices), open space, buildings, drainage and coastal walking trail assets.

The AMP provides information on Council's asset needs over the life of the 10 year Long Term Financial Plan (LTFP) with financial projections extending over 20 years. This will allow Council to make informed decisions and adjustments to strategy to meet its long term asset aspirations.

EXECUTIVE SUMMARY:

The key objective of the AMP is to inform Council's long term investment in its assets and align forecast expenditure in the LTFP with projected asset maintenance and renewal requirements.

The AMP has been prepared in accordance with Council's Asset Management Policy adopted in August 2014 (GC120814R04), which places priority on maintenance before renewal, and renewal of assets before acquisition of new or upgrade of existing assets where it is cost effective to do so. Any acquisitions or upgrades will need to be prioritised by Council prior to their inclusion in future iterations of the AMP, having regard to whole of life costs.

The AMP has been prepared on the basis of the proposed 2015/16 Draft LTFP (refer AC150615R7.2 of this agenda) taking into account all existing information available, and with action plans being developed for improved asset management and asset planning (including data and systems improvement). New or upgrade works have not been included in this AMP unless there is a specific Council resolution or legislative requirement to do so (eg new stormwater works arising from adoption of Council's Stormwater Management Plans, new signage and DDA building works).

Council is required to develop and adopt an infrastructure and asset management plan in accordance with section 122(1a)(b) of the *Local Government Act 1999* (the Act), which is taken to form part of Council's strategic management plans. As such, Council is required to undertake a period of consultation of up to four weeks is proposed which is recognised as a reasonable period of time for consultation. Although this AMP is a 'baseline' plan to maintain and renew existing assets at current service levels, any feedback received will inform future iterations which will seek to ensure community expectations are translated into appropriate service levels.

RECOMMENDATIONS (2):**DUE DATES****That the Audit Committee:****15 June 2015****1. Note the report; and****2. Recommend the Asset Management Plan to Council for community consultation. 15 June 2015****DISCUSSION:**

Audit Committee considered a report on 14 April 2015 (AC140415R6.3) which provided a progress report on development of AMPs. Since then, all assets have been consolidated into a single plan that draws data from a series of background papers. At the time the progress report was prepared a number of the plans had different 'commencement dates', however all asset types have now been brought up to date, with the plan commencing in 2015/16 and as such the forecasts for operations, maintenance and renewals have been updated accordingly.

The AMP focusses on 'built' assets, rather than land, information technology, fleet or fixtures and fittings. While Council does have some vacant land assets, the majority contain buildings, sporting or recreational infrastructure. Council is currently in the process of compiling information on vacant land assets for further consideration. Information technology, fleet and fixtures and fittings are generally considered 'operational' in nature.

Current forecasts for Council to operate, maintain and renew existing assets, minor building renewals and new signage and stormwater works equates to \$216.6 million over the 10 year life of the LTFP, excluding building renewals as building renewal plans have not yet been developed. As noted by Audit Committee on 14 April 2015 (AC140415R6.4), it is proposed that building renewal plans be developed over the coming 2 years. However, given the current consumption of building assets, it would be reasonable to provision \$49 million (equivalent to accumulated depreciation to 30 June 2014) for building renewals, pending the assessment of buildings and development of renewal plans.

As noted on page 4 of the AMP (Appendix 1), it is generally considered unreliable to draw comparisons between annual depreciation figures and sustainable renewal requirements, as infrastructure renewal requirements generally exceed depreciation. The forecast building renewal requirement outlined above is therefore considered conservative (low), and it is expected the accuracy of this figure will be improved considerably through the development of building renewal plans.

However, using the \$93 million figure and based on information presently to hand, the AMP demonstrates a forecast funding shortfall of \$10.2 million over 10 years when compared to forecast asset expenditure in the LTFP, as outlined below:

Draft 2015/16 LTFP Projections for operations, maintenance & renewal	\$231.3 million
Draft 2015/16 LTFP Projections for approved new stormwater works	\$24.1 million
Less Draft AMP forecasts for Operations, Maintenance & Renewal (excluding building renewals) + new stormwater works	(\$216.6 million)
Less proposed provision for Building Renewals	(\$49.0 million)
Projected funding shortfall based on draft 2015/16 LTFP & draft AMP, including provision for building renewals.	(\$10.2 million)

Impacts from asset acquisitions, upgrades, grants, contract unit rates, a downward variation of rates / revenue and development of building renewal plans will impact on available funding and may necessitate review of Council's works and approach to its assets.

Council may choose to manage this shortfall through a range of measures including increasing revenue (rates and/or grant funding), asset disposal, realignment of funding in the LTFP or reducing costs elsewhere.

A previous report to Audit Committee (AC140415R6.4) proposed 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, at its general meeting on the 12 May 2015 (GC120514M04) Council resolved:

1. *The Community facilities funding partnership program eligibility be extended to include funding for the renewal, upgrade and purchase of council assets as decided by council.*
2. *The current goal of encouraging organisations leasing council facilities to seek partnership funding for required renewal and upgrades continue.*
3. *This CFPP funding become a cash reserve starting for all allocations in future budgets within the long term financial plan.*

The effect of this resolution is two-fold, with the potential of reducing available funding for building renewal if Council does not choose to align expenditure to identified building renewal works and - if funds are used for the upgrade and purchase of new assets - the increased whole of life costs associated with those upgrades and renewals will need to be considered and provided for in the AMP and LTFP, potentially creating more significant funding shortfalls.

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

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

As Council is required to undertake a period of consultation for this plan, it is recommended that an 'inform' approach be taken to this AMP as it is effectively a 'baseline' plan to maintain and renew existing assets at current service levels, in accordance with Council's Asset Management Policy. However, any feedback received will be valuable in informing future iterations, which will have a more comprehensive engagement approach and seek to ensure community expectations are translated into appropriate service levels.

In recommending the AMP for consultation, the following points should be noted:

Buildings

- Council's 106 buildings have an estimated 'like for like' renewal value of approximately \$123 million (valuation as at 30 June 2014) with an average annual operating, maintenance and minor renewal spend of \$4.6 million.
- A number of Council's buildings are approaching the later years of their lives and will require renewal, so it is critical that provision for renewal costs be incorporated into asset management planning.

- A key opportunity for improvement in the 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 where a lease exists and maintenance is the responsibility of the leaseholder.

Open Space

- Council's open space assets include playspaces, outdoor furniture, fencing, etc with an estimated 'like for like' renewal value of approximately \$29.3 million (valuation as at 30 June 2014), requiring an average annual operating, maintenance and renewal spend in the order of \$4.8 million.
- Many open space assets are approaching the end of their useful lives, with issues including 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 2015/16 Draft LTFP (or \$43.2 million over the 20 year life of the AMP). These forecasts have now been excluded in line with Council's adopted Asset Management Policy.
- 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

- Council's drainage and stormwater infrastructure has an estimated 'like for like' renewal value of approximately \$206.8 million (valuation as at 30 June 2014), requiring an average operating, maintenance and renewal spend in the order of \$3.35 million.
- Council has adopted stormwater management plans (SMPs) for two of its four catchment areas. 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 and the Stormwater Management Authority, this information has been used in the development of this report.
- Outcomes of the remaining two catchment studies will be incorporated in future iterations of the plan.

Coastal Walking Trail

- The Coastal Walking Trail forms a 7.2 km section between Hallett Cove and Marino.
- Initially a State Government initiative to develop a 70 km linear park along the Adelaide metropolitan coastline from Sellicks Beach to North Haven, maintenance and renewal of sections of the Coastal Walking Trail are now the responsibility of each Council.
- The trail requires an average annual operating, maintenance and minor renewal spend in the order of \$2.234 million over 10 years.
- While the maintenance of the trail is funded within the 10 year LTFP horizon, future renewal costs fall outside the scope of the report and will need to be considered in future iterations of the AMP.

Transport

- Council's transport infrastructure 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 \$565.9 million (valuation as at 30 June 2014), requiring an average annual operating, maintenance and renewal spend in the order of \$8.73 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. This change will be monitored over future years and the

impact on the road network validated by further audits and analysis including specific inspections.

ANALYSIS:

Legal / Legislative and Risk Management

The AMP will meet the requirements of the *Local Government Act 1999* (SA). A section on risk is contained in the AMP, which has been developed in conjunction with Council's risk unit and will be incorporated into future reviews of Council's corporate risk register.

Financial Implications

As outlined above, the AMP identifies a forecast funding shortfall in the order of \$10.2 million based on information presently to hand. Council may choose to address this shortfall through a range of means including increasing revenue (rates and/or grant funding), asset disposal, realignment of funding in the LTFP or reducing costs elsewhere.

Policy Implications

The AMP has been prepared in accordance with Council's Asset Management Policy.

CONCLUSION:

The AMP has been developed to meet the requirements of the *Local Government Act 1999* (SA), for transport infrastructure, buildings, open space, coastal walking trail and drainage assets. The plan supports the Council's forward planning framework.

The AMP has been developed in accordance with Council's Asset Management Policy, with any upgrades or new work not included unless there is a Council resolution to do so. Upgrades or the acquisition of new assets will require prioritisation and endorsement from Council prior to inclusion in future iterations of the AMP.

As this plan forms part of Council's strategic management plans it will be necessary to undertake community consultation prior to its adoption, however it is proposed that an 'inform' consultation approach be taken on this occasion, with feedback informing service standards and future iterations of the AMP.

City of Marion





Transport, Stormwater, Open Space, Buildings and Coastal Walking Trail

Asset Management Plan



Scenario 1 Version 1

May 2015

Document Control	<div><div>IPWEA</div><div>INSTITUTE OF PUBLIC WORKS ENGINEERING AUSTRALIA</div></div> <div></div>				
Document ID: 59.299.120815 nams.plus2 amp template v2					
Rev No	Date	Revision Details	Author	Reviewer	Approver
1	25/5/15	First draft for review	SW (AE)	JS	

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1. EXECUTIVE SUMMARY

Context

Asset management planning is a comprehensive process to ensure delivery of services from infrastructure is provided in a financially sustainable manner. An asset management plan (AMP) details information about infrastructure assets including actions required to provide an agreed level of service in the most cost effective manner. The plan defines the services to be provided, how the services are provided and what funds are required to provide the services.

The AMP incorporates key information drawn from individual Transport, Stormwater, Open Space, Buildings and Coastal Walking Trail Asset Management Plans (background documents) that have recently been developed by Council.

One of the principle aims of this plan is to inform the preparation of Council's Long Term Financial Plan (LTFP). The plan uses the Draft 2015/16 10 year LTFP as its basis but ultimately proposes a realignment of funds between the different infrastructure asset types and between renewal and new / upgrade expenditure.

In the development of the plans it became clear that there was opportunity for reform particularly in the programming of the road reseal / reconstruction program. Following the recent adoption of Council's Asset Management Policy¹, projections of upgrade and new work have been removed, so that only projects approved by Council are included in the plan. The result of these two changes is an indicative (unrealised) surplus of \$38.8 million over the 10 years of the Draft 2015/16 LTFP based on projected budget requirements and projected budget availability. However, it is important to note that this does not include provision for major renewal of Council owned buildings, with building renewal plans to be developed over the next two years. It has been recommended that Council provision \$49 million for building renewal², being equivalent to accumulated depreciation on buildings as at June 2014. This would actually result in a net \$10.2 million deficit in renewal expenditure over the 10 year life of the LTFP, as set out below:

Draft 2015/16 LTFP Projections for operations, maintenance & renewal	\$231.3 million
Draft 2015/16 LTFP Projections for approved new stormwater works	\$24.1 million
Less Draft AMP forecasts for Operations, Maintenance & Renewal (excluding building renewals) + new stormwater works	(\$216.6 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	(\$10.2 million)

However, it is generally considered unreliable to draw comparisons between annual depreciation figures and sustainable renewal requirements, as infrastructure renewal requirements generally exceed depreciation. The forecast building renewal requirement outlined above is therefore considered conservative (low).

This plan does not include short term assets (such as fleet, furnishings, telecommunications equipment). While land assets are not discussed explicitly, most land assets contain building or open space infrastructure.

Assets covered by this plan and background documents include;

- Bridges
- Buildings
- Bus shelters
- Coastal walking trail
- Footpaths
- Irrigation
- Kerbing
- Playgrounds
- Reserves assets, benches / bins etc
- Road seals and pavements
- Signs
- Sports courts
- Stormwater pipes & pits
- Traffic control devices
- Wetlands

¹ <https://www.marion.sa.gov.au/webdata/resources/files/Asset-Management-Policy.pdf>

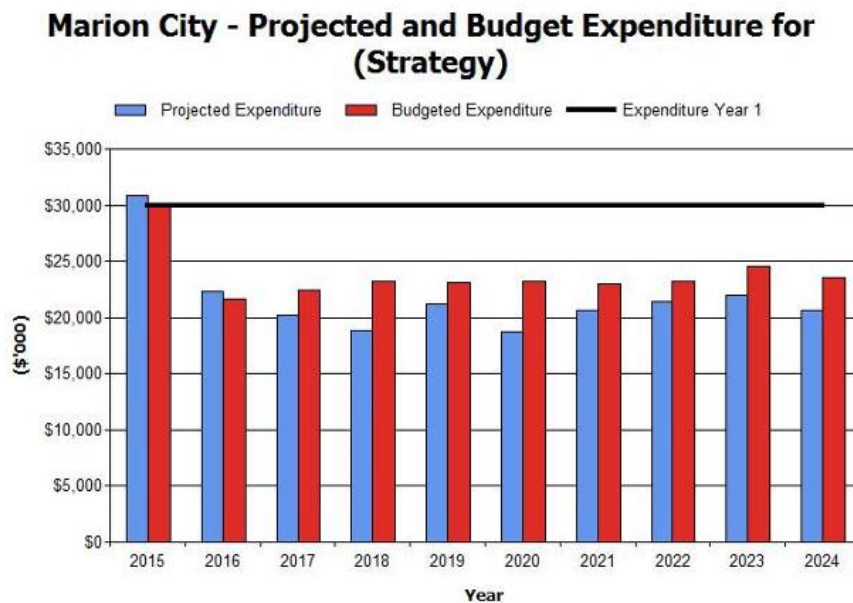
² City of Marion Audit Committee 14 April 2015 Report AC140415R6.3
<https://www.marion.sa.gov.au/webdata/resources/files/AC140415%20-%20Combined%20Agenda%20&%20Reports.pdf>

The infrastructure assets have a current replacement cost of \$938.9 million and a depreciable amount of \$609 million (Council audited valuations).

What does it cost?

The projected outlays necessary to provide the services covered by this AMP includes operations, maintenance, renewal and minor upgrade of existing assets plus approved stormwater works over the 10 year planning period is \$216.6 million or \$21.66 million on average per year, excluding major building renewals as discussed above.

Estimated available funding for this period according to the Draft 2015/16 LTFP is \$255.4 million or \$25.54 million on average per year which is 118% of the cost to provide the service, excluding major building renewals. Projected expenditure required to provide services in the AMP compared with planned expenditure currently included in the LTFP are shown in the graph below.



Changes to Council rates or service standards and the development of building renewal plans will impact on the forecasts outlined in this plan.

What is included in financial projections

We plan to provide services for the following:

- Operation, maintenance, renewal and minor upgrade of infrastructure to meet service levels set in annual budgets.
- No major upgrades within the 10 year planning period, other than currently approved Council building projects, stormwater and some signage.
- Rectify identified defects where they are deemed maintenance and renewal activities.

What is not included in financial projections

New work or upgrades beyond existing service levels have not been included in financial projections, unless there is a specific Council resolution for that work to be undertaken.

Confidence Levels

This AMP is based on medium to high level of confidence information.

2. INTRODUCTION

2.1 Background

This AMP is to demonstrate responsive management of assets (and services provided from assets), compliance with regulatory requirements, and to communicate funding needed to provide existing levels of service over a 10 year planning period, with financial projections extending over 20 years.

The AMP is based on the format for AMPs recommended in Section 4.2.6 of the International Infrastructure Management Manual³.

In the preparation of this plan, information has been drawn from a number of background papers which include more detail for transport, stormwater, open space, building and coastal walking trail assets.

Once adopted, this AMP will inform the next iteration of the LTFP. When compared to the Draft 2015/16 LTFP, available funds for approved stormwater works, asset operating, maintenance and renewal and minor upgrades amount to \$255.4 million while this plan identifies a resource requirement of \$216.6 million, resulting in a surplus of \$38.8 million before any provision is made for major building renewal plans. A range of measures have been identified, including :

- A detailed review has been undertaken of the Councils road resealing / reconstruction practices which has found significant potential savings provided that an alternative philosophy and program of works is adopted.
- In accordance with Councils current Asset Management Policy, upgrades of assets have not been included in the plan unless there is a specific Council resolution to do so.
- Other than existing building projects, stormwater assets and some signage works, construction of new assets has not been considered.
- Prior to upgrades to existing assets or construction of new assets, Council will prioritise works and have regard to whole of life costs and impacts on the LTFP.

It has been recommended that Council provision \$49 million for building renewal, being equivalent to accumulated depreciation on buildings as at 30 June 2014 and the projected depreciation of these assets over the life of the plan. This would result in a net \$10.2 million deficit in renewal expenditure over the life of the LTFP.

The infrastructure assets covered by this AMP are shown in Table 2.1. The cost to renew the asset has been calculated using asset management information including Council's estimated actual costs in undertaking renewal works or brownfield unit rates.

Table 2.1: Assets covered by this Plan

Asset category/sub-category	Dimension	Renewal Cost (\$million)
TRANSPORT		
Seals	458km	71.2
Pavements	482km	220.2
Kerb	980km	140.2
Footpath	777km	111.3
Traffic Control Devices	10758 of	13.4
Signs	14,811 of	2.7
Bus shelters	515 of	1.9
Bridges	31 of	5.0
SUB-TOTAL		565.9

³ IPWEA, 2011, Sec 4.2.6, Example of an Asset Management Plan Structure, pp 4 | 24 – 27.

Asset category/sub-category	Dimension	Renewal Cost (\$million)
STORMWATER		
Drainage pipes	258km	145.9
Drainage pits, manholes, inlets & outlets.	6.550 of	28.7
Box culverts	6.1km	12.1
GPTs and trash racks	45 of	2.2
Wetlands, dams and detention basins	12 of	17.9
SUB-TOTAL		206.8
OPEN SPACE		
Reserve general assets including park benches, bins, fences, etc	1256 of	22.5
Irrigation systems	72 of	3.0
Playgrounds (like for like)	93 of	5.2
Tennis Courts (not club courts)	29 of	1.6
SUB-TOTAL		32.2
BUILDINGS		
Structure	99 of	43.9
Roofing	99 of	13.8
Fitout	99 of	28.5
Services	99 of	31.5
Entire simple buildings	106 of	5.4
SUB-TOTAL		123.1
COASTAL WALKING TRAIL		
Path	6.5km	5.4
Benches	38 of	.076
Signs	61 of	.018
Bins	3 of	.005
Bridges	3 (37m total length)	.213
Structures	564m	3.8
Balustrade	728m	.036
Fencing	5.489km	.017
Drainage	36 items	.027
Viewing Points	5 of	.113
Links	26 of	.989
SUB-TOTAL		10.9
TOTAL		938.9

2.2 Goals and Objectives of Asset Management

The City of Marion exists to provide services to its community. Some of these services are provided by infrastructure assets. We have acquired infrastructure assets by 'purchase', by contract, construction by our staff, by donation of assets constructed by developers, by co-contribution via grant funding and others to meet increased levels of service for open space.

Our goal in managing infrastructure assets is to meet the existing level of service (as amended from time to time, in accordance with Council's Asset Management Policy) in the most cost effective manner for present and future consumers. The key elements of infrastructure asset management are:

- Providing a defined level of service and monitoring performance,
- Managing the impact of growth through demand management and infrastructure investment,

- Taking a lifecycle approach to developing cost-effective management strategies for the long-term that meet the defined level of service,
- Identifying, assessing and appropriately controlling risks, and
- Having a long-term financial plan which identifies required, affordable expenditure and how it will be financed.⁴

2.3 Plan Framework

Key elements of the plan are

- Levels of service – specifies the services and levels of service to be provided by Council,
- Future demand – how this will impact on future service delivery and how this is to be met,
- Life cycle management – how we will manage our existing and future assets to provide defined levels of service,
- Financial summary – what funds are required to provide the defined services,
- Asset management practices,
- Monitoring – how the plan will be monitored to ensure it is meeting the organisation's objectives,
- Asset management improvement plan.

A road map for preparing an AMP is shown on the following page.

2.4 Core and Advanced Asset Management

This AMP plan has generally been prepared using advanced condition data collected at the individual asset level. Remaining lives have been estimated from this condition data and unit rates applied to the individual assets peculiar to the environment in which they are located.

2.5 Community Consultation

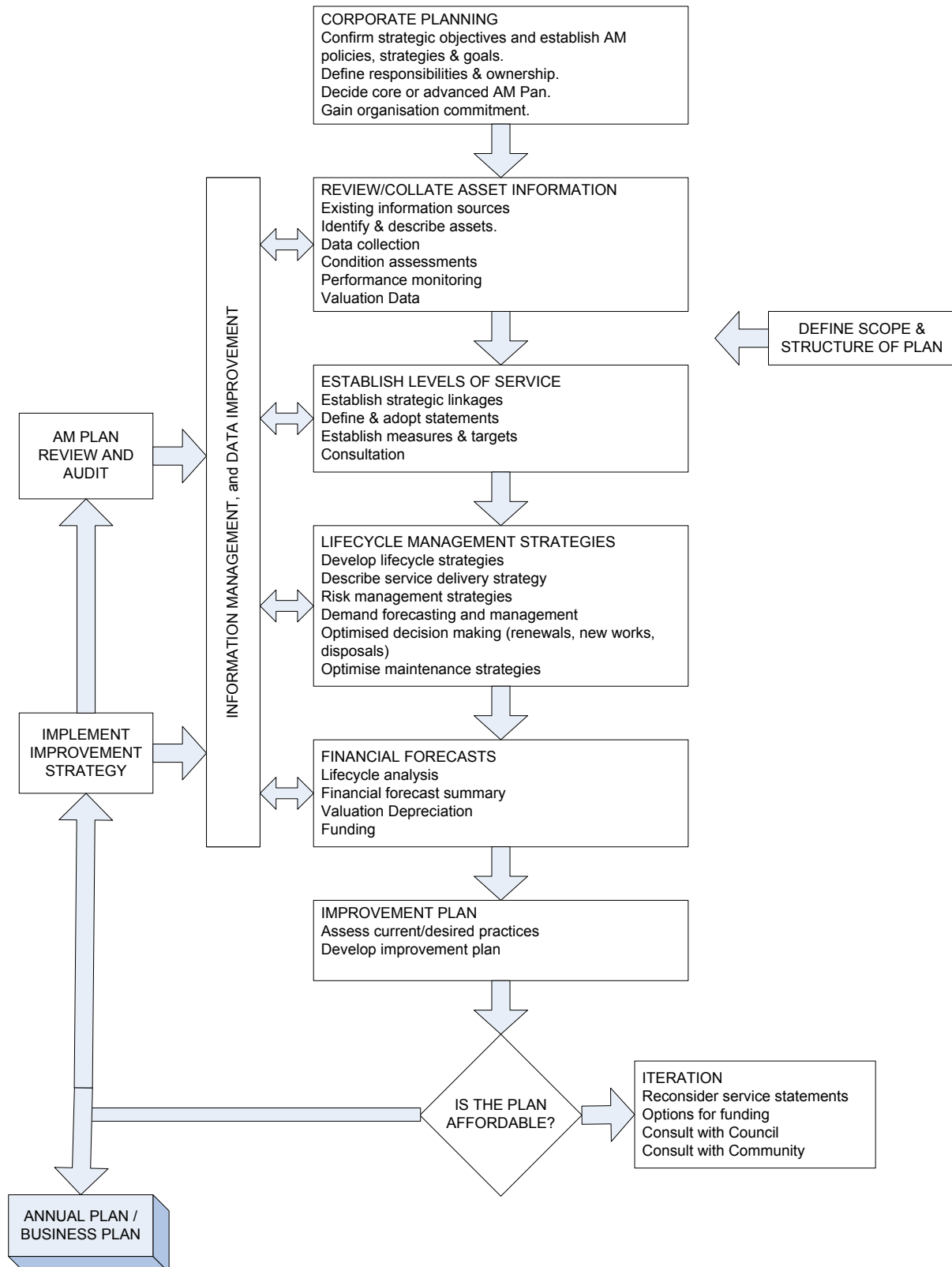
This AMP is prepared to facilitate community consultation prior to adoption by the Council.

Future revisions of the AMP will incorporate community consultation on desired / preferred service levels and provide clarity on the costs of providing the service. This will assist the Council and the community in aligning the level of service desired by the community, service risks and consequences with the community's ability and willingness to pay for the service.

⁴ Based on IPWEA, 2011, IIMM, Sec 1.2 p 1|7.

Road Map for preparing an Asset Management Plan

Source: IPWEA, 2006, IIMM, Fig 1.5.1, p 1.11.



3. LEVELS OF SERVICE

3.1 Customer Research and Expectations

Council participates in the Local Government Association of South Australia Comparative Performance Measures in Local Government Customer Satisfaction survey. This telephone survey, last undertaken in 2012, polled a sample of residents on their level of satisfaction with Council's services. The most recent customer satisfaction survey reported above average satisfaction levels with Council's management of assets.

Table 3.1: Community Satisfaction Survey Levels

Performance Measure	Satisfaction Level				
	Very Satisfied	Fairly Satisfied	Satisfied	Somewhat satisfied	Not satisfied
Community satisfaction with asset management	√				

Source: LGA Customer Satisfaction Survey

While this plan largely represents existing levels of service, a community engagement approach is planned for the next iteration which will support Council to better understand customer expectations with respect to its assets. In addition, consultation will occur as part of Council's review of its Open Space and Playspace strategies (planned throughout 2015/16), as well as on a project-by-project basis.

3.2 Strategic and Corporate Goals

This AMP is prepared under the direction of the organisation's Community Plan – Towards 2040.

Our vision is:

Wellbeing

The six themes of the Community Plan are:

- Liveable
- Biophilic
- Engaged
- Prosperous
- Innovative
- Connected

The Council is currently working on a Council Plan, which will detail how we aim to turn the community's aspirations into reality. The AMP will be updated accordingly to include the Council Plan outcomes

3.3 Legislative Requirements

Council is required to meet many requirements including Australian and State legislation and State regulations, and various standards, rules and codes, as set out in Table 3.3.

Table 3.3: Legislative Requirements

Legislation	Requirement
<i>Aboriginal Heritage Act 1988 (SA)</i>	Provides for the protection and preservation of aboriginal heritage and includes legislation for the discovery, acquisition, damage or sale of sites, objects or remains of aboriginal significance.
<i>Civil Liability Act 1936 (SA)</i>	Liability of road authorities
<i>Coastal Protection Act 1972 (SA)</i>	Council responsible for the day to day maintenance of beach and coastal facilities.
<i>Dangerous Substances Act 1979 (SA)</i>	An Act to regulate the keeping, handling, transporting, conveyance, use and disposal, and the quality, of dangerous substances.
<i>Development Act 1993 (SA)</i>	An Act to provide for planning and regulate development in the State; to regulate the use and management of land and buildings, and the design and construction of buildings; to make provision for the maintenance and conservation of land and buildings where appropriate.
<i>Disability Discrimination Act 1992 (Cth)</i>	Sets out the responsibilities of Council and staff in dealing with access and use of public infrastructure
<i>Environmental Protection Act 1993 (SA)</i>	To provide for the protection of the environment and related areas. Sets out the role, purpose, responsibilities and powers of Council relating to protection and preservation of the environment; policies include Water Quality Policy
<i>Heritage Act 1993 (SA)</i>	To conserve places of heritage value, and for other purposes.
<i>Highways Act 1926 (SA)</i>	An Act to....."make further and better provision for the construction and maintenance of roads and works, and for other purposes"
<i>Local Government Act 1999 (SA)</i>	Sets out role, purpose, responsibilities and powers of local governments including the preparation of a LTFP supported by AMPs for sustainable service delivery.
<i>Native Title Act 1993 (Cth)</i> <i>Native Title (South Australia) Act 1994 (SA)</i>	Protects native title and ensures that it cannot be extinguished contrary to the Act.
<i>Natural Resource Management Act 2004 (SA)</i>	Sets out the role, purpose, responsibilities and powers of Council relating to managing natural resources.
<i>Road Traffic Act 1961 (SA)</i>	Defines layout and format of roads within the city. Defines control requirements including use of traffic control, traffic calming, crossings, speed setting and general limitations of use
<i>South Australian Public Health Act 2011 (SA)</i>	An Act dealing with public and environmental health.
<i>Work, Health and Safety Act 2012 (SA)</i>	Proactive in occupational health, safety and welfare practices in all undertakings of Council.
Standards, Rules and Codes	Requirement
AS 1742	Manual of uniform traffic control devices
Australian Accounting Standards	Sets out the financial reporting standards relating to the (re)valuation and depreciation of infrastructure assets.
Australian Road Rules	Contain the basic rules of the road for motorists, motorcyclists, cyclists, pedestrians, passengers and others
Australian Standards AS/NZS4422 – 1996 Playground Surfacing AS4685-2004 Playground Equipment AS4486-1-1997 Playground Inspection & Maintenance	Sets out the general requirements for surfacing to be used in children's playgrounds A general standard in 6 parts that deals with playground equipment Sets out the requirements for the development, installation, inspection and maintenance of playgrounds and playground equipment
Building Code of Australia (status of building regulation in all States and Territories)	Enables the achievement of nationally consistent, minimum necessary standards of relevant safety (including structural safety and safety from fire), health, amenity and sustainability objectives efficiently.

3.4 Current Levels of Service

We have defined service levels in two terms.

Community Levels of Service measure how the community receives the service and whether the organisation is providing community value.

Community levels of service measures used in the AMP include:

Quality	How good is the service?
Function	Does it meet users' needs?
Capacity/Utilisation	Is the service over or under utilised?

Technical Levels of Service - Supporting the community service levels are operational or technical measures of performance. These technical measures relate to the allocation of resources to service activities that the organisation undertakes to best achieve the desired community outcomes and demonstrate effective organisational performance.

Technical service measures are linked to annual budgets covering:

- Operations – the regular activities to provide services such as opening hours, cleansing frequency, mowing frequency, etc.
- Maintenance – the activities necessary to retain an assets as near as practicable to an appropriate service condition (e.g. road patching, unsealed road grading, building and structure repairs),
- Renewal – the activities that return the service capability of an asset up to that which it had originally (e.g. frequency and cost of road resurfacing and pavement reconstruction, pipeline replacement and building component replacement),
- Upgrade – the activities to provide an higher level of service (e.g. widening a road, sealing an unsealed road, replacing a pipeline with a larger size) or a new service that did not exist previously (e.g. a new library). In accordance with Councils asset management policy upgrade has not been considered in the preparation of this plan.

Asset managers plan, implement and control technical service levels to influence the customer service levels.⁵ These technical levels of service inform annual works programs and budgets.

Our current service levels are detailed in Appendix A.

In some cases current and/or optimal levels of service have not been defined, however it is proposed that this will be the subject of community engagement in preparation for the next iteration of the plan.

⁵ IPWEA, 2011, IIMM, p 2.22

4. FUTURE DEMAND

4.1 Demand Drivers

Over recent years The City of Marion has upgraded assets to a much higher standard than what existed before. One example is the practice of upgrading playgrounds in response to community expectations for a higher level of service, being driven by the following objectives:

- Design of quality and accessible play spaces that meet both child and parent/ carer needs
- A hierarchy of play spaces based on the Open Space & Recreation Strategy 2006-2016
- Improving the play value in the various levels of play spaces
- An equitable distribution of play spaces throughout the Council area

Following the adoption of Council's Asset Management Policy in August 2014, such upgrades will require prioritisation and approval of Council, with full knowledge of the whole of life costs and subsequent impacts on Council's LTFP.

4.2 Demand Forecast

The present position and projections for demand drivers that may impact future service delivery and utilisation of the assets are identified and are documented in Table 4.3.

4.3 Demand Impact on Assets

The impact of demand drivers that may affect future service delivery and utilisation of Council assets are shown in Table 4.3.

4.4 Demand Management Plan

Demand for services may be managed through innovative renewal practices, non-asset solutions, insuring against risks and managing failures.

In accordance with Council's current asset management policy, no new or upgraded assets are included in this plan, apart from stormwater, minor building works and signage already approved by Council.

Opportunities identified to date for demand management are shown in Table 4.3. Further opportunities will be developed in future revisions of this AMP.

4.5 Asset Programs to meet Demand

In the preparation of this AMP it has been assumed that no new assets will be constructed or no substantial upgrades will be undertaken, other than stormwater, some immediate building works and signage already approved by Council. The cumulative value of upgrade / new asset construction over the 10 years of this plan is \$30.7 million. Any further upgrades or new asset construction will need to be prioritised by Council, with consideration of the whole of life costs and subsequent impacts on the LTFP.

In preparing the 2013 version of the Stormwater Asset Management Plan, \$35.375 million of drainage projects (2012 values) were identified to be constructed over 20 years. The LTFP budget projections provide sufficient funds each financial year for these works.

The new / upgrade assets relating to buildings include \$4.5 million in 2015 for the depot upgrade and \$700k between 2015 and 2017 for sustainability upgrades to buildings.

Table 4.3: Demand Drivers, Projections and Impact on Services

Demand drivers	Present position	Projection	Impact on services	Demand Management Plan
Population	<ul style="list-style-type: none"> The current population of Marion Council is estimated to be 85,398⁶ in 2013. 	<ul style="list-style-type: none"> It is estimated that the population will grow to 97,867⁷ by 2031. This equates to a growth of 693 people or 0.8% per year. 	<ul style="list-style-type: none"> Increased population will likely result in increased use of the asset which may result in higher maintenance costs. 	<ul style="list-style-type: none"> Prioritise maintenance activities
Seal: Expectation that roads will be sealed with 'hotmix' rather than any other treatment.	<ul style="list-style-type: none"> Approximately 99% of the network has a 'hotmix' seal with only a few segments having a spray seal treatment. 	<ul style="list-style-type: none"> Options for different treatments including rejuvenation may result in lower lifecycle network cost. 	<ul style="list-style-type: none"> If different treatments are considered then lower lifecycle costs may result. 	<ul style="list-style-type: none"> Monitor availability of treatments
Pavement: Increase in traffic loading	<ul style="list-style-type: none"> Over the last 50 years Councils road pavements have seen increased axle loadings from commercial vehicles 	<ul style="list-style-type: none"> It is likely that commercial vehicle loadings will continue to increase 	<ul style="list-style-type: none"> Accelerated deterioration of road pavements 	<ul style="list-style-type: none"> Communicate options and capacity to fund Transport Infrastructure with community. Monitor community expectations re service levels and communicate financial capacity to balance priorities with what the community is prepared to pay. Fund priority works. Continue to seek grant funding for identified projects. Improve understanding of costs and capacity to maintain current service levels. Continue to analyse cost of providing services and capacity to fund at current level of service.
Kerb:	<ul style="list-style-type: none"> Replacement of short 'failed' kerb sections proceeds the resealing of a road. 	<ul style="list-style-type: none"> If different resealing treatments are used there may not be the necessity to replace sections of kerb. 	<ul style="list-style-type: none"> Increased works programming opportunities may exist where kerb does not need to be replaced prior to reseal. 	
Footpath:	<ul style="list-style-type: none"> Councils footpaths are largely 1.2m wide 	<ul style="list-style-type: none"> Current Council standards require a width of 1.5m 	<ul style="list-style-type: none"> Increase in width of entire footpath network to meet standards comes at a substantial unfunded cost. 	
Footpath: New	<ul style="list-style-type: none"> There are still streets in Councils network that are not serviced by a footpath on either side of the road. 	<ul style="list-style-type: none"> Some residents demand footpaths on low traffic streets whilst property owners to the frontage to the path may not want it. 	<ul style="list-style-type: none"> Demand for footpath needs to be balanced against available funds, substantiated risks and resident requests. 	
Bus shelters: provision of shelters to bus stops not currently serviced by shelters	<ul style="list-style-type: none"> There are a number of bus stops not currently serviced by a shelter 	<ul style="list-style-type: none"> Council is required to complete DDA compliant bus shelters by December 2020 	<ul style="list-style-type: none"> Additional shelters require funding to establish and maintain Currently there is no provision for new shelters within Council LTFP and approval mechanisms 	
Traffic Control Devices	<ul style="list-style-type: none"> Councils installation of traffic control devices has growth in response to community requests and traffic investigations 	<ul style="list-style-type: none"> Further requests from the community may continue. 	<ul style="list-style-type: none"> Demand for the installation of traffic calming measures. 	

⁶ LGA Directory 2013

⁷ Estimate Based on <http://www.id.com.au/>

Demand drivers	Present position	Projection	Impact on services	Demand Management Plan
Stormwater: Development Trends - urban infill and regeneration	<ul style="list-style-type: none"> Dwelling growth historic trend is 4% over 5 years 36,941 dwellings in 2011 Allotment impervious area from 50% towards 90%	<ul style="list-style-type: none"> 43,416 dwellings Increase urban infill and regeneration and TODs. Dramatic increase in allotment impervious area ie towards 90% - resulting in a significant increase in allotment stormwater runoff. 	<ul style="list-style-type: none"> Existing stormwater infrastructure has insufficient design capacity to cope with increase runoff from development – increase frequency of property flooding and damages. 	<ul style="list-style-type: none"> Implement strategies, actions and programs contained in Stormwater Management Plans. Design drainage works to ensure flooding is not increased downstream of the works. Developers required to treat and reduce peak flows and volume of water entering Council's drainage system. Stormwater inlets, outlets, trash racks, GPTs are to be regularly cleaned, repaired and emptied to ensure flows are not obstructed. Watercourses and channels are to be maintained to ensure flows are not obstructed. Develop WSUD schemes and guidelines. Rehabilitate and restore watercourses, improve biodiversity and rectify erosion problems as they occur. Develop and manage harvest/reuse schemes on Council buildings and land, encourage other property owners/users to harvest/reuse water.
Stormwater: Catchment Management	<ul style="list-style-type: none"> Direct stormwater discharge into river and marine environment with some pollution control measures and limited stormwater reuse. 	<ul style="list-style-type: none"> Regulated controls on quality of stormwater discharging into river and marine environment and stormwater reuse. 	<ul style="list-style-type: none"> Increase in infrastructure to control pollutants, capture and reuse stormwater. 	
Stormwater: Climate Change	<ul style="list-style-type: none"> Awareness that climate change is occurring and its impact on water supply and usage, increase sea levels, changes in rainfall intensities and storm events. 	<ul style="list-style-type: none"> Rising sea levels, decreasing water supply and increasing water demand. Onsite and catchment stormwater reuse and change to parks and gardens plantings due to water restrictions. 	<ul style="list-style-type: none"> Impacts on coastal environment, reduction in stormwater outfall capacity, stormwater capture and reuse infrastructure. 	
Open Space: Playspace (playground) upgrades	<ul style="list-style-type: none"> One third of Councils existing playgrounds have been upgraded to the higher standard originally proposed for all playgrounds in the playspace strategy 	<ul style="list-style-type: none"> Current proposal is replacement of playgrounds on a like for like basis, essentially duplicating the existing level of service 	<ul style="list-style-type: none"> Nil if current proposal is realised 	<ul style="list-style-type: none"> Further playspace upgrades to be prioritised by Council.
Open Space: Reserve irrigation	<ul style="list-style-type: none"> Irrigation systems in many reserves are currently not active following being 'turned off' during a recent drought 	<ul style="list-style-type: none"> Community demand for a higher level of amenity during summer months 	<ul style="list-style-type: none"> Renewal of irrigation systems required 	<ul style="list-style-type: none"> Fund priority works Stormwater harvested from Sturt River channel to be treated, stored and distributed for water specified open space areas.

Demand drivers	Present position	Projection	Impact on services	Demand Management Plan
Open Space: Ageing population	• Status Quo	• General aging of the population	• Demand for open spaces with appropriate amenities within walking distance of residences	<ul style="list-style-type: none"> • Prioritise maintenance of existing infrastructure. • New or upgrade work to be prioritised by Council.
Open Space: Increase living density	• Status Quo	• Urban consolidation through housing renewal	• Demand for increased environmental, recreational, cultural and environmental value of open spaces	
Open Space: Community expectation of open spaces	• Status Quo	• Higher level of service expected	• Demand for equitably distributed, accessible, safe, high quality and provide diverse settings to meet the needs of user groups	
Open Space: Awareness of natural environment	• Status Quo	• Community expecting to see action on behalf of Council	• Greater need to protect and enhance the natural environment	
Buildings: Sustainability and climate change	• The Strategic Plan lists issues that must be addressed for climate change and water and energy efficiency.	• Changes might be required in renewals to bring to minimum future standards, and new buildings might have to meet higher standards.	• Possible increases to initial/renewal costs of assets to meet minimum required standards.	<ul style="list-style-type: none"> • Develop building renewal plans to understand potential impacts.
Buildings: Legislation	<ul style="list-style-type: none"> • Any existing asbestos conditions will have to be managed and planned for. • Health and safety issues in e.g. aquatic centres being met. • Disabled access provisions at present might reflect standards when buildings were created. 	<ul style="list-style-type: none"> • Renewals might encounter complications if asbestos present. • Future requirements might increase Council obligations. • Renewals will have to address disability issues. 	<ul style="list-style-type: none"> • Planning required to manage any existing asbestos issues. • Possible increases future costs of services. • Possible programs requiring capital upgrades. Possible increased renewal costs. 	
Buildings: Technology	• Current community needs being met, though customer request are an indication of preferences.	• Community needs for wireless internet technology in libraries etc. likely to increase.	• Possible additional lifecycle costs for enhanced services.	

Demand drivers	Present position	Projection	Impact on services	Demand Management Plan
Coastal Walking Trail: Accessibility Requirements for disabled and elderly users	At present the walking trails contain large sections that are inappropriate for some trail users including: <ul style="list-style-type: none"> • Extensive sections of steps and landings that do not meet current Australian Design Standards for access. • Some sections of trail are excessively steep and inappropriate for wider community use. • Some sections of trail are experiencing significant erosion problems due to poor and dilapidated surface treatments and unsustainable trail grades. 	<ul style="list-style-type: none"> • Increased demand to provide services to broader group of users. 	<ul style="list-style-type: none"> • Requirement to upgrade assets to provide greater access. Swanbury Penglase Architects have identified 18 potential sites for upgrades. 	<ul style="list-style-type: none"> • Council to prioritise upgrades or, where possible, undertake improvements as part of planned maintenance/ renewal if budget allows.
Coastal Walking Trail: Improve the recreational value of the trail for walking, jogging sight seeing and cycling.	<ul style="list-style-type: none"> • Presently limited facilities for cyclists. 	<ul style="list-style-type: none"> • Increased demand for a “shared path” trail suitable for pedestrians and cyclists. 	<ul style="list-style-type: none"> • Potential demand to upgrade path assets to replace structures such as stairs (upgrades are presently unfunded in this plan in accordance with Councils asset management policy) 	
Coastal Walking Trail: Links to surrounding urban environment.	<ul style="list-style-type: none"> • Series of formal and informal links to the adjacent suburbs. 	<ul style="list-style-type: none"> • Increased demand to link trail in to surrounding suburbs. 	<ul style="list-style-type: none"> • Creation of additional links and formalising existing informal links. 	

5. LIFECYCLE MANAGEMENT PLAN

The lifecycle management plan details how the organisation plans to manage and operate the assets at the agreed levels of service while optimising life cycle costs.

This section considers risk management approaches, routine operation, maintenance and renewal strategies. The data sources used to inform this section are contained at Appendix B.

5.1 Asset capacity and performance

The organisation's services are generally provided to meet design standards where these are available.

Known deficiencies in service performance are summarised in Table 5.1. Where it is consistent with Council's Asset Management Policy, these service deficiencies will be addressed in operating, maintenance and renewal programs, however some would be considered upgrade or new works, therefore requiring prioritisation by Council, with consideration of the whole of life costs and subsequent impacts on the LTFP.

Table 5.1: Known Service Performance Deficiencies

Asset Portfolio	Location	Service Deficiency
Transport	Road Pavements	There are some road pavements in poor condition which require reconstruction rather than reseal as has previously been the practice of Council
Stormwater	Stormwater drainage network	Under capacity pipe and pit drainage, lack of drainage system and property flooding.
	Stormwater quality improvements	Not all stormwater outlets have pollution control devices. Limited use of WSUD devices
	Stormwater harvesting and reuse	Limited infrastructure installed
Open Space	Playgrounds	Restricted access e.g. no paths, physical barriers such as high concrete edges Limited parent/carer facilities such as seating Predominantly equipment based play provision and therefore limited creative or quiet play opportunities Many are poorly located in terms of casual surveillance and access Very limited natural elements such as sand, boulders, plantings etc. Limited diversity Limited graduated challenge – most play spaces only provide for one particular age group
Buildings	City wide	Adequately supplied in some areas; shortages in others. Refer to Draft Community Facility Strategy 2010. Environmental, asbestos and DDA concerns.
Coastal Walking Trail	Multiple locations	Environmental Defects – Erosion, vegetation encroachment, water ponding etc. Safety – trip hazards, slippery paths Structural – corroded steel, split timber

5.2 Infrastructure Risk Management Plan

An assessment of risks associated with service delivery from infrastructure assets has identified critical risks that will result in loss or reduction in service from infrastructure assets or a 'financial shock' to the organisation. The risk assessment process identifies credible risks, the likelihood of the risk event occurring, the consequences should the event occur, develops a risk rating, evaluates the risk and develops a risk treatment plan for non-acceptable risks.

Critical risks, being those assessed as 'Very High' - requiring immediate corrective action and 'High' – requiring prioritised corrective action identified in the Infrastructure Risk Management Plan, together with the estimated residual risk after the selected treatment plan is operational are summarised in Table 5.2.

Table 5.2: Critical Risks and Treatment Plans

Risk	Risk Cause/Source	Current Controls	Likelihood	Consequence	Risk Rating	Risk Treatment Plan	Likelihood	Consequence	Risk Rating
Major asset failure	<ul style="list-style-type: none"> • Lack of funding to operate, maintain and renew assets (buildings, playspaces, sporting facilities, roads, drainage, footpaths etc) • Inadequate asset management planning • Under estimated or unknown condition and life cycle performance of asset resulting in structural failure • Under design of asset • Changing environmental condition • Maintenance level below Technical Level of Service/Standard 	<ul style="list-style-type: none"> • Asset Management Policy • AMP • Planned maintenance • Condition audits • Review and updating of asset related information • Stormwater master plan prepared for the Glenelg to Marion catchment and the Hallett Creek catchment • Insurance coverage for some assets only • Capital Works Plan 	L	Ma	High	<ul style="list-style-type: none"> • Rigorously apply Asset Management Policy, eg "maintain before renew and renew before new" • Review the lease/licence methodology and maintenance of community of assets • Work has commenced on the Marion / Mitcham stormwater master plan • CCTV inspection and condition rating of stormwater assets. • Further integration of the AMP into LTFP 	U	Ma	Medium
Loss of opportunity to address required transport asset upgrades i.e. bus shelters, kerb ramps and new footpaths	<ul style="list-style-type: none"> • Failure to budget appropriately for the required asset upgrades 	<ul style="list-style-type: none"> • Annual Business Plan and Budget 	AC	Mo	High	<ul style="list-style-type: none"> • Transport asset upgrades to be prioritised by Council • Works undertaken 	R	Mo	Low

Risk	Risk Cause/Source	Current Controls	Likelihood	Consequence	Risk Rating	Risk Treatment Plan	Likelihood	Consequence	Risk Rating
Asset service is below Technical Level of Service/Community expectations	<ul style="list-style-type: none"> Design of assets does not meet demand/capacity Insufficient funding to operate, maintain and renew assets Deficient routine/cyclic maintenance and renewal of assets 	<ul style="list-style-type: none"> Asset Management Policy AMP & LTFP Planned maintenance Condition audits Review and updating of asset related information in relation to demand and capacity of our networks 	L	Ma	High	<ul style="list-style-type: none"> Rigorously apply Asset Management Policy, eg “maintain before renew and renew before new” Further integration of the AMP into LTFP 	U	Ma	Medium
Excessive service cuts and/or excessive rates rises to meet asset commitments	<ul style="list-style-type: none"> Inappropriate decisions made on services/assets operations, maintenance or renewal which leave an unmanageable legacy in the future 	<ul style="list-style-type: none"> Asset Management Policy AMP & LTFP Planned maintenance Condition audits Continual improvement in understanding the lifecycle and whole of life costs by decision makers 	L	Ma	High	<ul style="list-style-type: none"> Rigorously apply Asset Management Policy, eg “maintain before renew and renew before new” Further integration of the AMP into LTFP Review the lease/licence methodology and maintenance of community of assets Development of documented Maintenance Plans 	U	Ma	Medium

5.3 Routine Operations and Maintenance Plan

Operations include regular activities to provide services such as cleaning, provision of utilities, etc.

Maintenance includes all actions necessary for retaining an asset as near as practicable to an appropriate service condition including regular ongoing day-to-day work necessary to keep assets operating, e.g. replacement of corroded fasteners, isolated 'topping up' of gravel but excluding rehabilitation or renewal. Maintenance may be classified into reactive, planned and specific maintenance work activities.

Reactive maintenance is unplanned repair work carried out in response to service requests and management/supervisory directions.

Planned maintenance is repair work that is identified and managed through a maintenance management system (MMS). MMS activities include inspection, assessing the condition against failure/breakdown experience, prioritising, scheduling, actioning the work and reporting what was done to develop a maintenance history and improve maintenance and service delivery performance.

Specific maintenance is replacement of higher value components/sub-components of assets that is undertaken on a regular cycle including repainting etc. This work falls below the capital/maintenance threshold but may require a specific budget allocation.

Actual past maintenance expenditure is shown in Tables 5.3.

Table 5.3: Maintenance Expenditure Trends

Asset type	2012/13	2013/14	2014/15
Seal	480,761	517,410	513,807
Pavement	139,555	141,608	143,560
Kerb	445,799	683,993	560,926
Footpath	657,412	1,163,422	1,201,326
Traffic Control Device	3,037	3,433	3,937
Signs	268,966	220,404	252,769
Bus Shelters	433	166,939	181,123
Bridges	1,324	5,470	4,457
Stormwater – Planned and specific	597,600	596,400	661,367
Stormwater – Unplanned	398,400	397,500	342,317
Coastal Walking Trail	72,775	25,530	221,250
Open Space	2,938,430	3,030,728	3,074,616
Buildings – Planned and specific	N/A	N/A	N/A
Buildings - Unplanned	N/A	N/A	1,138,601

Council will operate and maintain assets to provide the defined level of service to approved budgets in the most cost-efficient manner. The operation and maintenance activities aim to include:

- Scheduling operations activities to deliver the defined level of service in the most efficient manner,
- Undertaking maintenance activities through a planned maintenance system to reduce maintenance costs and improve maintenance outcomes. Undertake cost-benefit analysis to determine the most cost-effective split between planned and unplanned maintenance activities (50 – 70% planned desirable as measured by cost),
- Review current and required skills base and implement workforce training and development to meet required operations and maintenance needs,
- Maintain a current hierarchy of critical assets and required operations and maintenance activities,
- Develop and regularly review appropriate emergency response capability,
- Review operations and maintenance activities to ensure Council is obtaining best value for resources used.

5.3.1 Critical Assets

Critical assets are those assets which have a high consequence of failure but not necessarily a high likelihood of failure. By identifying critical assets and critical failure modes, Council can target and refine investigative activities, maintenance plans and capital expenditure plans at the appropriate time.

Operations and maintenance activities may be targeted to mitigate critical asset failure and maintain service levels. These activities may include increased inspection frequency, higher maintenance intervention levels, etc. Critical asset failure modes and required operations and maintenance activities are detailed in Table 5.3.1.

Table 5.3.1: Critical Assets and Service Level Objectives

Asset Portfolio	Critical Assets	Critical Failure Mode	Operations & Maintenance Activities
Transport	Road Pavements	Reconstruction required	Undertake reseals only on roads with a sound pavement base Identify roads requiring reconstruction at project planning phase Develop proactive deep lift patching maintenance program to treat 'pavement failures' on roads not requiring a reseal.
	Footpaths	Injury to walking public	Develop proactive costed program of maintenance / renewal works
Stormwater	Side entry pits, drain inlets and outlets	Blockage cause localised street and property flooding. Scouring downstream of drain outlets – erosion and watercourse bank collapse.	Regular cleaning of pits, inlets and outlets. More frequent cleaning of known 'hot spots' Regular street sweeping to minimise amount of pollutants entering the drainage system.
	Box Culverts and pipes	Collapse of asset	CCTV monitoring of drain lines. Repair/replace high risk defects.
	Gross Pollutant Traps (GPTs) and Trash Racks	Asset blocked by excessive pollutants causing localised flooding.	Regular cleaning and monitor and additional clean prior to heavy rain event.
Open Space	Playgrounds	Poor maintenance practices may lead to injury of users	Regular proactive inspection of playground assets
Buildings	High profile buildings offering services in demand with whole community, e.g. administration offices, libraries, depot .	Services cannot be provided because of failure of mechanical services such as air conditioners or filtration plant.	Regular inspection and servicing of plant and equipment.
Coastal Walking Trail	Bridges and Elevated Walkways	Component failure	Periodic inspection to locate and treat areas of timber rot or metal corrosion.
	Balustrade	Component failure	Periodic Inspection
	Path	Trip Hazards and uneven surface	Periodic inspections and replacement of gravel

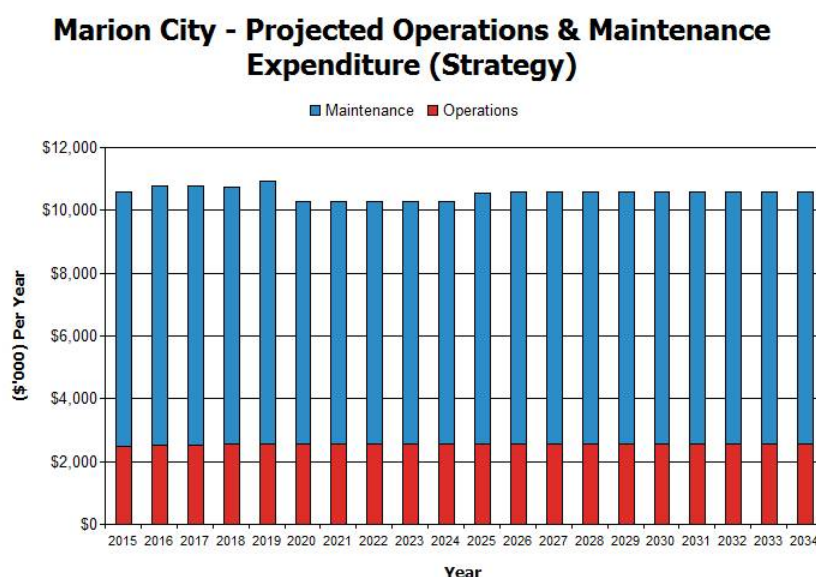
5.3.2 Standards and specifications

Maintenance work for Infrastructure contained within this plan is generally carried out by Council Staff using practices developed over many years, and in accordance with the legislative requirements, standards, rules and codes set out in 3.3 of this plan.

5.3.3 Summary of future operations and maintenance expenditures

Future operations and maintenance expenditure is forecast to trend as demonstrated in Figure 5.3.3 in line with the value of the asset stock. Note that all costs are shown in current 2014/2015 dollar values (i.e. real values).

Figure 5.3.3: Projected Operations and Maintenance Expenditure



Maintenance is funded from the operating budget where available.

5.4 Renewal/Replacement Plan

Renewal and replacement expenditure is major work which does not increase the asset's design capacity but restores, rehabilitates, replaces or renews an existing asset to its original or lesser required service potential. Work over and above restoring an asset to original service potential is upgrade/expansion or new works expenditure.

5.4.1 Renewal plan

Assets requiring renewal/replacement are identified using asset register data to project the renewal costs using acquisition year and useful life to determine the renewal year.

Useful lives of assets are detailed in the annual valuation documents prepared by independent valuers and are reviewed by the Finance Department on an annual basis.

5.4.2 Renewal and Replacement Strategies

The City of Marion aims to plan capital renewal and replacement projects to meet level of service objectives and minimise infrastructure service risks by:

- Planning and scheduling renewal projects to deliver the defined level of service in the most efficient manner,
- Undertaking project scoping for all capital renewal and replacement projects to identify:
 - the service delivery 'deficiency', present risk and optimum time for renewal/replacement,
 - the project objectives to rectify the deficiency,
 - the range of options, estimated capital and life cycle costs for each options that could address the service deficiency,
 - and evaluate the options against evaluation criteria adopted by Council, and
 - select the best option to be included in capital renewal programs,
- Using 'low cost' renewal methods (cost of renewal is less than replacement) wherever possible,
- Review current and required skills base and implement workforce training and development to meet required construction and renewal needs,
- Maintain a current hierarchy of critical assets and capital renewal treatments and timings required ,
- Review management of capital renewal and replacement activities to ensure Council is obtaining best value for resources used.

5.4.3 Renewal ranking criteria

As part of its Asset Management Policy (2014), the City of Marion has adopted a Strategic Asset Management Decision Making Matrix that guides the process by which decisions are made as to whether an asset is maintained, renewed or upgraded.

5.4.4 Renewal and replacement standards

Renewal work is carried out in accordance with the legislative requirements, standards, rules and codes set out in 3.3 of this plan. In addition, reference is made to the following:

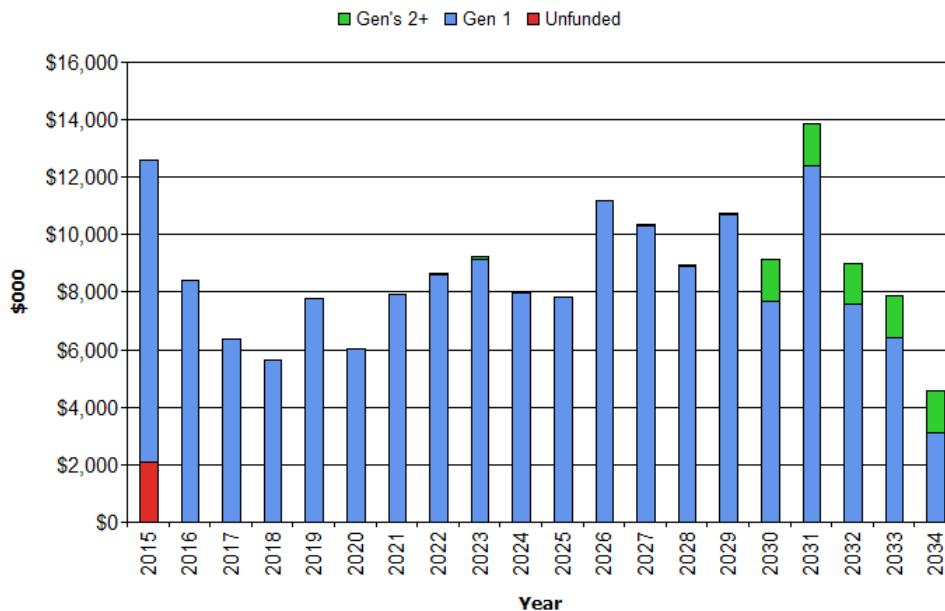
- Annual contracts & associated specifications for resealing, footpath paving and kerb laying
- Australian Rainfall and Runoff, Institution of Engineers Australia
- Australian Runoff Quality, Engineers Australia, 2006
- Australian Standards
- Council environmental and sustainability policies
- Council policies
- Council Standards and Specifications for works (developed on a project basis specific to capital asset being renewed)
- Council Standards and Specifications for works.
- Relevant AUSTROADS publications
- Special one off contracts for bridge construction and pavement reconstruction

5.4.5 Summary of future renewal and replacement expenditure

Projected future renewal and replacement expenditures are forecast to increase over time as the asset stock ages. The expenditure is summarised in Figure 5.4.5. Note that all amounts are shown in real values.

Figure 5.4.5: Projected Capital Renewal and Replacement Expenditure

Marion City - Projected Capital Renewal Expenditure (Strategy)



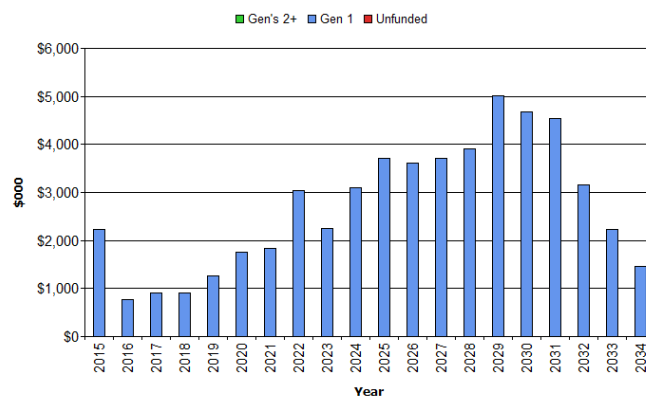
Gen 2+ renewals indicate assets that are being renewed for the second time (or more) over the 20 year forecast period. These will be assets with short useful lives such as gravel paths.

Renewals and replacement expenditure in the organisation's capital works program will be accommodated in the LTFFP.

The following graphs indicate the renewal expenditure required to support sub categories of assets within the portfolio that make up the total in Figure 5.4.5.

Seals

Marion City - Projected Capital Renewal Expenditure (Seals 2015 V1_S1_V1)



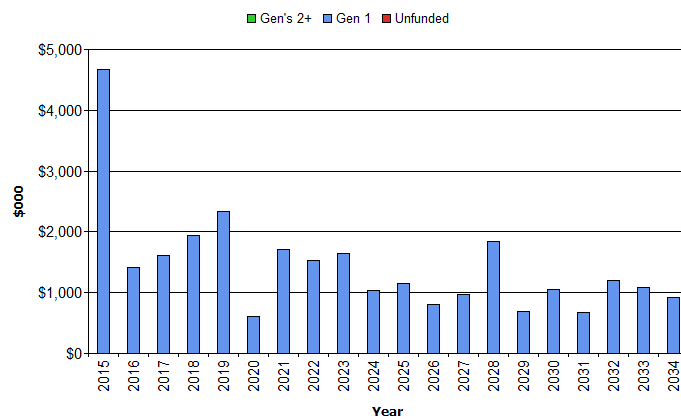
The analysis of seals undertaken in the preparation of this plan indicates that there is an opportunity to reduce existing expenditure (currently \$4.3 million) through a more rigorous prioritisation of works including:

- Implementation of a rejuvenation program
- For local roads (>80% of Councils network) delay of a reseal until environmental conditions (aging of the binder) dictate a reseal is required.
- Less emphasis given to cracking in determination of the remaining life
- Not undertaking a reseal on a road that requires pavement reconstruction
- Prioritisation given to roads that have programmed for resealing via the analysis conducted under this plan
- Implementation of a regime of rigorous onsite inspections and verification prior to a treatment being programmed

An average annual capital renewal of \$1.8 million pa is required over 10 years (2015/16 – 2024/25) and \$2.7 million over 20 years (2015/16 – 2034/35) to support the defined levels of service of the assets.

Pavements

Marion City - Projected Capital Renewal Expenditure (Pavements 2015 V1_S1_V1)



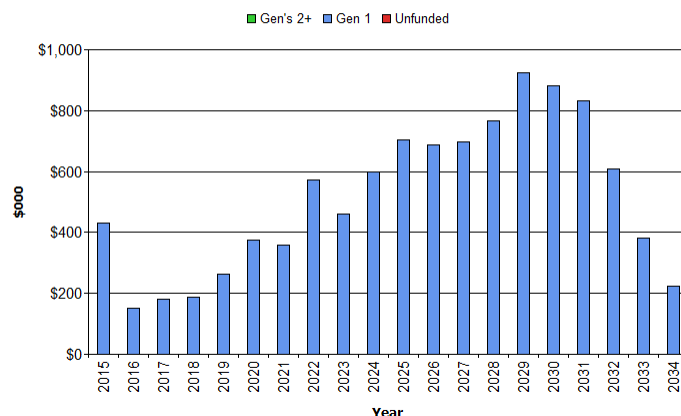
For a period of more than 10 years Council has not had a defined pavement reconstruction program. Instead, in many cases, roads have been resealed often with little rehabilitative pavement works. This has resulted in some cases in premature failure of the seal.

The analysis of pavements undertaken in the preparation of this plan indicates that pavement reconstruction is required and it will be necessary for Council to adopt a pavement reconstruction program. The graph above has been developed from a preliminary project planning perspective. It should be noted that where the required funding is shown as being high in 2015 actual projects can be delayed several years pending further detailed investigations.

An average annual capital renewal of \$1.8 million pa is required over 10 years (2015/16 – 2024/25) and \$1.4 million over 20 years (2015/16 – 2034/35) to support the defined levels of service of the assets. It is considered that the 20 year figure may be conservative since during the next 5-10 years it is expected that more pavements may show signs of structural failure due to the recent resealing practices.

Kerb

Marion City - Projected Capital Renewal Expenditure (Kerb 2015 V1_S1_V1)

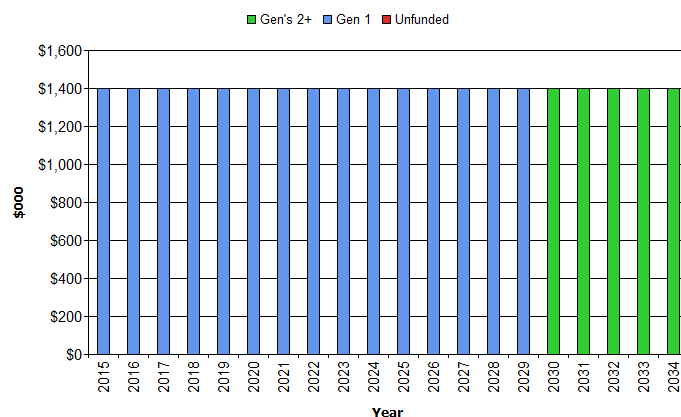


The projected renewals for kerbs can be seen to trend in line with the Seal graph. This is a result of the renewals being developed for the assumption that 5% of the kerb will be replaced on each segment of road before it is resealed.

An average annual capital renewal of \$357k pa is required over 10 years (2015/16 – 2024/25) and \$514k over 20 years (2015/16- 2034/35) to support the defined levels of service of the assets.

Footpaths

Marion City - Projected Capital Renewal Expenditure (Footpaths 2015 V1_S1_V1)

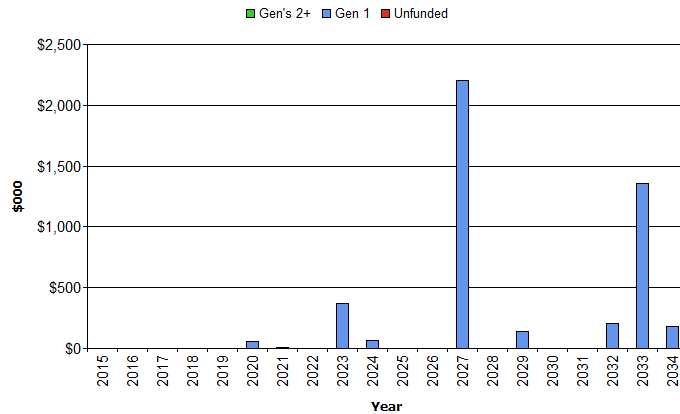


The footpath projected renewal expenditure has been derived from lifting the current service level of defect repair over the entire network from an estimated 18 years to 15 years.

An average annual capital renewal of \$1.4 million pa is required over 10 years (2015/16 – 2024/25) and 20 years (2015/16 – 2034/35) to support the defined levels of service of the assets.

Traffic Control Devices

Marion City - Projected Capital Renewal Expenditure (TCD 2015 V1_S1_V1)

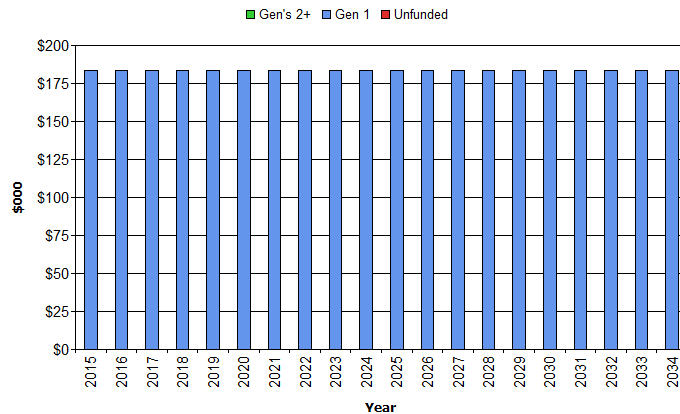


The traffic control device renewals have been estimated from valuation data.

An average annual capital renewal of \$49.6k pa is required over 10 years (2015/16 – 2024/25) and \$229.3k (2015/16 – 2034/35) over 20 years to support the defined levels of service of the assets.

Signs

Marion City - Projected Capital Renewal Expenditure (Signs 2015 V1_S1_V1)

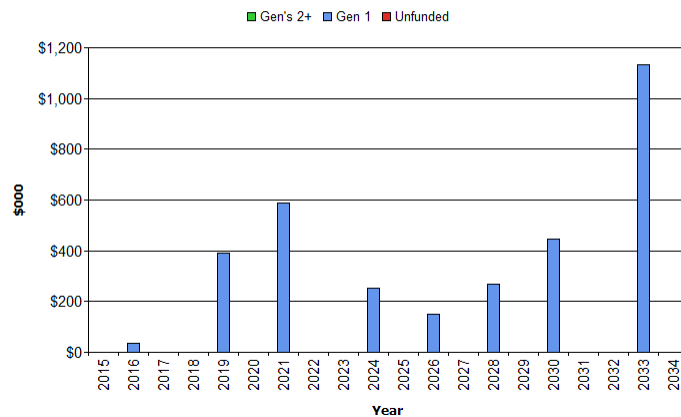


The signage renewals have been estimated from valuation data using an annual depreciation figure calculated without residuals and using straight line depreciation. This is considered satisfactory for renewal planning purposes since Council has many thousand signs all in different condition (and age) states.

An average annual capital renewal of \$184k pa is required over 10 years (2015/16 – 2024/25) and 20 years (2015/16 – 2034/35) to support the defined levels of service of the assets.

Bus Shelters

**Marion City - Projected Capital Renewal Expenditure (Bus Shelters
2015 V1_S1_V1)**

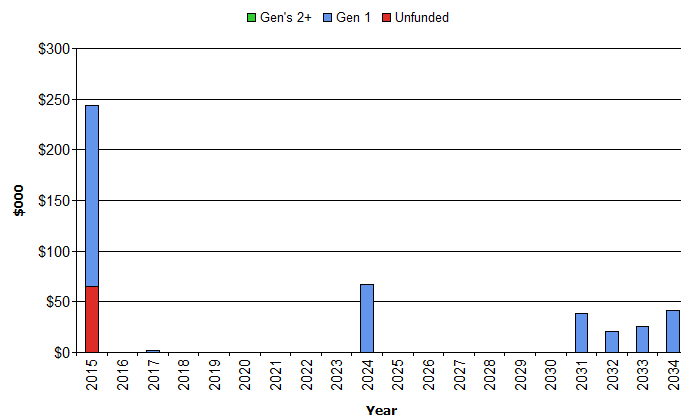


The bus shelter renewals have been estimated from valuation data.

An average annual capital renewal of \$127k pa is required over 10 years (2015/16 – 2024/25) and \$163k pa over 20 years (2015/16 – 2034/35) to support the defined levels of service of the assets.

Bridges

**Marion City - Projected Capital Renewal Expenditure (Bridges
2015 V1_S1_V1)**



The data used to generate the renewal profile for bridges has been drawn for valuations and a condition audit undertaken by the state road authority.

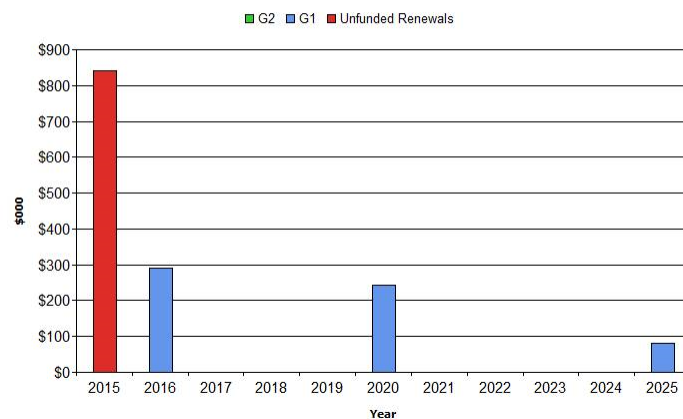
An average annual capital renewal of \$31k pa is required over 10 years (2015/16 – 2024/25) and \$22k pa over 20 years (2015/16 – 2034/35).

Stormwater assets

Due to the long life nature of the stormwater assets no renewals are predicted over the 20 year term of this plan (2015/16 – 2034/35).

Irrigation

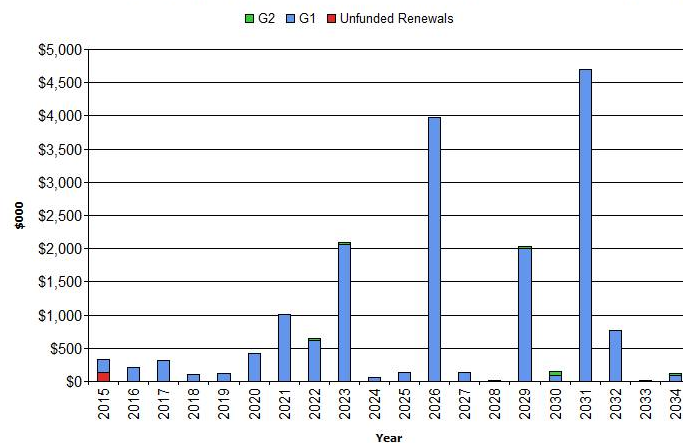
Marion City - (Open Space 2015 V10 Hub_S1_V8 - IPOS Irrigation)



Irrigation relates to optimised irrigation renewals (not including Oaklands ASR reserves) i.e. only portions of existing irrigated areas will be renewed. Only systems that are currently active are included for renewals.

Ancillary assets

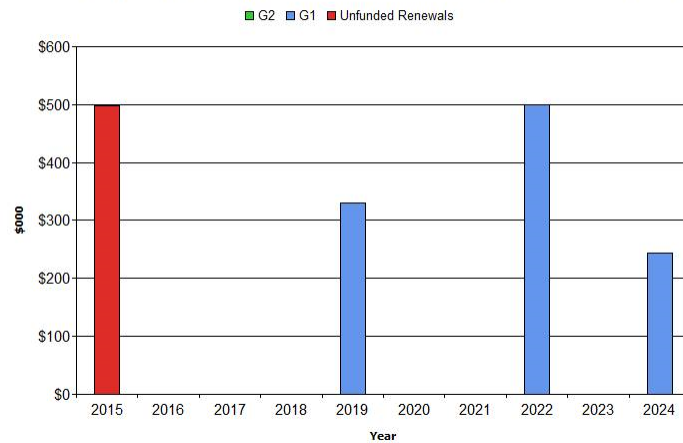
Marion City - (Open Space 2015 V10 Hub_S1_V8 - Maloney All)



The 'Maloney All' asset group relates to ancillary assets on reserves such as BBQ's, fences and seats.

Oaklands Irrigation

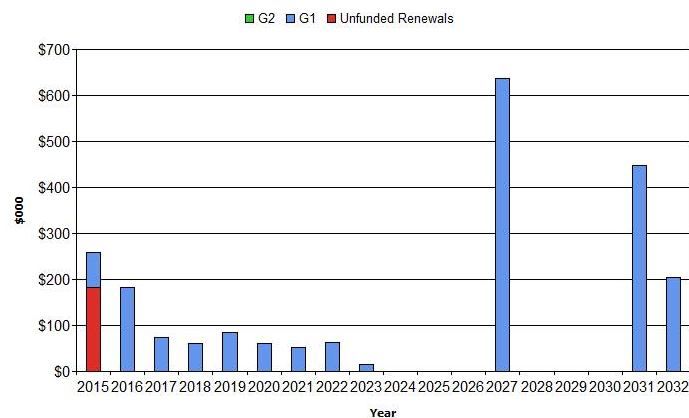
Marion City - (Open Space 2015 V10 Hub_S1_V8 - Oak IPOS Irr)



This asset group references optimised irrigation renewals on reserves proposed to be irrigated through the Oaklands Wetlands ASR scheme.

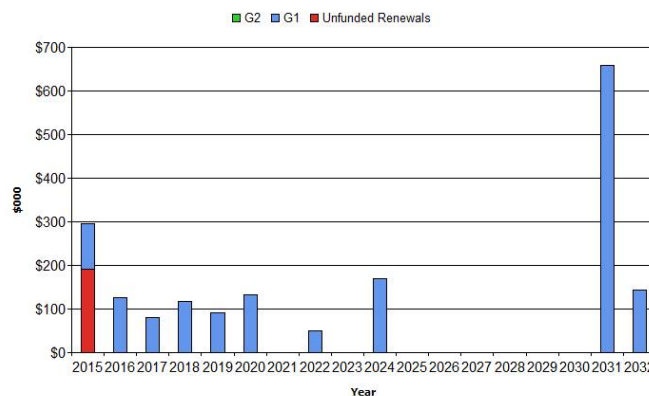
Playspace local

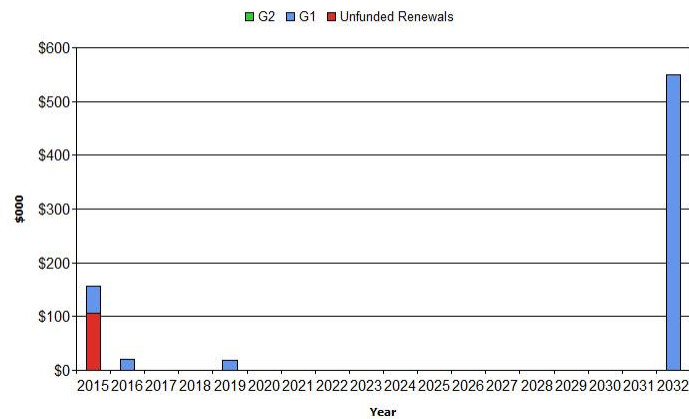
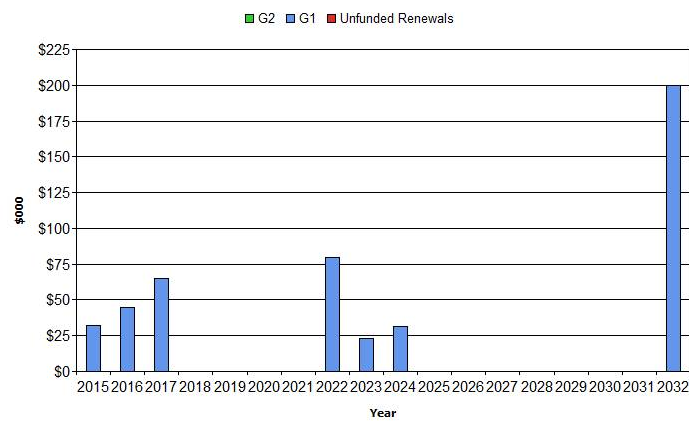
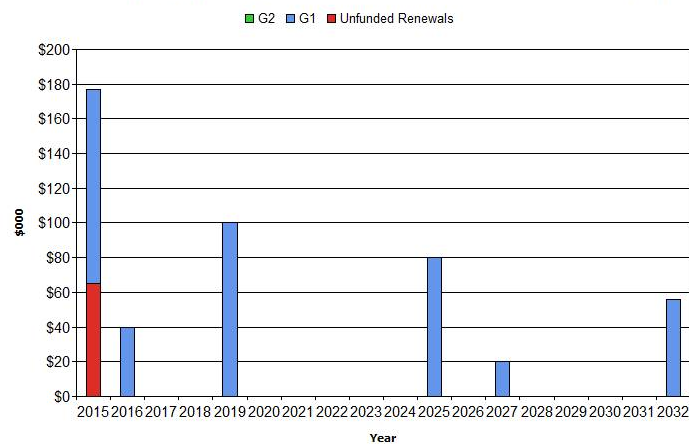
Marion City - (Open Space 2015 V10 Hub_S1_V8 - Playspace Local)



Playspace neighbourhood

Marion City - (Open Space 2015 V10 Hub_S1_V8 - Playspace Nhood)

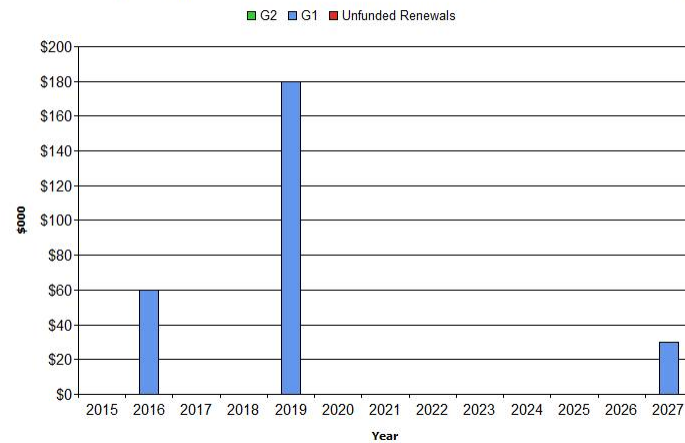


Playspace precinct**Marion City - (Open Space 2015 V10 Hub_S1_V8 - Playspace Precinct)****Playspace regional****Marion City - (Open Space 2015 V10 Hub_S1_V8 - Playspace Regional)****Tennis court AC surface****Marion City - (Open Space 2015 V10 Hub_S1_V8 - T Court AC)**

This graph refers to the asphaltic concrete component of a tennis court asset.

Tennis court base

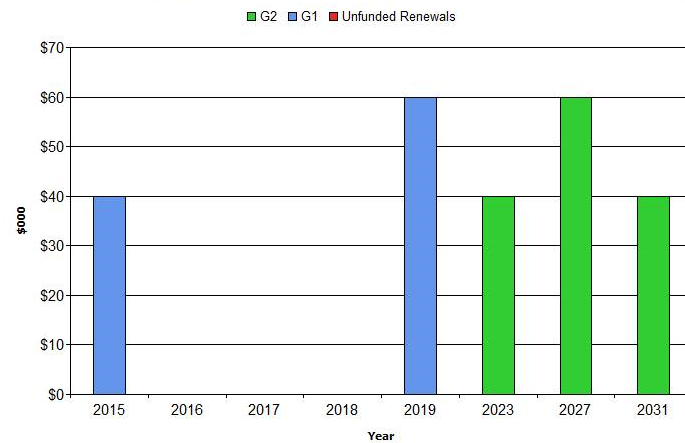
Marion City - (Open Space 2015 V10 Hub_S1_V8 - T Court Base)



This graph refers to the crushed rock base component of a tennis court asset.

Tennis court acrylic surface

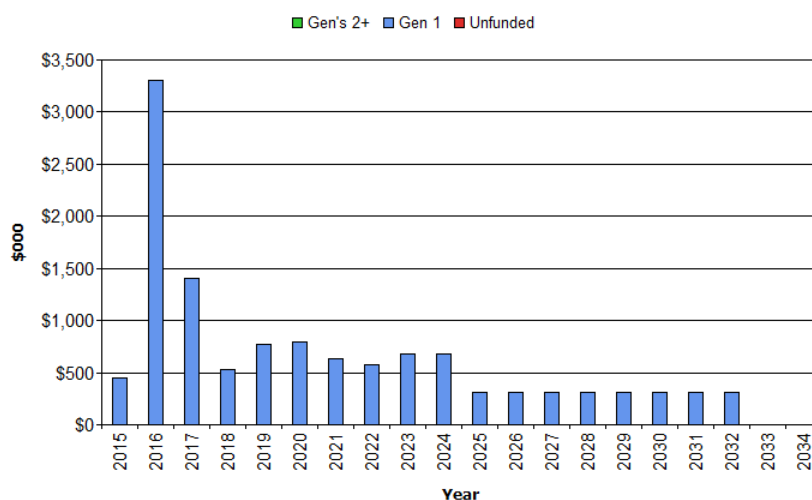
Marion City - (Open Space 2015 V10 Hub_S1_V8 - T Crt Acr Surf)



This graph refers to the coloured acrylic surfacing component of the tennis court where applicable.

Building assets

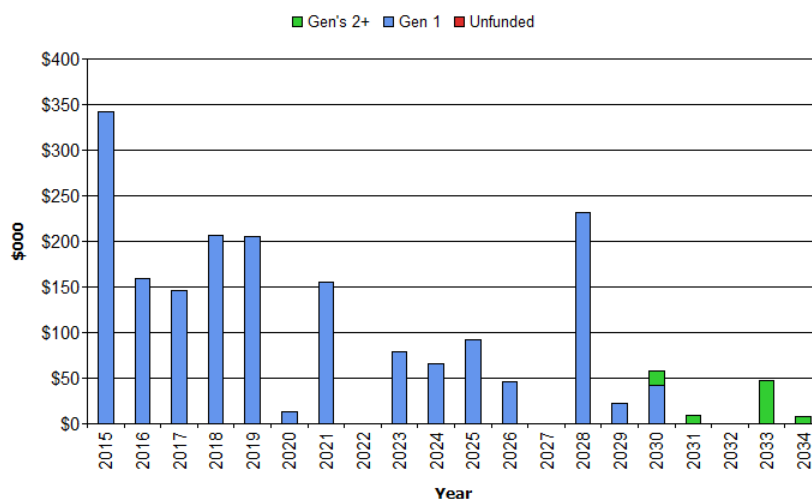
Marion City - Projected Capital Renewal Expenditure (Buildings 2015 V3_S1_V3)



Note that building renewal plans are to be developed over the coming 2 years which will more accurately inform forecast building renewal costs.

Coastal Walking Trail

Marion City - Projected Capital Renewal Expenditure (Coastal Walking Trail_S1_V5)



5.5 Creation/Acquisition/Upgrade Plan

New works are those works that create a new asset that did not previously exist, or works which upgrade or improve an existing asset beyond its existing capacity. They may result from growth, social or environmental needs. Assets may also be acquired at no cost to the organisation from land development.

5.5.1 Selection criteria

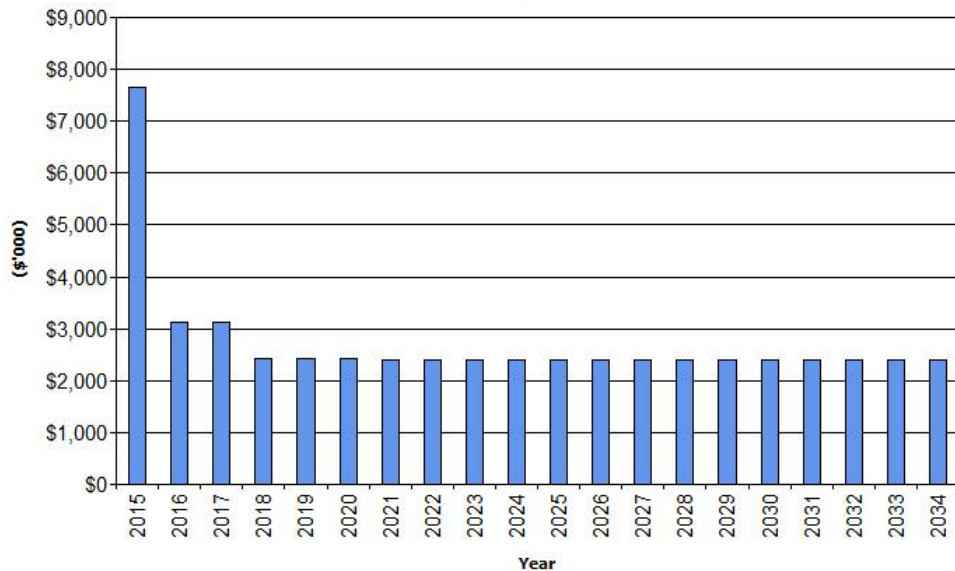
This AMP has been prepared in accordance with Council's Asset Management Policy, essentially requiring new or upgrade works to gain Council approval, having regard to whole of life costs and subsequent impacts on the LTFF.

5.5.2 Summary of future upgrade/new assets expenditure

In accordance with the Strategic Asset Management Decision Making Matrix no new assets are proposed other than Council approved stormwater, buildings and signage as detailed in Figure 5.5.2.

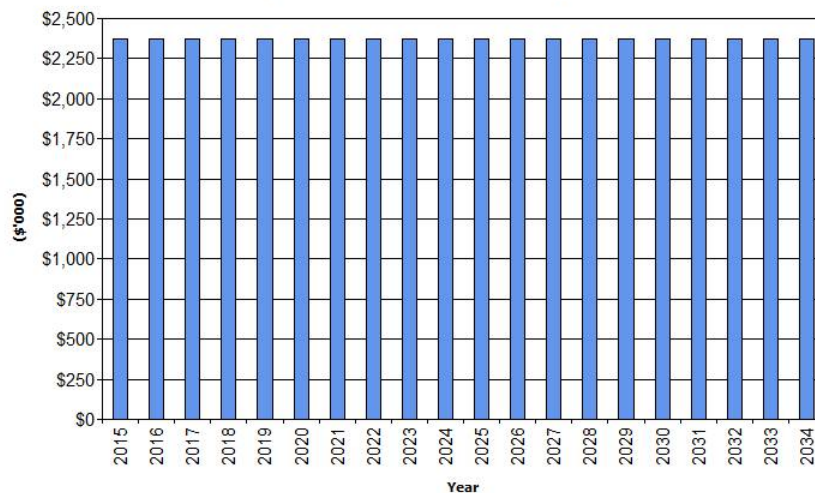
Figure 5.5.2: Projected Capital Upgrade/New Asset Expenditure

Marion City - Projected Capital Upgrade/New Expenditure (Strategy)

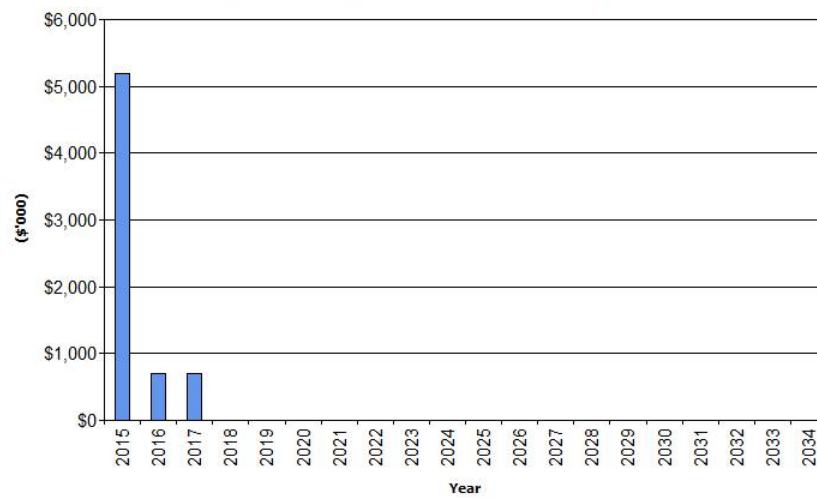


Stormwater assets

Marion City - Projected Capital Upgrade/New Expenditure (Stormwater_S1_V1)



In preparing the 2013 version of the Stormwater Asset Management Plan \$35.375 million of drainage projects (2012 values) were identified to be constructed over 20 years. The LTFP budget projections provide sufficient funds each financial year for these works.

Building assets**Marion City - Projected Capital Upgrade/New Expenditure
(Buildings 2015 V3_S1_V3)**

The new / upgrade assets relating to buildings include \$4.5 million in 2015 for the depot upgrade and \$700k between 2015 and 2017 for sustainability upgrades to buildings.

5.6 Disposal Plan

Disposal includes any activity associated with disposal of a decommissioned asset including sale, demolition or relocation. Assets identified for possible decommissioning and disposal are shown in Table 5.6. Once decommissioning has occurred, the renewal forecasts in the AMP and LTFP will be adjusted accordingly.

Playground assets have been identified for disposal as part of the investigation conducted in preparation of the City of Marion Playspace Strategy.

Table 5.6: Assets Identified for Disposal

Playground Asset	Suburb	Reason for Disposal	Renewal Cost (\$)
Ben Pethick Reserve	Marion	Surplus as identified in playspace review	18,000
Cohen Court Reserve	Clovelly Park	Surplus as identified in playspace review	21,600
Cowra Crescent Reserve	Park Holme	Surplus as identified in playspace review	25,200
Everest Avenue Reserve	Morphettville	Surplus as identified in playspace review	30,000
Everest Avenue Reserve	Morphettville	Surplus as identified in playspace review	30,000
French Court Reserve	Trott Park	Surplus as identified in playspace review	16,800
Glandore CC - Childcare	Glandore	Surplus as identified in playspace review	20,000
Lapwing Street Reserve	Hallett Cove	Surplus as identified in playspace review	9,600
Louise Avenue Reserve	Warradale	Surplus as identified in playspace review	19,800
Luke Court Reserve	O'Halloran Hill	Surplus as identified in playspace review	19,200
Mitchell Park Oval East	Mitchell Park	Surplus as identified in playspace review	26,300
Myers Road Reserve (Travers)	Sturt	Surplus as identified in playspace review	19,200
Oliphant Avenue Reserve (Small)	Oaklands Park	Surplus as identified in playspace review	25,400
Parsons Grove Reserve	Park Holme	Surplus as identified in playspace review	32,400
Ranger Street	Hallett Cove	Surplus as identified in playspace review	12,000
Waratah Square Reserve	Seacombe Gardens	Surplus as identified in playspace review	59,760
Totals			480,660

This table includes only those assets that Council has resolved to dispose of. Other assets may be identified for disposal and included in future iterations of this plan as resolved by Council.

Note that the assets identified for disposal are playspace assets only, due to their age and condition and investment in nearby facilities. Council has not resolved to dispose of the land outlined.

6. FINANCIAL SUMMARY

The preparation of this plan allows for alignment of operating, maintenance and renewal funding requirements in the LTFP to support necessary works.

This section contains the financial requirements resulting from all the information presented in the previous sections of this AMP.

Once adopted, this AMP will inform the next iteration of the LTFP. When compared to the adopted Draft 2015/16 LTFP, available funds for asset operating, maintenance and renewal amount to \$255.4 million while this plan identifies a resource requirement of \$216.6 million, resulting in a surplus of \$38.8 million 2015/16 – 2024/25), before any provision is made for major building renewal. A range of measures have been identified, including :

- A detailed review has been undertaken of the Councils road resealing / reconstruction practices which has found significant potential savings provided that an alternative philosophy and program of works is adopted.
- In accordance with Councils current Asset Management Policy upgrades of transport, open space, buildings and coastal walking trail assets have not been included in the plan unless there is a specific Council resolution to do so. Any new or upgrade works not contained in this plan will require prioritisation and approval by Council, having regard to whole of life costs and subsequent impacts on the LTFP.
- Other than some new stormwater, building and signage assets which Council has resolved to undertake, construction of new assets has not been considered.

It has been recommended that Council provision \$49million for building renewal, being equivalent to accumulated depreciation on buildings as at 30 June 2014. This would result in a net \$10.2 million deficit in renewal expenditure over the life of the LTFP.

In the following sections of the plan a comparison is made between depreciation (calculated using the valuation depreciable amount) and renewal expenditure (driven by the renewal cost), however depreciation is unlikely to reflect actual renewal costs and therefore should not be used as a method to reliably inform required renewal expenditure.

In the absence of a current AMP, the LTFP has been based on depreciation. The purpose of this iteration of the AMP is to highlight areas for improved alignment of available funding in future iterations of the LTFP, based on more current information than previous versions. Therefore, the most relevant consideration for Council is the total forecast funding available for operating, maintenance and renewal of assets (plus approved new and upgrade works) compared to the total forecast requirement. This is outlined below:

Draft 2015/16 LTFP Projections for operations, maintenance & renewal	\$231.3 million
Draft 2015/16 LTFP Projections for approved new stormwater works	\$24.1 million
Less Draft AMP forecasts for Operations, Maintenance & Renewal (excluding building renewals) + new stormwater works	(\$216.6 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	(\$10.2 million)

Current financial ratios are contained in Council's LTFP and will be updated following the adoption of this AMP and subsequent alignment of works budgets.

6.1 Financial Statements and Projections

The financial projections are shown in Figure 6.1 for projected operating (operations and maintenance) and capital expenditure (renewal). Note that all costs are shown in real values.

Figure 6.1: Projected Operating and Capital Expenditure

Marion City - Projected Operating and Capital Expenditure ()

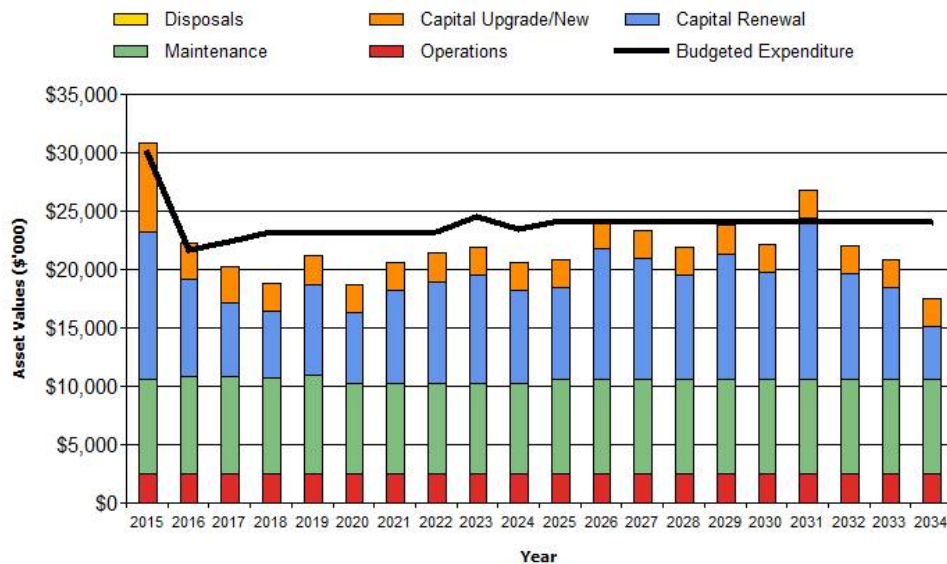


Figure 6.1.1a: Projected and LTFP Budgeted Renewal Expenditure

Marion City - Projected & LTFP Budgeted Renewal Expenditure (Strategy)

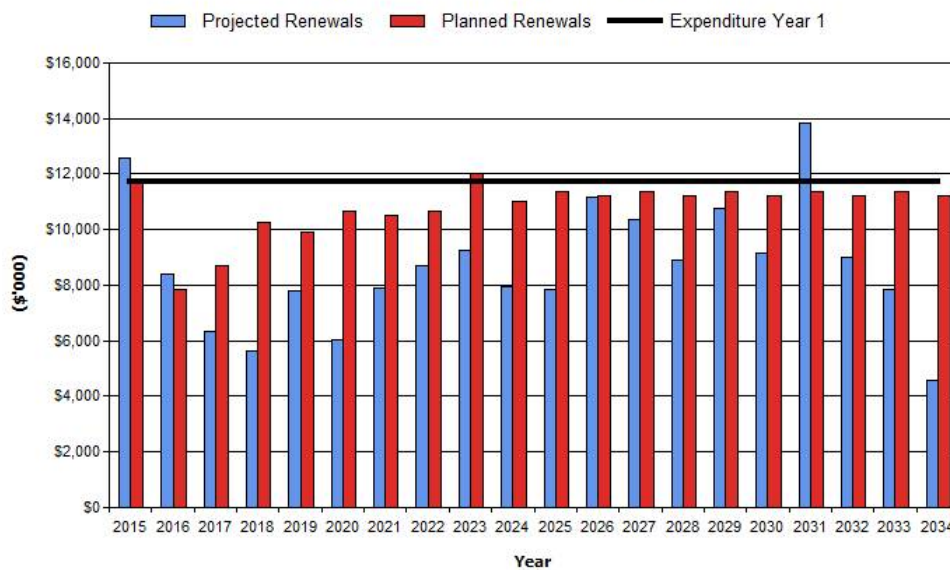


Table 6.1.1 shows the shortfall between projected renewal and replacement expenditures and expenditure accommodated in the LTFP. This does not include provision for major building renewals.

Table 6.1.1: Projected and LTFP Budgeted Renewals and Financing Shortfall

Year	Projected Renewals (\$000)	2015/16 LTFP Renewal Budget (\$000)	Renewal Financing Shortfall (\$000) (-ve Gap, +ve Surplus)	Cumulative Shortfall (\$000) (-ve Gap, +ve Surplus)
2015/16	\$12,587	\$11,747	-\$839	-\$839
2016/17	\$8,390	\$7,834	-\$556	-\$1,395
2017/18	\$6,356	\$8,681	\$2,325	\$929
2018/19	\$5,637	\$10,276	\$4,639	\$5,568
2019/20	\$7,800	\$9,918	\$2,118	\$7,686
2020/21	\$6,045	\$10,687	\$4,642	\$12,328
2021/22	\$7,921	\$10,534	\$2,613	\$14,940
2022/23	\$8,689	\$10,658	\$1,969	\$16,909
2023/24	\$9,245	\$12,012	\$2,767	\$19,676
2024/25	\$7,955	\$10,998	\$3,043	\$22,719
2025/26	\$7,848	\$11,347	\$3,499	\$26,218
2026/27	\$11,170	\$11,231	\$61	\$26,279
2027/28	\$10,369	\$11,347	\$978	\$27,257
2028/29	\$8,928	\$11,231	\$2,303	\$29,560
2029/30	\$10,789	\$11,347	\$558	\$30,118
2030/31	\$9,157	\$11,231	\$2,074	\$32,192
2031/32	\$13,837	\$11,347	-\$2,490	\$29,702
2032/33	\$9,008	\$11,231	\$2,224	\$31,925
2033/34	\$7,861	\$11,347	\$3,486	\$35,411
2034/35	\$4,554	\$11,231	\$6,677	\$42,088

Note: A negative shortfall indicates a financing gap, a positive shortfall indicates a surplus for that year.

Providing services in a sustainable manner will require matching of projected asset renewal and replacement expenditure to meet agreed service levels with **the corresponding** capital works program accommodated in the LTFP.

6.1.2 Projected expenditures for long term financial plan

Table 6.1.2 shows the projected expenditures for the 10 year LTFP.

Expenditure projections are in 2015/16 real values, and exclude provision for building renewals.

Table 6.1.2: Projected Expenditures for Long Term Financial Plan (\$000)

Year	Operations (\$000)	Maintenance (\$000)	Projected Capital Renewal (\$000)	Capital Upgrade/ New (\$000)	Disposals (\$000)
2015/16	\$2,468	\$8,120	\$12,587	\$7,645	\$0
2016/17	\$2,528	\$8,260	\$8,390	\$3,113	\$0
2017/18	\$2,536	\$8,242	\$6,356	\$3,113	\$0
2018/19	\$2,545	\$8,198	\$5,637	\$2,413	\$0
2019/20	\$2,545	\$8,392	\$7,800	\$2,413	\$0
2020/21	\$2,545	\$7,736	\$6,045	\$2,413	\$0
2021/22	\$2,545	\$7,740	\$7,921	\$2,402	\$0
2022/23	\$2,545	\$7,742	\$8,689	\$2,402	\$0
2023/24	\$2,545	\$7,745	\$9,245	\$2,402	\$0
2024/25	\$2,545	\$7,748	\$7,955	\$2,402	\$0

Table 6.1.2 is broken down into renewals by asset portfolio Figure 6.1.3 and Capital Upgrade / New by asset portfolio in Figure 6.1.4.

Table 6.1.3: Projected Capital Renewal Expenditure by Asset Portfolio for Long Term Financial Plan (\$000)

Year	Transport	Stormwater	Open Space	Buildings	Coastal Walking Trail	Projected Capital Renewal (\$000)
2015/16	9,168	0	2,630	446	342	12,587
2016/17	3,950	0	975	3,305	159	8,390
2017/18	4,277	0	530	1,402	146	6,356
2018/19	4,616	0	284	531	205	5,637
2019/20	5,839	0	980	775	205	7,800
2020/21	4,387	0	855	790	13	6,045
2021/22	6,076	0	1,060	630	155	7,921
2022/23	6,726	0	1,391	570	0	8,689
2023/24	6,307	0	2,176	683	79	9,245
2024/25	6,710	0	504	676	65	7,955

Table 6.1.4: Capital Upgrade/ New Expenditure by Asset Portfolio for Long Term Financial Plan (\$000)

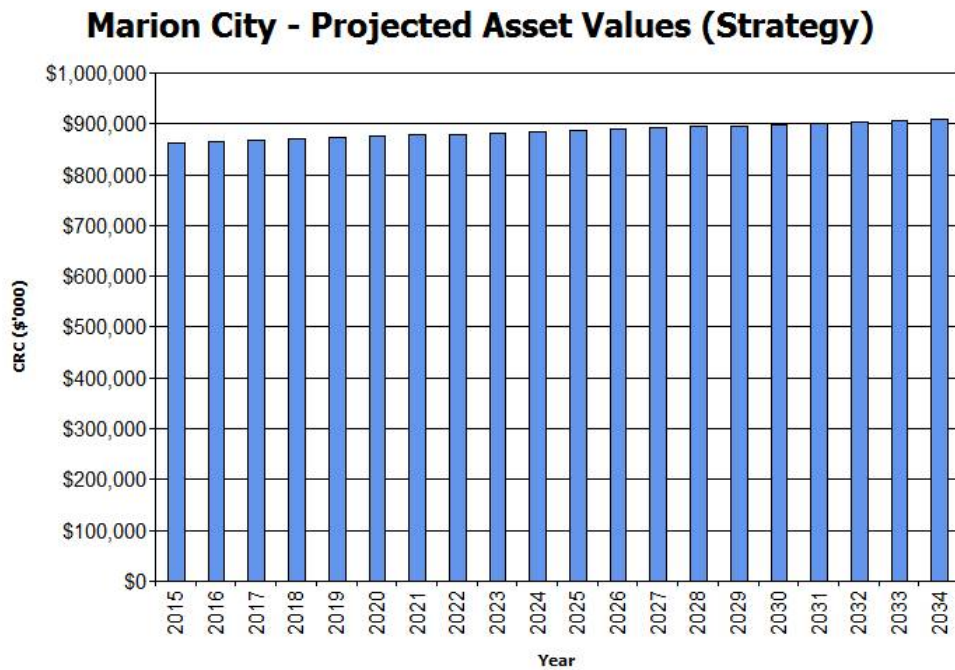
Year	Transport	Stormwater	Open Space	Buildings	Coastal Walking Trail	Capital Upgrade/ New (\$000)
2015/16	74	2,371	0	5,200	0	7,645
2016/17	42	2,371	0	700	0	3,113
2017/18	42	2,371	0	700	0	3,113
2018/19	42	2,371	0	0	0	2,413
2019/20	42	2,371	0	0	0	2,413
2020/21	42	2,371	0	0	0	2,413
2021/22	31	2,371	0	0	0	2,402
2022/23	31	2,371	0	0	0	2,402
2023/24	31	2,371	0	0	0	2,402
2024/25	31	2,371	0	0	0	2,402

6.2 Funding Strategy

After reviewing service levels, as appropriate to ensure ongoing financial sustainability projected expenditures identified in Section 6.1.2 will be accommodated in the Council's 10 year LTFP.

6.3 Valuation Forecasts

Asset values are forecast to increase as additional assets are added to the asset stock. Figure 6.3 shows the projected replacement cost asset values over the planning period in real values. The figure shows constant values due to new / upgrades not being considered in the preparation of this plan.

Figure 6.3: Projected Asset Values

Depreciation expense values are forecast in line with asset values as shown in Figure 6.3a.

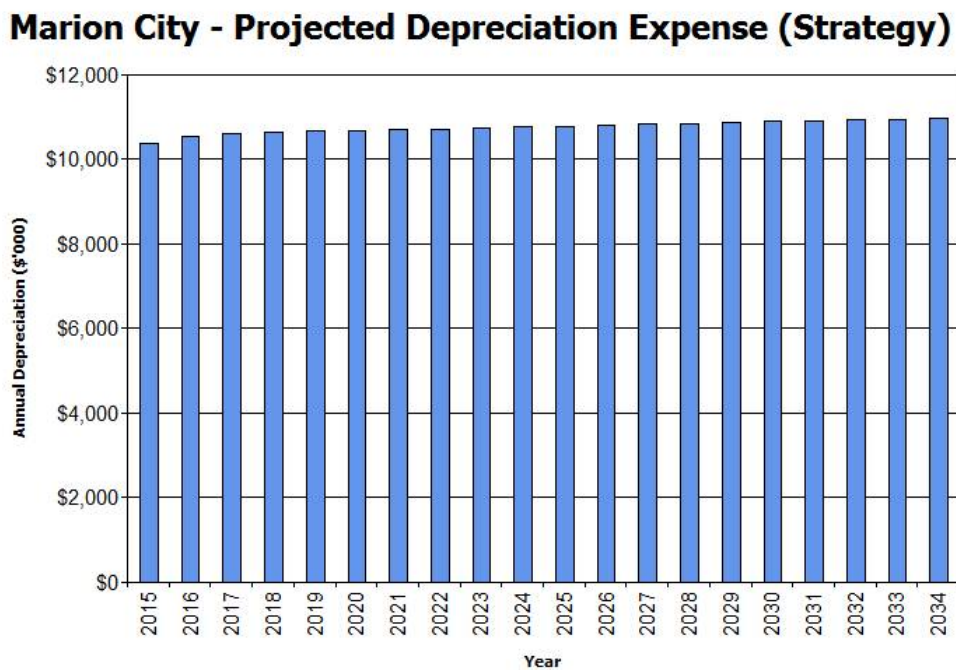
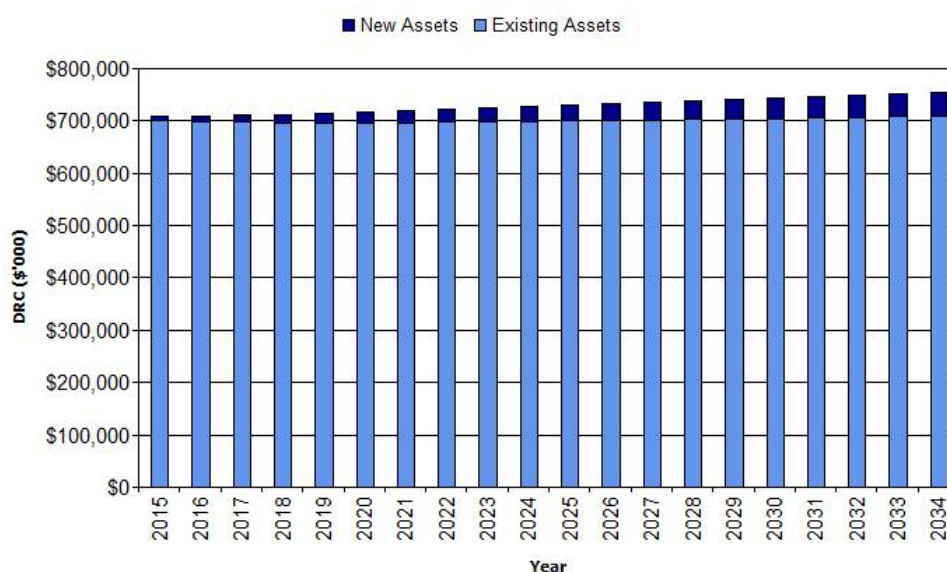
Figure 6.3a: Projected Depreciation Expense

Figure 6.3b: Projected Depreciated Replacement Cost

Marion City - Projected Depreciated Replacement Cost (Strategy)



The marked increase in the depreciated replacement cost is an anomaly associated with low calculation of the CRC and hence DRC (Direct Replacement Cost) through valuations as previously noted. The DRC therefore increases as renewals associated with the higher actual renewal costs are undertaken.

6.4 Key Assumptions made in Financial Forecasts

This section details the key assumptions made in presenting the information contained in this AMP and in preparing forecasts of required operating and capital expenditure and asset values, depreciation expense and carrying amount estimates. It is presented to enable readers to gain an understanding of the levels of confidence in the data behind the financial forecasts.

Key assumptions made in this AMP and risks that these may change are shown in Table 6.4

Table 6.4: Key Assumptions made in AMP and Risks of Change

Key Assumptions	Risks of Change to Assumptions
Resealing program developed as part of this plan will be followed	The renewal forecast has been developed around an analysis of data that produces a more sustainable program of works without changes to existing service levels. This program of works will require change to be facilitated by Council in the processes that are currently adopted
Pavement reconstruction program developed as part of this plan will be followed	Analysis of data has shown that Council should develop a program of pavement reconstruction and detailed investigation. Currently in some cases roads are being resealed rather than reconstructed resulting in a short seal life and high lifecycle costs.
Kerb renewal assumptions are correct	It has been assumed that approximately 5% of the kerb length in a street will require renewal at the time of a reseat. This is based on a survey of kerb condition undertaken in 2010. Another survey of kerb condition is planned which will improve estimates on a segment by segment basis.
Assumed unit rates are correct	Unit rates in some cases have been based on valuations and in other cases have been compiled from first principles without reference to actual Council costs. In most cases however it is expected that unit rates will be reasonably accurate, particularly for the large asset groups of seals, pavements, kerb and footpaths. Where valuations have been used as a proxy for unit rates used in establishing renewal costs i.e. stormwater and open space (in some cases) the figures will be less reliable.

Key Assumptions	Risks of Change to Assumptions
Drainage network overall condition is fair to good based on remaining life derived from age profile and current CCTV information (assume 100 year useful life)	If poorer condition drain lines are identified by future CCTV this will change the service life and introduce a renewal program
No significant changes to legislation	WSUD mandatory – changes capital works program
Urban growth has a similar pattern to previous years	Increase growth changes capital works program priorities
Maintenance funds can retain existing levels of service	Additional funds required to meet desirable level of service and community expectations
Actual major storm event does not occur in the next 4 years	Extensive clean up changes maintenance and capital works priorities. Additional funds would be required for storm damage and clean up.
Design and operations staffing needs are adequately resourced staff	Unable to resource planned asset management activities
Unclear open space capitalisation threshold may mean that some renewals are being undertaken using maintenance expenditure	Estimated funds required for renewal may already be met through the maintenance budget
Assumption of 'like for like' replacement of open space assets has been made in the development of this plan, whereas historically significant upgrades have taken place	Underestimation of required budget
The desktop exercise to identify the required <u>minor</u> building renewals was comprehensive and adequate.	It is virtually certain that the desktop exercise undervalued the required renewals, which are estimated to be higher by a simple lifecycle calculation, and which should be modelled from conditions and useful lives of components, based on site inspections which take defects into account.
Existing valuations do not accurately reflect the renewable assets contained within the Coastal Walking Trail corridor that are under the control of Council. Hence sustainability ratios calculated within this plan cannot be considered reasonable.	The sustainability ratios will become more accurate following revaluations undertaken by Council.

6.5 Forecast Reliability and Confidence

The expenditure and valuations projections in this AM Plan are based on best available data. Currency and accuracy of data is critical to effective asset and financial management. Data confidence is classified on a 5 level scale⁸ in accordance with Table 6.5.

Table 6.5: Data Confidence Grading System

Confidence Grade	Description
A Highly reliable	Data based on sound records, procedures, investigations and analysis, documented properly and recognised as the best method of assessment. Dataset is complete and estimated to be accurate $\pm 2\%$
B Reliable	Data based on sound records, procedures, investigations and analysis, documented properly but has minor shortcomings, for example some of the data is old, some documentation is missing and/or reliance is placed on unconfirmed reports or some extrapolation. Dataset is complete and estimated to be accurate $\pm 10\%$
C Uncertain	Data based on sound records, procedures, investigations and analysis which is incomplete or unsupported, or extrapolated from a limited sample for which grade A or B data are available. Dataset is substantially complete but up to 50% is extrapolated data and accuracy estimated $\pm 25\%$
D Very Uncertain	Data is based on unconfirmed verbal reports and/or cursory inspections and analysis. Dataset may not be fully complete and most data is estimated or extrapolated. Accuracy $\pm 40\%$
E Unknown	None or very little data held.

The estimated confidence level for and reliability of data used in this AM Plan is shown in Tables 6.5.1. – 6.5.5

⁸ IPWEA, 2011, IIMM, Table 2.4.6, p 2|59.

Table 6.5.1: Data Confidence Assessment for Data used in AMP - Transport

Data	Confidence Assessment	Comment
Demand drivers	C	Upgrade / new expenditure has been based on Council's recently adopted Asset Management Policy. If Council resolves to increase upgrade/ new expenditure amendments to future funding will be required.
Growth projections	B	Much of the Council has already been developed and a large amount of future growth is not predicted
Operations expenditures	E	Operations expenditure has not been directly considered in this plan but has been included within maintenance expenditure
Maintenance expenditures	A	Based on Council's actual costs
Projected Renewal exps. - Asset values	B	Asset values are generally based on costs to renew the asset
- Asset residual values	C	Residual values have been ignored in renewal planning costs, since they will not be realised
- Asset useful lives	B	Established useful lives have been used
- Condition modelling	B	For seals and pavements a great deal of work has been done on modelling existing condition data, although in some cases the data has been shown to be inaccurate
- Network renewals	B	Network renewals have been used for signage and kerbing
- Defect repairs	N/A	N/A
Upgrade/New expenditures	B - C	Generally no upgrade / new expenditure has been assumed. This will be the subject of future resolutions of Council
Disposal expenditures	N/A	N/A

Table 6.5.2: Data Confidence Assessment for Data used in AMP- Stormwater

Data	Confidence Assessment	Comment
Demand drivers	B	The two Stormwater Management Plans have provided reliable information on demand drivers.
Growth projections	B	Growth projections are based development potential from Housing id Report (2011), Jensen Planning SWMP Report (2011) and 30 year plan for greater Adelaide.
Operations expenditures	C	Work orders have not been implemented for these activities.
Maintenance expenditures	C	Work orders have not been implemented for these activities.
Projected Renewal exps. - Asset values	B	Unit rates are used which are based on current contract rates and Rawlinson handbook.
- Asset residual values	B	Low salvage/reuse value.
- Asset useful lives	D	Insufficient research and testing in useful life predictions.
- Condition modelling	E	Insufficient research and testing on the correlation between useful life and condition of asset.
- Network renewals	C	Condition assessment is based on sample CCTV survey. Further condition inspections are required to improve predictions.
- Defect repairs	C	Work orders have not been implemented for these activities.
Upgrade/New expenditures	B	Decision to upgrade is based on SWMP projects, CCTV assessments, drainage capacity analysis and known flooding and pipe capacity problems.
Disposal expenditures	B	Unit rates for disposal are based on contract rates.

Table 6.5.3: Data Confidence Assessment for Data used in AMP – Open Space

Data	Confidence Assessment	Comment
Demand drivers	A	Open space planning documents detail community demand via consultation mechanisms
Growth projections	B	Growth is based on demand for new assets
Operations expenditures	C	Based on existing budget, growth predicted though increased asset base through upgrades
Maintenance expenditures	C	Based on existing budget, growth predicted though increased asset base through upgrades
Projected Renewal exps. - Asset values	C	Based on valuation data rather than condition based renewals
- Asset residual values	A	No residuals have been assumed
- Asset useful lives	C	Lives will not play a significant role in the assets requiring renewal during the course of the plan
- Condition modelling	C	Based on valuation data
- Network renewals	C	Based on valuation data
- Defect repairs	D	Defect repairs not considered
Upgrade/New expenditures	C	Asset upgrades as appearing in other open space planning documents is not considered in the development of this version of the AMP
Disposal expenditures	C	Disposal of existing playgrounds where they are not renewed is unknown

Table 6.5.4: Data Confidence Assessment for Data used in AM Plan - Buildings

Data	Confidence Assessment	Comment
Demand drivers	C	The recommendations of Councils draft facility review plan have not been allowed for in the development of this plan
Growth projections	B	The assumption of 0% growth is close to the actual situation.
Operations expenditures	B	
Maintenance expenditures	B	
Projected Renewal exps. - Asset values	D	Projected building renewal are not included in this plan. Building renewal plans are to be developed over the next 2 years.
- Asset residual values	NA	Residual values provided by external valuers.
- Asset useful lives	NA	Aged building nearing the end of their useful lives..
- Condition modelling	NA	See comments above.
- Network renewals	NA	See comments above.
- Defect repairs	D	Based on desktop identification.
Upgrade/New expenditures	B	Based on preliminary cost estimates
Disposal expenditures	B	

Table 6.5.5: Data Confidence Assessment for Data used in AM Plan – Coastal Walking Trail

Data	Confidence Assessment	Comment
Demand drivers	B	
Growth projections	A	Data based on historical records and professional opinions
Operations expenditures	A	No operations costs are considered in preparation of the plan
Maintenance expenditures	A	Proactive maintenance program has been developed
Projected Renewal exps. - Asset values	B	Renewal projections based on up to date register of assets
- Asset residual values	D	Valuations based on out of date register
- Asset useful lives	A	No residual value is expected.
- Condition modelling	B	Harsh coastal environment creates uncertainty
- Network renewals	B	Full visual condition audit has been undertaken.
- Defect repairs	E	No network assets currently considered
Upgrade/New expenditures	D	No specific data available
Disposal expenditures	A	No new or upgraded assets unless approved by Council
	A	None considered

7. PLAN IMPROVEMENT AND MONITORING

7.1 Status of Asset Management Practices

7.1.1 Accounting and financial systems

The finance system used by the City of Marion is Authority, a product of Civica Pty Ltd. The financial modules within Authority include the following:

- General Ledger
- Receipting
- Payroll
- Rate Debtors/Property Management
- Purchasing
- Accounts Receivable/Accounts Payable
- Inventory
- Bank Reconciliation
- Estimates
- Contracts
- Loans
- Plant
- Work Orders
- Capital Value Register (CVR)

Within the Work Orders module, there are links to the General Ledger, the Plant Module and the AIM system.

Within the Capital Value Register, the following functions/programs are available:

- Asset capitalisation
- Asset disposal
- Depreciation
- Revaluation

All of the above programs perform automatic updates to the General Ledger via Control Accounts created for each Asset Record.

Depreciation charges are processed monthly according to the useful life (taking into consideration residual values) recorded against each Asset Record.

Infrastructure Assets are comprehensively revalued every 3-5 years and also have annual “desktop” valuations.

The Capital Value Register incorporates the following Asset Classifications:

- Land
- Buildings
- Plant & equipment
- Furniture & fittings
- Other
- Other infrastructure
- Intangibles

Infrastructure Assets including Roads, Drains, Kerb, Footpaths, Bridges and Traffic Devices are held on systems external to Authority, e.g. Pavement Management System, Spreadsheets. External Valuers use this data as a basis for providing valuations which are added to the Balance Sheet Control Accounts via a general journal.

Accountabilities for financial systems

The responsibility for the integrity of the finance system is assigned to the Finance Manager and senior Accounting staff.

Accounting standards and regulations

The accounting standards and guidelines that must be complied with are as follows:

- *Local Government Act 1999*
- Local Government General Regulations 1999
- Local Government (Financial Management) Regulations 2022
- State and Federal Legislation (e.g. taxes)
- Australian Accounting Standards set by the Australian Accounting Standards Board (AASB)
- City of Marion financial policies and procedures

Capital/maintenance threshold

Assets should have a useful life of greater than one year in order for the expenditure to be capitalised and have a value above the Materiality Thresholds described below.

Any expenditure considered to be Capital must also pass a materiality test. Materiality levels are set so as not to misstate Financial Statements and to provide a guide whether it is practical from an Administrative perspective that expenditure is capitalised.

Table 7.1: Materiality Levels

Asset Group	New/Replacement
Infrastructure	\$5,000
Land	\$5,000
Buildings	\$5,000
Furniture & Fittings	\$3,000
Equipment	\$3,000
Other	\$3,000

Networked/Aggregate Assets - Expenditure can still be capitalised on items that fall below materiality thresholds individually but operate together as a cohesive whole to form a substantial/significant total value. Examples are the Computer Network, Library Books, and Reserve Furniture.

7.1.2 Asset management system

An asset management system is a combination of processes, data and software applied to provide the essential outputs for effective AM such as reduced risk and optimum infrastructure investment.

Council utilises a number of asset management systems which contribute to the overall management of the long term planning of infrastructure. These include Stormwater Management Database in the MapInfo Exponare and MapInfo Professional GIS linked to Microsoft spreadsheets, IBM Lotus Notes Customer Request System and Authority financial and asset modules.

The current systems are being reviewed with the aim of integrating asset information into the corporate AM system.

Asset registers

A database of data collected in the field was used to compile this AMP.

Linkage from asset management to financial system

Further integration of the asset management systems and processes and the LTFP are being developed.

Accountabilities for asset management system and data maintenance

The responsibility of asset management planning system and data maintenance is assigned to the Manager Strategic Assets and Strategic Asset Services staff.

Required changes to asset management system arising from this AM Plan

Reviews and improvements to asset management systems are ongoing and part of the organisation process towards best practice. Improvements are implemented as required.

7.2 Improvement Program

The asset management improvement plan generated from this AMP is shown in Table 7.2.

Table 7.2: Improvement Plan

Task No	Task	Responsibility	Resources Required	Timeline
1	Undertake condition assessment of assets	Mgr. Strategic Assets	Recurrent	December 16
2	Develop an optimised program of infrastructure repair / renewal	Mgr. Strategic Assets & Mgr. Infrastructure	Recurrent	December 16
3	Develop a program of bus shelter renewal and compliance upgrade	Mgr. Strategic Assets & Mgr. Infrastructure	\$1.2m	2020
4	Prepare a service level and community consultation plan for assets linking with the Council Plan, LTFP and AMPs	Mgr. Strategic Assets & Mgr. Infrastructure	\$30,000	December 15
5	Implement the two adopted Stormwater Management Plans	Infrastructure	Consultancy and Infrastructure and Strategic Assets staff	2034
6	Prepare Stormwater Management Plans for the remaining catchments in the city ie east of Sturt River and urban area abutting Field River	Infrastructure	Consultancy and Infrastructure and Strategic Assets staff	2016
7	Prepare Operations and Maintenance Management Plan for infrastructure. The plan to include service levels, inspection frequency, maintenance activities and response times	Infrastructure	Infrastructure staff	2016
8	Review asset management and procedural frame work for inter-departmental/work group areas, update asset register, condition rating etc	Strategic Assets	Strategic Assets staff	2016
9	Continue annual CCTV surveys to inspect and assess the performance and condition of the stormwater assets to determine remaining life	Infrastructure and Strategic Assets	Infrastructure and Strategic Assets staff	Annual program

Task No	Task	Responsibility	Resources Required	Timeline
10	Integrate asset and financial systems	Strategic Assets	Strategic Assets staff	2016
11	Prepared long term projection of depreciation expenses on assets based on consumption.	Strategic Assets	Strategic Assets staff	2016
12	Undertake annual review and update the SAM Plan and integrate with LTFP. The capital works selection criteria and decision making process is to be included in the review	Infrastructure and Strategic Assets	Infrastructure and Strategic Assets staff	Annual program
13	Develop a reserve name and numbering system linked to GIS and Asset Management System	Strategic Assets & Open Space	Strategic Assets & Open Space Staff	2018
14	Develop condition rating methodologies for open space assets that will allow informed decision making for asset renewal	Strategic Assets & Open Space	Strategic Assets & Open Space Staff	2016
15	Undertake further research on actual renewal costs of open space assets and develop realistic unit rates for same	Strategic Assets & Open Space	Strategic Assets & Open Space Staff	2016
16	Develop unit rates for open space assets	Strategic Assets & Open Space	Strategic Assets & Open Space Staff	2016
17	Review the LTFP against proposed renewals for assets with a view to matching the funds required or altering the service levels to match sustainable funds available through the LTFP	Strategic Assets & Finance	Strategic Assets & Finance staff	Ongoing post AMP endorsement
18	Review the method of determining required renewals. Adopt forward modelling based on component replacement values, component conditions, and useful lives.	Strategic Assets & Finance	Strategic Assets & Finance Staff	2017
19	Improve asset and financial systems	Strategic Assets & Finance	Strategic Assets & Finance staff	Ongoing
20	Undertake annual review and update the Buildings AM Plan and integrate with LTFP. The capital works selection criteria and decision making process is to be included in the review.	Infrastructure and Strategic Assets	Strategic Assets & Finance staff	Annual program

7.3 Monitoring and Review Procedures

This AMP will be reviewed and updated during annual budget planning processes and amended to recognise any material changes in service levels and/or resources available to provide those services as a result of budget decisions.

The AMP has a life of 4 years, and is due for complete revision within 24 months of each Council election (November 2016) to ensure it represents the current service level, asset values, projected operations, maintenance, capital renewal and replacement, capital upgrade/new and asset disposal expenditures and projected expenditure values incorporated into the Council's LTFP.

7.4 Performance Measures

The effectiveness of the AMP can be measured in the following ways:

- The degree to which the required projected expenditures identified in this AMP are incorporated into the organisation's long term financial plan,
- The degree to which 1-5 year detailed works programs, budgets, business plans and organisational structures take into account the 'global' works program trends provided by the AMP,
- The degree to which the existing and projected service levels and service consequences (what we cannot do), risks and residual risks are incorporated into the organisation's Strategic Plan and associated plans,

- Council's Asset Renewal Funding Ratio achieving the target of 1.0.

8. REFERENCES

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9. APPENDICES

Appendix A Current and Desired Service Levels

Appendix B Data Sources and assumptions

Appendix A Current and Desired Service Levels

Current and Desired Service Levels - Transport

Key Performance Measure	Level of Service Objective	Performance Measure Process	Current Level of Service	Desired Level of Service
COMMUNITY LEVELS OF SERVICE				
Quality	<u>Seals & pavements</u> Provide a smooth road with no potholes	Customer service requests	293 requests under 'roads, maintenance'	To be reviewed
	<u>Kerb</u> Provide kerb & water table of a standard to provide the transfer of stormwater along a road with minimal pooling.	Customer service requests	94 requests under 'general enquires / inspection required	To be reviewed
	<u>Traffic Control Devices</u> Provide an effective network of traffic control devices	Customer service requests	51 requests under 'traffic control devices'	To be reviewed
	<u>Bus shelters</u> Provide a functional network of bus shelters at key locations	Customer service requests	34 requests under 'bus shelters'	To be reviewed
Safety	<u>Bridges</u> Provide a safe network of vehicular & pedestrian bridges.	Customer service requests	3 requests under 'bridge'	To be reviewed
	<u>Footpath</u> Provide a safe network of pedestrian paths.	Customer service requests	1252 requests under 'footpaths'	To be reviewed
	<u>Signs</u> Provide an effective, safe network of traffic signs	Customer service requests	355 requests under signs: road traffic, advisory, directional, street names, traffic / school	To be reviewed
TECHNICAL LEVELS OF SERVICE				
Renewal	Seal	Adherence to revised works program	Single treatment only used for renewal (AC10) based on rudimentary intervention levels.	To be reviewed
		Budget	\$44.0m (10 years)	
	Pavement		Council has not undertaken an extensive reconstruction program for some years.	To be reviewed and validated
			\$0	\$18.5m (10 years)

Key Performance Measure	Level of Service Objective	Performance Measure Process	Current Level of Service	Desired Level of Service
	Kerb		LTFP kerb program based on increasing expenditure over that in place at the moment	Revised and optimised our works program
		Budget	\$23.7m (10 years)	\$3.6m (10 years), maintaining kerb replacement at current (2015) levels.
	Footpath	Enhanced renewals	Current defect repair over entire network (2014 budget of \$1.2m) will take approximately 18 years.	Review the defect repair time
		Budget	\$16.6m (10 years of LTFP)	\$14 million (10 years)
	Traffic Control Devices	Enhanced renewals	Provisions within LTFP are not based on detailed analysis	Maintain traffic control devices to meet community needs related to consultation through local area traffic management studies.
		Budget	\$721,000 (10 years of LTFP)	\$496,000 (10 years)
	Signs	Enhanced renewals	Budget for signage is based on historic practice.	Proposed budget is based on matching straight line depreciation calculations
		Budget	\$590k (10 years of LTFP)	\$1,840k (10 years)
	Bus shelters	Enhanced renewals	Budget for bus shelters is based on historic practice	To be reviewed. DDA compliance by 2020
		Budget	\$504k (10 years of LTFP)	\$1,271k (10 years)
	Bridges	Enhanced renewals	Budget for bridges is based on historic practice	Renewals based on replacing some footbridges and significant defect repair
		Budget	\$584k (10 years)	\$313k (10 years)
Upgrade	All apart from signage	No upgrades	Upgrades take place	Impact of upgrades / new assets not modelled in this AMP

Current and Desired Service Levels - Stormwater

Key Performance Measure	Level of Service Objective	Performance Measure Process	Current Level of Service	Desired Level of Service
COMMUNITY LEVELS OF SERVICE				
Quality	Provide an efficient method of collection and environmentally friendly disposal of stormwater runoff	Community forum feedback. Number of customer complaints.	Under review – see Improvement Plan (table 7.2)	Under review – see Improvement Plan (table 7.2)
Function	Provide a safe and effective stormwater drainage network	Frequency of property flooding.	Under review – see Improvement Plan (table 7.2)	Under review – see Improvement Plan (table 7.2)
Capacity/ Utilisation	Ensure stormwater drainage network meets capacity requirements	Number of customer requests relating to property/street flooding and pollution discharges into waterways.	Under review – see Improvement Plan (table 7.2)	Under review – see Improvement Plan (table 7.2)
TECHNICAL LEVELS OF SERVICE				
Operations & Maintenance	Programmed maintenance to clean drain and pit, street sweeping and emptying GPTs .	Number of customer requests/complaints.	Under review – see Improvement Plan (table 7.2)	Under review – see Improvement Plan (table 7.2)
		Planned maintenance activities are completed to schedule.	Under review – see Improvement Plan (table 7.2)	Under review – see Improvement Plan (table 7.2)
Renewal	Activities that review the existing condition and capacity of the drainage network	Structural assessment of poor condition drains from the annual CCTV condition and defects inspection.	Risk based approach to replace assets identified as being in poor structural condition.	Risk based approach to replace assets identified as being in poor structural condition.
Upgrade/New	Activities that improve/upgrade the existing drainage network to meet 1 in 5 ARI storm design requirements and to reduce hazardous flooding from 1 in 100 ARI storm.	Stormwater Management Plan and Flood Plain Mapping to identify drainage network deficiencies.	Implement capital works program based on Drainage Priority Matrix.	Implement capital works program based on Drainage Priority Matrix.

Current and Desired Service Levels – Open Space

Key Performance Measure	Level of Service Objective	Performance Measure Process	Current Level of Service	Desired Level of Service
COMMUNITY LEVELS OF SERVICE				
Quality	Well maintained and suitable Open Space	Customer service requests	Under review	<1,000 requests per annum for trees <500 requests for park infrastructure
Accessibility	Open Space assets will be accessible during normal operating business hours	Customer service requests relating to availability.	Under review	95% compliance. In this instance where an Open Space is closed to users for reasons such as maintenance, upgrading, renewal or a Council related public event or non-Council events, then appropriate notification shall be given to relevant users in accordance with Council's Public Consultation Policy and the requirements of Council's Community Land Management Plans.
Function	Open Space assets meet community need	To be defined	Under review	>60% customer survey satisfaction
Responsiveness	Response time to customer requests	Review of closure times for Customer Service Requests	Under review	>90% of all requests adequately responded to within target
TECHNICAL LEVELS OF SERVICE				
Condition	Condition assessment of Open Space network every 3 years	Assessment of condition data collected for valuation purposes.	Under review	Open Space condition index to be no worse than an average 3 out of a possible 5
Accessibility	Provide all weather access to category 1, 2 and 3 reserves.	Customer service requests relating to access	Under review	<20 requests / complaints relating to access of Open Space (within category 1-3)
Cost Effectiveness	Provide services in cost effective manner	Maintenance / Operational costs in line with industry standards	Under review	To be assessed
Safety	Undertake risk based inspection of Open Space network every three years	Audit of all Open Space undertaken in line with relevant standards	Under review	Reactive and proactive maintenance programs optimised against risk profiling.

Table 3.4.4: Current and Desired Service Levels - Buildings

Key Performance Measure	Level of Service Objective	Performance Measure Process	Current Level of Service	Desired Level of Service
COMMUNITY LEVELS OF SERVICE				
Quality	Ensuring that buildings are safe, clean, efficient, and accessible.	Community forum feedback. Number of customer complaints.	Under review – see Improvement Plan (table 7.2)	Under review – see Improvement Plan (table 7.2)
Function	Ensuring that the services offered by buildings are relevant and efficient.	Community forum feedback. Number of customer complaints/requests.	Under review – see Improvement Plan (table 7.2)	Under review – see Improvement Plan (table 7.2)
Capacity/ Utilisation	Ensuring that the buildings provide a useful and viable service to the community.	Community forum feedback. Number of customer complaints/requests	Under review – see Improvement Plan (table 7.2)	Under review – see Improvement Plan (table 7.2)
TECHNICAL LEVELS OF SERVICE				
Operations and maintenance.	Programmed maintenance to continue the level of services.	Number of customer requests/complaints. Planned maintenance activities are completed to schedule.	Under review – see Improvement Plan (table 7.2)	Under review – see Improvement Plan (table 7.2)
Renewal	Renewal of components at end of life to continue the level of service.	Required works identified by staff in desktop exercise are achieved.	Risk based approach to replace assets identified as being in poor structural condition.	Risk based approach to replace assets identified as being in poor structural condition.
Upgrade/New	Provide new facilities or levels of service as required.	Building Management Plan to identify future needs.	Implement capital works program based on Priority Matrix.	Implement capital works program based on Priority Matrix.

Table 3.4.5: Current and Desired Service Levels – Coastal Walking Trail

Key Performance Measure	Level of Service Objective	Performance Measure Process	Current Level of Service	Desired Level of Service
COMMUNITY LEVELS OF SERVICE				
Quality	Customer satisfaction	Customer Survey	Unknown	To be determined
Function	Meets user requirements	Customer Service Requests	10 Customer Service Requests were logged in the last year.	To be determined
Safety	Does not cause user hazard	Insurance Claims	Unknown	Nil Insurance Claims
TECHNICAL LEVELS OF SERVICE				
Condition	Average Condition of Assets (Average Weighted by CRC of assets)	Condition scores (1, good – 5, bad) at periodic inspections. (% consumption)	1.87, average all assets inspected (47%)	Maintain at current level
Condition	Assets not providing acceptable level of service	Assets past expiry	6 Assets requiring replacements	Nil Assets requiring replacements
Condition	Assets requiring immediate repair/maintenance	Defects recorded at periodic inspections	200 defects recorded at last inspection: <ul style="list-style-type: none"> • Environmental Defects – Erosion, vegetation encroachment, water ponding etc. 74 Locations • Safety Defects – Trip hazard, slippery path 65 Locations • Structural Defects – Corroded steel, split timber etc. 61 Locations 	To be determined

Appendix B Data Sources and assumptions

The following data sources and assumptions have been used in the compilation of this report:

TRANSPORT ASSET PORTFOLIO

Road Seal & Pavement

In 2012 ARRB collected road condition attribute data across the Council network, including:

- Visual data populated via interrogation of images i.e. cracking surface defects etc.
- Surface texture
- Roughness
- Rutting

This data was subsequently analysed to produce a program of works and estimated remaining life of each seal and pavement, in part initially by ARRB and later by Asset Engineering Pty Ltd. Renewal costs have been calculated with reference to council's actual costs in undertaking works, council contracts and Rawlinsons Australian Construction Cost Guide.

Kerbing

In 2010 Council undertook an extensive condition audit of its kerb network, which found approximately 5% of Councils kerb network was below level of service standards mainly due to sections of kerb that were cracked and lifted by trees mostly. Council's kerb replacement program is predominantly developed around the road resealing program with small sections of kerb being replaced prior to a reseal.

For the preparation of the AMP it has been assumed that 5% of the adjacent kerb is replaced in each street prior to a reseal taking place. Renewal costs have been calculated with reference to council's actual costs in undertaking works, council contracts and Rawlinsons Australian Construction Cost Guide.

Footpaths

Council currently (and for some time) has not undertaken renewal of footpaths on a complete segment basis, but rather continually 'repairs' defects (trip steps / cracked slabs) on footpaths through replacement of small sections of path.

Council's 2014/15 budget had a figure of \$1,191k for such works and based on the network coverage undertaken each year, the entire network would likely be expected to be completed over a period of 18 years. This AMP has been based on increasing this funding to \$1.4m per year which will enable Council to complete the entire network over a period of approximately 15 years.

On average over the last 6 years there has been \$211k pa (up to 2014/15) allocated to the construction of new footpaths. It should be noted that this AMP has not included new footpath construction.

Traffic Control Devices

The traffic control device data compiled by APV Valuers (from Council data) has been used in the development of this AMP. The remaining life documented by APV has been used in the development of the projected renewals.

Renewal Costs have been estimated from Councils valuation CRC with no allowance for a residual i.e. renewal cost = depreciable amount + residual. This was found to reflect estimated actual renewal costs.

Signage

The sign data compiled by APV Valuers (from Council data) has been used in the development of this AMP.

An annual renewal cost has been estimated from the valuation register by recalculating the annual depreciation figure assuming no residual value and straight line depreciation. Since there are many thousands of signs, all in varying condition states it is considered that this method establishes a reasonable sustainable renewal estimate.

Bus Shelters

Data relating to bus shelters has been taken from 2014 valuation information and a condition assessment undertaken by Maloney Field Services. A renewal cost of \$9,000 has been defined through the preparation of this AMP to reflect a replacement of existing shelter infrastructure to current service levels and Council construction techniques.

Bridges

The renewal year of bridges has been derived from a 2011 survey of the bridge network undertaken by DPTI's Transport Services. Bridges are classified as either footbridges or road bridges and it is noted that no road bridges are due for complete renewal within the term of the AMP whereas there are several footbridges due for renewal within the term of this AMP.

Also included in the renewal costs is a list of capital partial renewal works identified by DPTI during the 2011 survey. Renewal Costs have been estimated from Councils valuation CRC with no allowance for a residual i.e. renewal cost = depreciable amount + residual. This was found to reflect estimated actual renewal costs.

STORMWATER ASSET PORTFOLIO

Closed circuit television video (CCTV) is the method of inspecting the structural condition and deterioration of underground drainage.

To date 9.3% of the total drainage network has been reviewed by the CCTV survey which represents 49.6% of the replacement value of the total drainage network. Based on this review and that the drainage network has a remaining life greater than 40 years, it is assumed that the majority of the drainage network is in fair to good condition. Further CCTV inspection of drains will be undertaken to validate this assumption and included in the next review of this AM plan.

Stormwater Management Plans have also been developed for Hallett Cove Creeks and Marion-Holdfast which have informed the preparation of this plan and the LTFP.

OPEN SPACE ASSET PORTFOLIO**Playgrounds / Playspace**

Consulting Coordination Pty Ltd audit of playgrounds was conducted in 2012 has been used to define the priority (year) for renewal of playgrounds and the cost of that renewal where available.

Maloney Valuations 2011 have been used to define the renewal costs of existing playgrounds where the Consulting Coordination Pty Ltd information was not available.

Tennis Courts

"Marion Tennis Facilities, March 2013" (Tennis SA) has been used as the basis for determining the renewal cost and date for all Council Courts not coming under the jurisdiction of clubs. In addition, courts were broken down into components (acrylic surface, asphalt, and base) and individual unit rates used to predict a renewal program.

It should be noted that tennis courts occupied exclusively by clubs and not available for public use have been removed from this version of the AMP since these are the responsibility of the clubs to maintain and renew under existing lease arrangements.

Irrigation:

This AMP has been developed using an investigation and report entitled "Landscape Irrigation Management Plan", prepared by IPOS Consulting in June 2013. This report has assumed that in line with Council's adopted Irrigation Management Plan, whereby only portions of reserves where activity is centred will be irrigated.

In addition it has assumed that reserves with an irrigation system that is currently inactive will remain that way i.e. no allowance has been made for renewal of the asset. The exception to this is where the reserve is where the reserve is one of the reserves proposed to be irrigated from the Oaklands Park Aquifer Storage and Recovery Scheme.

Ancillary Assets:

Maloney Valuations 2011: The Maloney infrastructure valuations have been used to define the renewal costs and dates of all the other assets contained within the open space asset portfolio such as sports courts, lighting, carparks, artwork, structures, fences, bins, paths etc.

BUILDING PORTFOLIO

At present, the City estimates required renewals by in desktop exercises. A recommendation is that regular condition assessments should be undertaken (e.g. every 3 years) to monitor the deterioration of the asset stock and to provide accurate information for renewal modelling. A recommendation has been included in the Improvements Plan.

COASTAL WALKING TRAIL PORTFOLIO

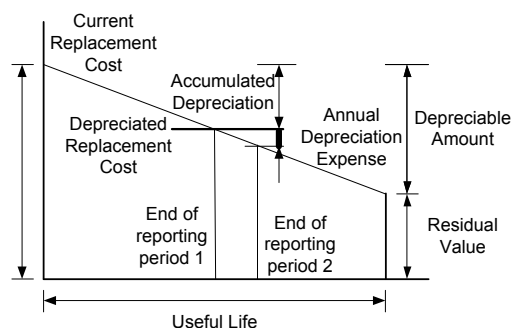
Condition was monitored by undertaking a visual inspection of every asset and logging condition attributes:

- Structural Condition – A score of 1-5 was assigned based on apparent structural adequacy of the section/item in question, identified only via a visual assessment.
- Age – A score of 1 to 5 was determined based on the apparent age of the asset as a proportion of its useful life.
- Visual – A score of 1-5 was assigned based on the visual appearance of an asset. An asset that is visually as new was assigned a 1 with assets subject to graffiti, staining etc given higher scores.

ASSET VALUATIONS

The value of assets as appearing in Councils audited financial statements as 30 June 2014 are shown below.

Current Replacement Cost	\$884.2 m
Depreciable Amount	\$609.5 m
Depreciated Replacement Cost ⁹	\$699.9 m
Annual Depreciation Expense	\$10.4 m



⁹ Also reported as Written Down Current Replacement Cost (WDCRC).

**CITY OF MARION
AUDIT COMMITTEE MEETING
15 JUNE 2015**

Originating Officer: Sherie Walczak, Unit Manager Risk

Corporate Manager: Kate McKenzie, Manager Governance

Director: Kathy Jarrett

Subject: Strategic Risk Profile

Report Reference: AC150615R7.4

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 City of Marion undertook a significant review of its Strategic Risks including the template on which they are reported. The review followed the process outlined in the Strategic Planning process and subsequently has been aligned with the six community themes contained in the Community Plan being 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. This Strategic Risk Register was distributed to the Audit Committee members out-of-session in May for feedback. This feedback has been considered and addressed within this report.

A Risk Heat-map has been provided in addition to a Strategic Risk Register summary (see Appendix 1).

DISCUSSION

Diagram 1 – Risk Management Framework – Monitoring Risks



This City of Marion Risk Management Framework (Diagram 1) describes how risks across the organisation are monitored and broken down into three risk registers being:

- Strategic Risk Register
- Operation Risk Registers
- Project Risk Registers.

The structure of the strategic risk register is aligned to the Community Plan and hence the identified controls are at a high level. The operational risks and controls are addressed within the Operational Risk Registers at a work area level.

This methodology was quite purposeful as it reflects the importance of these corporate themes, and so presents a more holistic approach. This resulted in a reclassification of the strategic risks to ensure that they are reported at a more strategic level.

The risks and controls identified through each of the registers are monitored through the risk owners and the Risk Working Group (RWG). The RWG, which is inclusive of the Executive Management Group, met quarterly and the strategic risks are reported to Council via the Audit Committee annually.

The next process to commence will be the review of the Operation Risk Registers which will capture the granular detail. This process is part of the Work Area Planning for the organisation and workshops will occur across the organisation to ensure a front-line approach.

The structure of the Strategic Risk Register lists the CEO with overall responsibility for, and therefore ownership of, all 7 Strategic Risks. At this strategic level, the CEO is identified as the risk owner, as required within the Risk Management Framework. Council's role within the Risk Management Framework is to set direction, adopt and review the Risk Management Policy and Framework, set the risk appetite and monitor risks and programs. This ensures a risk management process across the City of Marion that reflects the risk appetite set by Council. The effectiveness of the risk management program is monitored through the review of reports from the Audit Committee and the Chief Executive Officer. Reports include the timely reporting of major and significant emerging risks. The diagram below demonstrates the overall responsibilities.



A Risk Heat-map has been provided in addition to a Strategic Risk Register summary (see Appendix 1). The heat includes a risk register summary that highlights the residual risks as two high, three medium and two low risks.

It would be expected that some movement will occur in the next reiteration of this document. The Risk Management Framework and Policy is also due for review meaning that some risk

ratings may also change after this review process. The review will continue to build the foundation for the next phase of embedding the strategic risk to operational Work Areas.

RECOMMENDATIONS (1)

DUE DATES

That the Audit Committee approve the Strategic Risk Register and note the next steps for improving and embedding Risk Management across the City of Marion.

09 June 15

Strategic Risk Overview

The risk of missing the opportunity to maximise our strategic objectives



Table 1: RISK REGISTER

		Inherent Risk			Current Risk			Residual Risk		
		Likelihood	Consequence	Risk Rating	Likelihood	Consequence	Risk Rating	Likelihood	Consequence	Risk Rating
1	LIVEABILITY	Likely	Severe	Extreme	Possible	Severe	High	Unlikely	Severe	High
2	BIOPHILIA	Almost Certain	Moderate	High	Possible	Moderate	Medium	Unlikely	Moderate	Medium
3	INNOVATION	Likely	Major	High	Possible	Major	High	Unlikely	Major	Medium
4	PROSPERITY	Almost Certain	Major	Extreme	Possible	Major	High	Unlikely	Major	Medium
5	CONNECTEDNESS	Likely	Moderate	High	Possible	Moderate	Medium	Unlikely	Moderate	Medium
6	ENGAGEMENT	Almost Certain	Moderate	High	Possible	Moderate	Medium	Rare	Moderate	Low
7	ORGANISATION OF EXCELLENCE	Likely	Severe	Extreme	Possible	Severe	High	Unlikely	Severe	High

Table 2: RISK HEAT

Likelihood	Almost certain			2	6	4	
	Likely			5	3	1	7
	Possible			2	5	3	4
	Unlikely			2	5	3	4
	Rare			6			
		Insignificant	Minor	Moderate	Major	Severe	

Consequence of Occurrence

**CITY OF MARION
AUDIT COMMITTEE MEETING
15 JUNE 2015**

Originating Officer: Sherie Walczak, Unit Manager Risk

Corporate Manager: Kate McKenzie, Manager Governance

Director: Kathy Jarrett

Subject: WHS Annual Risk Report

Report Reference: AC150615R7.5

EXECUTIVE SUMMARY:

The objective of this report is to provide the Audit Committee with an update on the current status of the Think Safe, Live Well, Work Health and Safety (WHS) Management System and seek feedback on key strategies to ensure successful improvement and integration of the management system.

BACKGROUND:

After extensive internal consultation in 2010/11 the brand 'Think Safe Live Well' was developed for City of Marion's Work Health and Safety (WHS) program and system. Think Safe Live Well focuses on three overlapping elements being:

1. Safety culture
2. Leadership
3. WHS Systems



Safety culture and leadership was the focus early in the Think Safe Live Well Program with effort spent on engaging with staff (particularly the People Management Group), to enhance and embed 'wellbeing' as part of the WHS systems which provided a number of positive outcomes with respect to the embedding of a culture of safety within our workforce.

Leading up to 2012, the national harmonisation review of the *Occupation Health, Safety and Welfare Act 1986*, and the implementation of the new Work Health Safety Act 2012 in conjunction with staff changes within the risk team resulted in the WHS Management System receiving non-conformances in the Local Government Association Workers Compensation Scheme (LGAWCS) Key Performance Indicator (KPI) Audit and Appraisal Report completed in 2013.

The new Risk Team has required some time to establish themselves but is now well-positioned to focus on enhancing the WHS Management System and specifically addressing the non-conformance areas identified in the LGA WCS KPI Audit and Appraisal Reports

RECOMMENDATIONS (1)

DUE DATES

That the Audit Committee consider and provide feedback on the Monthly WHS Monitoring Report and note the next steps for improving and embedding WHS across the City of Marion.

15 June 15

DISCUSSION:**LGA WCS KPI Audit and Appraisal Report**

Each year, the City of Marion is audited by the LGA WCS. The nature of this audit will vary each year depending on the current industry focus. The purpose of these Audits is to test conformance of Council's WHS Management System against the WorkCover Code of Conduct for Self Insured Employers and specifically nominated elements within the Performance Standards for Self Insurers. The LGA WCS will provide recommendations with regard to closing out identified non-conformances and assisting Council to continuously improve their WHS Management Systems.

Each year, Council is entitled to receive a rebate which is based on Council's Action Plan to address the non-conforming elements of the audit and the claims history for Council.

The table below summarises the past four financial years.

Year	Premium	Rebate	Net Cost	Results
2011-12	\$1,070,830	\$382,822	\$688,008	24 conformance, 8 observations, 15 non-conformance
2012-13	\$1,132,413	\$429,785	\$702,661	Objective Appraisal Report, 26 non-conformance
2013-14	\$1,085,960	\$376,286	\$709,674	4 conformance, 5 observations, 2 non-conformances.
2014-15	\$1,260,280	\$421,112	\$839,168	Audit scheduled for November 2015

Council has yet to receive the figures for 2015/16.

WHS Works Program




A Schedule of Programmable Events is in progress that identifies the critical compliance obligations addressed within the WHS Management System (Appendix 1). The critical elements for prioritisation, based on key risks, have been identified as:

- Review of WHS Policies and policy positions (Completed)
- Further implementation and embedding of the underpinning Procedures and Systems (55% completed)
- Facilitation of a Hazard Management program across CoM via the Corporate Management Group (25% completed)
- A WHS Training Program based on the WHS Training Needs Analysis (70% completed)
- A Corrective Action & Preventative Action Register to address the LGA WCS KPI Audit non-conformances. (80% completed)
- An integrated Emergency Management program encompassing all sites (80% completed)
- Integration of WHS Contractor Management requirements with Procurement Framework (20% completed)

Monitoring and Evaluation

The Monthly WHS Monitoring Report (Appendix 2) has recently been developed to enable the ongoing monitoring of the WHS Works Program and follows the same dashboard style of the corporate performance reports. It includes both outcome based indicators (OBIs) and positive performance indicators (PPIs). OBIs are lag indicators which measure past performance and PPIs are lead indicators which are used to measure how well arrangements for WHS are performing and may be qualitative or quantitative.

The report presented in Appendix 2 is the first report of this nature with these specific indicators being monitored for the first time. The May and the June reports will be used as a pilot to allow for any amendment prior to implementation for the 2015-16 financial year. Feedback will be sought within the meeting regarding the indicators. It is noted that some indicators are currently off track, with limited opportunity to improve prior to the conclusion of the financial year. The schedule of programmable events includes targeted activities that may contribute towards improvement in our safety outcomes resulting in these indicators meeting the identified targets.

	Target met/exceeded Includes items that are currently on track or have been completed on or ahead of schedule
	Target not currently met but can get back on track Off track performance is being reviewed and corrective action/improvement taken as appropriate
	Target not met or in danger of not being achieved Off track performance is being reviewed and corrective action/improvement taken as appropriate



Risk Unit Document Map

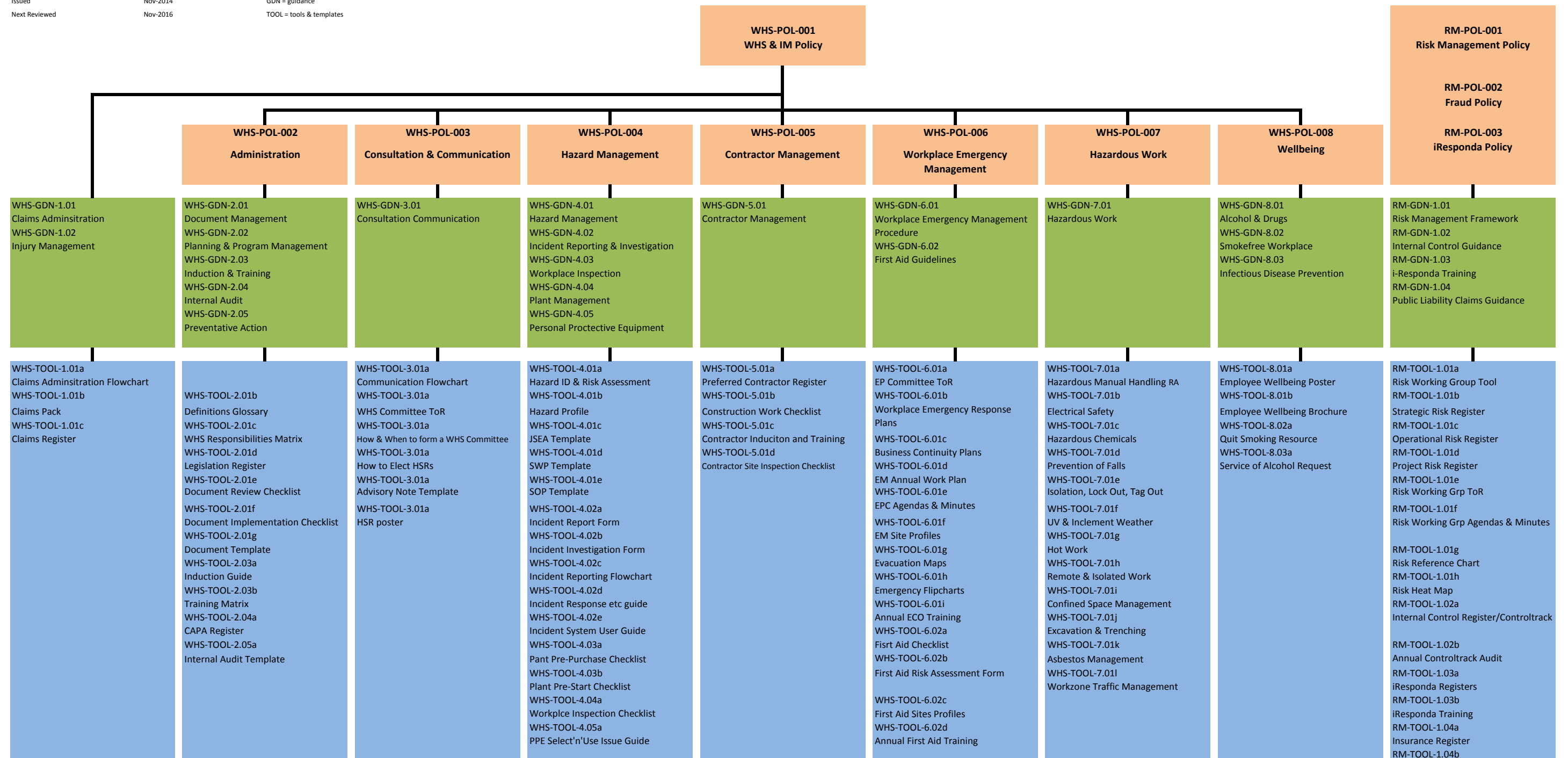


Document Control:

Version 2.0
 Issued Nov-2014
 Next Reviewed Nov-2016

Abbreviations:

POL = Policies
 GDN = guidance
 TOOL = tools & templates



Monthly WHS Monitoring Report

Page 214

Appendix 2



Month: May 2015

Measure	Type	To Measure	Target	Previously Reported	This Month's Report	Results
1 Policies, Procedures and Systems	PPI	Commitment to safe work practices to ensure zero harm	Delivered as per LGA WCS Action Plan	n/a	In progress	
2 WHS Training and Development	PPI	Commitment to provision of staff competencies for a safe work environment	Delivered as per schedule	n/a	On track	
3 Targeted activities, to enhance safety and wellbeing outcomes	PPI	Commitment to provision of staff wellbeing in line with Think Safe Live Well Aspirations	Delivered as per schedule	n/a	In progress	

Notes:

- Action plan in draft to be finalised by the end of June ready for a July start
- ICAM training & Non-violent Crisis Intervention Training
- Booked Managing Stress & Building Resilience seminar but wont be delivered until June due to provider delay also booked fortnightly exercise classes (Bootcamp & Tai Chi) to commence from July, this allows time to communicate & promote activities

4 WHS Injury Reports	OBI	Number of occasions with injury to Workers	Decreasing - Ave YTD	8.2	8.4	
5 WHS Hazard/Near Miss Reports	OBI	Commitment to identify WHS risks to avoid injury to Workers	Increasing initially, then decreasing - Ave YTD	7.8	7.6	

Notes:

- Injury reports are very slightly up this month in comparison to the monthly average year-to-date
- Hazard reports are very slightly down this month in comparison to the monthly average year-to-date, the aim is for this to increase with increased awareness on the importance of reporting near misses

6 Lost Time Incident Rate	OBI	Number of Workers who reported a LTI per year divided by total workers - Cumulative figure (from CAT stats)	Less than 5 year average of 4.2	4.8	5.4	
7 Lost Time Injury Duration Rate	OBI	Average duration of LTIs - Cumulative figure (from CAT stats)	Less than 5 year average of 18.2	10.2	11.9	
8 Lost Time Injury Frequency Rate	OBI	Number of LTIs recorded for every 1,000,000 hours worked - Cumulative figure (from CAT stats)	Less than 5 year average of 22.5	28.6	29.2	

Notes:

- The rate of our incidents has increased this year compared to the average over the last five years but we aim for this to decrease next year as a result of the improvements to our systems together with increased guidance and support from WHS staff
- The duration of our incidents has decreased, this may suggest that the LTIs reported are less serious than in previous year and/or better managed for a successful early return to work
- The frequency rate of LTIs has increased this year, an increased number of re-aggravations and surgeries from previous claims is a contributing factor to this increase

**CITY OF MARION
AUDIT COMMITTEE MEETING
15 June 2015**

Originating Officer: Heather Falckh, Manager Organisational Excellence

Director: Kathy Jarrett

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

Report Reference: AC150615R7.6

EXECUTIVE SUMMARY:

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

RECOMMENDATIONS (2)

DUE DATES

That the Audit Committee :

- | | |
|---|---------------------|
| 1. Note projects on the Core Assurance and Service Review program. | 15 June 2015 |
| 2. Note the progress for tendering the services for the future. | 15 June 2015 |

DISCUSSION:

Update on current review projects

The previous program of review is no longer appropriate given proposed changes to the review process. Council have requested an internal service review process and program by June 2015 and this is currently being developed. This early work will be integrated into the on-going program of external review.

The Contractor Management service review has been finalised and is now provided to the Audit Committee for feedback.

BDO have also provided assistance in facilitating the internal control self-assessment process which will be provided to the Audit Committee as part of the Annual Report.

Tender update

Audit Committee feedback was incorporated in the tender brief for the future Business Review and Internal Audit process. The following milestones for the tender have been completed:

- Request for tender 21/04/15
- An industry briefing was held 28/04/15
- Tender closed 20/05/15

Tenders have been received and are in the process of being evaluated. A short list of potential tenders will be invited to make a presentation on 29 June 2015. Audit Committee members will be invited to attend if they are available. Tenders will be prioritised for consideration at the next Audit Committee meeting in August. The Audit Committee recommendation will then be provided to Council for approval.

CONCLUSION:

The service review and core assurance process is in transition to a new approach and a new contract.

A new schedule of review projects is expected to be developed once the new contract commences.

**CITY OF MARION
AUDIT COMMITTEE MEETING
15 June 2015**

Originating Officer: Heather Falckh, Manager Organisational Excellence
Director: Vincent Mifsud & Heather Montgomerie
Subject: Contractor Management Service Review
Report Reference: AC150615R7.7

REPORT OBJECTIVES:

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

This project considered the way in which contractors are managed across the Council, assessing the current practices for Contractor Management and identification of improvement opportunities.

RECOMMENDATION

DUE DATES

That Audit Committee:

- 1. Provides feedback on the final report of the Contractor Management review**

9 June 15

BACKGROUND

The Contractor Management review was initiated to consider the current processes, procedures and practices within the City of Marion. The project was identified from the risk register as a result of safety and environmental incidents in 2013 by different contractors. The review was initiated to seek to minimise risk in how the City of Marion manages contractors as well as considering how to maximise the value delivered.

DISCUSSION

The report on the Contractor 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.

Many business units across the City of Marion are responsible for managing contracts and contractors. Contract types are varied and include strategic/major projects, contracts for ongoing services and maintenance, construction projects, project management, consultants and Council Solutions.

Although the focus of the review was contractor management, other processes in the procurement cycle were considered for the impact on effective contractor management.

CONCLUSION:

The Contractor Management review report has been considered by Management and an action plan has been developed.



City of Marion

**'We help
make Marion'**



Contractor Management Review

April 2015

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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:

- An assessment of current practices for Contractor Management, and
- Identification of improvement opportunities that would result in better contract outcomes.

1.2 Project Scope

The scope of the review included all aspects of the management of contracts and contractors and also included the full procurement life cycle from tender specification through to contract review and post implementation reviews.

The project is to consider good financial and project management practices, contractor risk management, and consider integration with contractor management processes required by relevant Work Health Safety (WHS) and Environmental Management (EM) legislation.

To meet the project objectives a proposed 3 phase approach was undertaken:

Phase 1 - During this phase of work we:

- Obtained an understanding of the processes in place to manage contractors and how this was applied to those contracts where incidents occurred
- Identified and obtained CoM policies and procedures regarding procurement and contract(or) management
- Considered relevant available documents
- Determined and agreed an appropriate sample (refer Appendix 1).

Phase 2 - During this phase, we:

- Considered actual practices in place for contractor management, including consideration of tender and procurement processes (where necessary)
- Identified and considered good financial and project management practices, contractor risk management, and whether legislative requirements relating to WHS and EM have been integrated into CoM's contractor management processes
- Consulted with relevant CoM business representatives regarding practices applied
- Identified opportunities for improvement.

Phase 3 - During this phase, we:

- Confirmed identified control issues regarding contractor management processes and practices
- Considered management comments on recommendations
- Documented improvement opportunities in consultation with CoM.

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 Core Assurance project we compared City of Marion's Contractor Management processes to our knowledge of good business practice. The following good practices were observed during the project:

Observations	
Establishment of a Procurement Framework	<p>A Procurement Framework has been established. This framework consists of a:</p> <ul style="list-style-type: none"> • Procurement Policy • Acquisition & Disposal Policy • Tender Evaluation Procedure • Contract Management Procedure • Use of Purchase Orders Procedure • Conflict of Interest & Confidentiality Agreement • Code of Conduct for Employees. <p>Note: The Contract Management procedure still needs to be formally communicated to staff and approved.</p>

1.5 Key Findings and Observations

The Core Assurance review identified that the CoM has adequate controls over Contractor Management processes.

The following table provides a summary of our recommended actions. For further information refer to the Detailed Findings 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 Core Assurance ratings).

Ref #	Description of findings and recommended actions	Rating of findings
2.1	Work Health Safety Risk Management	High
2.2	Document Management System (DMS) Utilisation	Moderate
2.3	Document Management System (DMS) Training	Moderate
2.4	Contractor Performance Monitoring	Moderate
2.5	Contract Evaluation	Moderate
2.6	Contract Register	Low
2.7	Procurement Procedure & Framework	Low

2. DETAILED FINDINGS AND AGREED ACTIONS

Finding 2.1 Work Health Safety Risk Management

Risk rating:

High

Finding:

Non-conformances have been identified by the Local Government Association Workers Compensation Scheme (LGAWCS) in previous audits of CoM's WHS management systems. We understand that the CoM is aware of these issues and is working towards addressing the gaps identified, including those related to contractor management.

Two aspects of WHS risk management have been considered within the scope of this Core Assurance project, specifically WHS risk management:

- During contract initiation/establishment
- Ongoing throughout contractor management.

During the contract initiation/establishment process, the Contracts Team generally place reliance on contractor assertions as to how they identify and monitor WHS related risks and their compliance with CoM related policies and procedures. When evaluating potential contractors, CoM rely on these assertions and high-level supporting documentation provided by the contractor to evaluate the robustness of contractor WHS risk management processes.

Once a contractor has been selected, the responsibility for ensuring compliance with these risk management processes passes to the relevant CoM Responsible Officer (or Contract Manager). This should include reviewing Job Site Analysis (JSA's) and Safe Work Method Statements (SWMs) at on-site meetings.

While the roles and responsibilities for WHS risk management are generally understood across council, the related policies and procedures are out of date (as identified earlier) and require improvement to clarify the roles and responsibilities

Risk/impact to Business:

Failure to appropriately manage (identify, assess, action and report) WHS related risks may result in workers and/or a member of the community being injured.

Recommendation Action:

We support CoM's current work to improve its WHS management system, particularly those relating to contractor management. This includes updating and integrating policies, procedures and supporting documentation, potentially in conjunction with other areas across council (for example, the Environmental Management System).

More particularly, the roles and responsibilities for WHS should be identified, documented and clearly communicated both across council and to external parties, for example contractors. For example the WHS team should be consulted as appropriate.

In conjunction with CoM representatives, and considering good business practices, a Contract Management Checklist (refer Appendix 4) was drafted and could be implemented to assist during this process.

Likelihood: LIKELY

Consequence: MAJOR

Management Comment: Management will continue to work towards updating and integrating policies, procedures and supporting documentation relating to Contractor Management - this is an ongoing

activity. The Contract Management Checklist is to be implemented.

Responsibility: Manager Contracts

Target Date: August 2015

Finding 2.2 Document Management System (DMS) Utilisation**Risk rating:****Moderate****Finding:**

Discussion with CoM staff indicated that Blue Point (current DMS) is not fully utilised for the storing of contractor management documentation. Reasons for this include the following:

- Difficult to locate records as records are sorted based on the date loaded
- Inability to easily search for individual documents
- Upload of records are delayed due to the size of the records/documentation i.e. contract documents can be thousands of pages in length
- Specific departments store records/documentation in their own filing system.

As part of our review we sampled 26 active contracts and gained an understanding of the underlying process being used to manage these contracts. Our testing within Blue Point supported the above discussions with staff that the current DMS is not being fully utilised:

- 15% of the contracts had all applicable information located within Blue Point
- 27% only had the finalised contract within Blue Point (i.e. no other information relating to contract management could be located within the DMS)
- 35% of the contracts had some documentation stored within Blue Point with the remainder being stored on a separate directory (U:/) or in hard copy.

Risk/impact to Business:

Not utilising Blue Point or another type of DMS could lead to inefficient contract management processes.

Recommendation Action:

We recommend CoM identify key contract management records required to be maintained and ensure that the use of a DMS is adequately reflected in a contractor management procedure and that the:

- Document is regularly reviewed considering any system changes
- Procedure and overarching framework ensures that the use of a record management system (whether Blue Point or another) is mandated for required information
- Contract Management Checklist (as per Appendix 4) is considered and reviewed regularly for relevance/currency
- Procedure is effectively communicated to CoM staff.

Likelihood: POSSIBLE**Impact: MODERATE**

Management Comment: Agree with the recommendation. The key contract management records required to be maintained will be identified within the proposed Contract Management Checklist. Contract Management procedures will be updated as part of an overall revision of procurement related procedures. The checklist could be modified and tailored to suit different types of contracts.

Responsibility: Manager Contracts**Target Date:** December 2015

Finding 2.3 Document Management System (DMS) Training
Risk rating:
Moderate
Finding:

From discussions we understand CoM is considering transitioning from Blue Point to a new DMS.

Discussions with responsible officers indicated there has not been any recent training provided for the maintaining of contract management records within Blue Point which would contribute to the lack of use of the DMS to maintain contract documentation.

Responsible Officers/Contract Officers indicated that finding information within Blue Point is difficult due to:

- Documentation not being uploaded into a central area within Blue Point
- Documentation was stored into one area (i.e. no folder structure) thus users found it difficult to navigate and find required documentation
- Users did not name documents descriptively to provide an understanding of what the subject matter is
- Blue Point stores documentation based on the date they are uploaded or closed, thus making it difficult for users to search and find documentation.

Hence such information above needs to be considered when developing training on how to store documentation within the new DMS.

Risk/impact to Business:

Inconsistent and inefficient contract management practices being performed.

Recommendation Action:

We recommend relevant CoM personnel to have training in how to appropriately use the DMS system (whether Blue Point or the new system), considering the information to be documented/recorded and WHS & EMS risks.

Training will also help ensure that Responsible Officers can be held more accountable for contract mismanagement and provide a better understanding of expectations from the organisation.

Likelihood: POSSIBLE
Impact: MODERATE

Management Comment: Agree with the recommendation. Implementation of the new records management system will make records management processes easier and be accompanied by training for all users. In the interim, it is proposed that contract managers be offered 2 training sessions which will include records management in Blue Point, use of the Contract Management Checklist, and consideration of WH&S and EMS risks. This training can proceed regardless of the Records Management system being used.

Responsibility: Manager Organisational Excellence

Target Date: August 2015

Finding 2.4 Contractor Performance Monitoring
Risk rating:
Moderate
Finding:

From discussions with responsible officers and review of contract management documentation, some projects have no documentation to verify performance evaluations occurred which would for instance demonstrate actions by CoM to:

- Monitor contractor performance in terms of quality, timeliness, etc.
- Ensure WHS and EMS requirements are being met
- Identify action to address any areas of non-conformance.

Additionally discussions with Responsible Officers and review of contract documentation indicated that when they are documented and/or performed:

- A variety of different templates are used
- Different methods are used to perform site inspections for example a visual drive by.

Risk/impact to Business:

CoM is at risk of:

- Not receiving the quality of work expected to be delivered
- Increased chance of WHS and environmental breaches occurring (including ability to demonstrate CoM has adequately discharged its responsibilities)
- Not performing site inspections adequately which could lead to contractors charging CoM for work not performed.

Recommendation Action:

We recommend CoM ensures the following occurs in relation to performance evaluations:

- Classify contract types to assist in determining risks, performance monitoring (e.g. site inspections occurs), etc.
- An agreed site inspection form is promoted and distributed to all responsible officers for use (note: extent of performance evaluation is dependent upon the level of risk and nature of the services)
- Ensure that site inspections are undertaken and recorded in the document management system
- Provide training to educate responsible officers on the importance of performing a quality site inspection.

Likelihood: POSSIBLE
Impact: MODERATE

Management Comment: Agree with recommendations. The training will be incorporated with records management training - refer to 2.3 above.

Responsibility: Manager Contracts to take the lead with support from Unit Manager Risk

Target Date: August 2015

Finding 2.5 Contract Evaluation**Risk rating:****Moderate****Finding:**

We understand CoM does not have a standard post evaluation form that can be used to record the performance of the contractor at the conclusion of the contract (e.g. Post Implementation Reviews). Such an evaluation form ensures that a contractor's performance can be considered for future arrangements and in comparison to alternative suppliers.

Better Practice contract management suggests performing timely evaluations at the completion to ensure that any problems that have occurred with aspects of the contractual arrangements are identified and, where appropriate, improvements made in future contractual arrangements.

Risk/impact to Business:

Risk of not identifying contractor underperformance which may impact on future contractual arrangements.

Recommendation Action:

We recommended that CoM consider developing a standard contract evaluation form to be completed at the end of the contract period (extent of evaluation should be dependent upon level of risk and nature of services).

The contract evaluation form should be a thorough and independent review that is informed by those involved in establishing and managing the contract to:

- Review all aspects of contract performance and its management
- Provide feedback to the contractor
- Report to stakeholders
- Identify lessons learned.

Likelihood: POSSIBLE**Impact: MODERATE**

Management Comment: Agree with the recommendation. Management will consider developing a contract evaluation form. Management will assess the cost/benefit of this recommendation. This is considered a low priority.

Responsibility: Manager Contracts**Target Date:** June 2016

Finding 2.6 Contract Register**Risk rating:**

Low

Finding:

As part of our review into contractor management BDO sampled 26 active contracts to gain an understanding of the underlying process being used to manage these contracts. As part of this sampling exercise we identified throughout a number of errors with the data in the contract register such as:

- Contracts identified as active that were in fact inactive
- Responsible Officers were not always updated.

Such information not being correct indicates that the register is not regularly being reviewed for accuracy and completeness.

Risk/impact to Business:

An inaccurate contract register could result in inefficient processes and potentially incorrect or untimely decisions (such as, lack of time prior to contract end date to undertake new arrangements therefore requiring extensions with current contractors).

Recommendation Action:

We would recommend that CoM consider implementing a program to periodically review and update the data in the contracts register.

Likelihood: POSSIBLE**Impact: MINOR**

Management Comment: Agree with the recommendation.

Responsibility: Manager Contracts

Target Date: August 2015

Finding 2.7 Procurement Procedure & Framework**Risk rating:****Low****Finding:**

Through discussions with Manager Contracts it was indicated that a Contract Management procedure document does exist however it has not been formalised and distributed to all relevant CoM staff.

Currently there is no formalised procedure that has been communicated to staff that will guide them through the contract management process; this would aid in ensuring that a consistent approach to contract management is maintained across the council.

Risk/impact to Business:

Inconsistent and inefficient contract management practices being performed through lack of understanding by not following the required practices.

Recommendation Action:

We recommend that CoM perform the following on the contract management procedure:

- Communicate the framework and procedure documentation to staff for feedback
- Update the procedure to reflect the DMS that will be used
- Formalise the procedure with the view to holding training to help embed the process within CoM
- Adopt the Contract Management Checklist (refer Appendix 4).

Likelihood: POSSIBLE**Impact: MINOR**

Management Comment: Agree with the recommendation. Contract Management procedures will be updated as part of an overall revision of procurement related procedures.

Responsibility: Manager Contracts

Target Date: December 2015

Appendix 1

Contractor Management Sample
Selection

Contractor Management Sample Selection

CoM has a range of contracts relating to strategic/major projects, contracts for ongoing services and maintenance, construction projects, project management contractors, consultants and Council Solutions contracts:

Type	Total Number of Contracts as per Contract Register
Construction	30
Funding	4
Goods	51
Professional Service	37
Service	228

Sample Selected based on the above:

Type	Total Number of Contracts as per Contract Register
Construction	12
Funding	N/A - agreed low risk
Goods	N/A - agreed low risk
Professional Service	N/A - agreed low risk
Service	24

Appendix 2

Documents Accessed and Consultation

Documents Accessed

Documents provided by City of Marion and accessed include:

- Contract Management Procedure
- Contractor Induction Form
- Contractor Site Inspection Form
- WHS Contractor Management Policy
- Environmental Management of Construction Activities for Contractors
- Contract Register
- Relevant contracts and contract management documentation across the 26 sampled contracts.

Key Stakeholders Consulted

BDO completed this Core Assurance project through discussions held with:

- Colin Heath - Manager Contracts
- Matthew Allen - Manager Infrastructure
- Mark Gibson - Team Leader - Land & Property
- Heather Falckh - Manager Organisational Excellence
- Sherie Walczak - Unit Manager Risk
- Kathy Daish - EMS Coordinator
- Dale Fitzpatrick - Property Project Officer
- Paul Johns - WHS Coordinator
- Birgit Stroeher - Registered Architect, Strategic Projects
- Rudy Tieman - Infrastructure Project Managers
- Alicia Clutterham - Team Leader Open Space and Recreation
- Sharyn Johnson - Unit Manager Community Care
- Mark Griffin - Unit Manager Engineering
- Anna White - Team Leader, Community Safety Inspectorate
- Heath Reynolds - Coordinator Arboriculture
- Brett Grimm - Landscape Architect
- Glynn Ricketts - Water Resources Coordinator

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.

Rating	Definition	Example of business impact	Action required
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

Appendix 4

Contract Management Checklist

CONTRACT MANAGEMENT CHECKLIST

Contract Name: Contract No: Council's Representative (who will manage the contractor): <hr/>	Legend: CR Council Representative CT Contracts Team RM Risk Officer Con Contractor WHS Work Health Safety EMS Environmental Management System
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Tender & Contract Development Phase

Tender & Contract Development Phase						
Actions	Who	Completed Yes / No		Date	Templates ¹	Comment
1. Contract Documents (Plan) - 'Pre-Tender'						
1. Appoint Council's Representative and Contract Team business partner				/ /		
2. Set-up Blue Point/Update Contract Register				/ /		
2. Formalise the contract (Engage) - 'Tender Development'						
3. Undertake Risk Assessment to identify relevant risks (quality, risk, safety, environmental, financial) and risk management strategies to be considered within the Specification and contract provisions. This includes pre-works Environmental Checklist.				/ /		
4. Obtain detailed cost estimate				/ /		
5. Develop Specification and standard contract provisions to ensure identified risks are managed and addressed e.g.: - definition of deliverables, (including contractors own assessment of risk and identification of risk management strategies) - performance and payment requirements e.g. key performance indicators (KPIs) for contract delivery (ensure measurable & consider timing) - roles and responsibilities between parties (CoM and Contractors)				/ /		

¹ Requires identification of City of Marion forms/templates

CONTRACT MANAGEMENT CHECKLIST

Actions	Who	Completed Yes / No		Date	Templates ²	Comment
3. Formalise the contract (Engage) cont'd - 'Tender Assessment' & 'Contract'						
6. As part of tender assessment process evaluate Tenderer's: - Risk Management, EMS and WHS system information (including policies and procedures & licences relevant to the proposed scope of work) for the tendered scope of work - insurance/WorkCover certificates				/ /		
7. Consult with relevant WHS and EMS staff to obtain assistance with such assessment (as appropriate). Clarify any relevant aspects with Tenderers'.				/ /		
8. Consult (as appropriate) with WHS and EMS staff to determine appropriate process for Contractor WHS and EMS monitoring/management				/ /		
9. Review and update Risk Assessment document based on tenderers' information				/ /		
10. Identify relevant negotiation points. Undertake negotiation with preferred supplier(s) and consider impact on contract documentation				/ /		
11. Obtain approval of Tender Evaluation Report				/ /		
12. Obtain final approval of agreed contract				/ /		
13. Contract signing and award				/ /		
14. Enter details into Blue Point/Records Management System				/ /		
15. Request Bank Guarantee from Contractor and record appropriately when received				/ /		
16. Provide Contract Handover document to Council Representative e.g. roles/responsibilities, KPIs, performance monitoring process, term, pricing etc.				/ /		

² Requires identification of City of Marion forms/templates

CONTRACT MANAGEMENT CHECKLIST

Contract Management – Operations Phase

Actions	Who	Completed Yes / No	Date Completed	Templates	Comment
1. Induction Program (Engage)					
17. Obtain from Contractor (and evaluate) project specific management plan including risk management plans (safety, quality, environmental), and relevant WHS/EMS procedures etc. Consult with WHS and EMS staff (as appropriate) to: <ul style="list-style-type: none"> - assess adequacy of risk management plans (safety, quality, environmental), and relevant WHS/EMS procedures etc. - determine appropriate process for Contractor WHS and EMS monitoring/management 			/ /		
18. Conduct an induction program ³ in association with contractor including: <ul style="list-style-type: none"> - site induction - introduction to contract monitoring/management requirements - request project specific management plan including risk management plans (safety, quality, environmental) and relevant WHS/EMS procedures etc. 			/ /		
19. Raise Purchase Order for contract value (as appropriate)			/ /		
20. Notify relevant stakeholders (e.g. residents, internal stakeholders)			/ /		
21. Define contractor monitoring (surveillance) activities (frequency and actions)			/ /		
22. Review and update Risk Assessment document based on Contractor's information			/ /		
23. Arrange contractor access (as required)			/ /		
24. Store copies of all records within Bluepoint/Records Management system			/ /		

³ Extent of Induction required will be dependent on nature of contract

CONTRACT MANAGEMENT CHECKLIST

Actions	Who	Completed Yes / No	Date	Templates ⁴	Comment
2. Managing the contract (Deliver)					
25. Review and update Risk Assessment (risks and risk management strategies) on an on-going basis			/ /		
26. Undertake regular contractor monitoring ⁵ (surveillance) audits to monitor quality/risks (safety, environmental) performance of the Contractor. Involve WHS/EMS staff as required for high risk contracts. <ul style="list-style-type: none"> - Forward copy of contractor monitoring results to Contractor and record any non-conformances. - Notify Risk Dept. of any breaches and determine appropriate actions. - Meet with Contractor to discuss non-conformances and agree on remedial actions - Record minutes of meetings including any subsequent actions to be carried by either party Store copies of all records within Bluepoint/Records Management system.			/ /		
27. Contractor Invoices - Upon receipt of claims ensure that works completed are in accordance with claims. Understanding that actual to date fee is checked and agreed.			/ /		
28. Contractor provides agreed performance information.			/ /		
29. Contract Manager keeps stakeholders Informed			/ /		
30. Contract review by Council Representative.			/ /		

⁴ Requires identification of City of Marion forms/templates

⁵ Extent of Monitoring required will be dependent on nature of contract

CONTRACT MANAGEMENT CHECKLIST

Actions	Who	Completed Yes / No	Date	Templates ⁶	Comment
3. Contract Meetings (Deliver)					
31. Where contractor meetings are required, prepare agenda and forward invitation and agenda to Contractor			/ /		
32. Record minutes of meetings including any subsequent actions to be carried by either party. Forward copy of minutes of meeting to Contractor. Store copies of all records within Bluepoint/Records Management system			/ /		
33. As an agenda item for Contract Meetings discuss outcomes and how any under-performances may be improved.			/ /		
4. Contract Variations (Deliver)					
34. Consider Contractor's overall performance (e.g. contractor monitoring audits) to assess whether additional work should be allocated to the Contractor.			/ /		
35. Engage the Contractor to discuss any variations either party may seek for additions/reductions to scope of contract.			/ /		
36. Obtain written offer from Contractor to undertake variation, including detailed price, timeframes and methodology.			/ /		
37. Validate offer from Contractor is reasonable by considering: - labour costs (unit rate and volumes) are consistent with contracted rates and reasonable - material costs (unit rate and volumes) are consistent with contracted rates and reasonable - whether timeframes are reasonable - methodology for undertaking the work is acceptable			/ /		
38. Identify financial impact of proposed variations to overall agreed contract value, and obtain relevant approval to proceed to accept variation			/ /		

⁶ Requires identification of City of Marion forms/templates

CONTRACT MANAGEMENT CHECKLIST

Actions	Who	Completed Yes / No	Date	Templates ⁶	Comment
39. Formally accept offer of variation to Contractor in writing (email/mail) before any works proceed.			/ /		
40. Review and update Risk Assessment (risks and risk management strategies) based on Contractor's information (if applicable)			/ /		
41. Notify relevant departments [e.g. Contracts, Finance] of expenditure changes			/ /		
42. Store copies of all records within Bluepoint/Records Management system			/ /		
5. Contract Extensions (Deliver)					
43. Consider Contract document to identify extension periods allowed, and identify whether there are specific dates by which Council's intentions (extensions etc.) need to be advised to the Contractor.			/ /		
44. Consult with Contracts Team to determine whether to seek to extend existing contract, or go to market by considering: <ul style="list-style-type: none"> - Contractor's overall performance (e.g. contractor monitoring audits, personal experience) - Current market conditions - Timeframes Develop a recommendation report for relevant approval.			/ /		
45. If the recommendation is to take up any extension option negotiate with Contractor and obtain written offer from Contractor confirming: <ul style="list-style-type: none"> - proposed pricing (allowing for any contractual price escalations as required) - extension term etc. 			/ /		
46. Validate offer from Contractor is reasonable by considering: <ul style="list-style-type: none"> - labour costs (unit rate and volumes) are consistent with contracted rates and reasonable - material costs (unit rate and volumes) are consistent with contracted rates and reasonable - whether timeframes are reasonable - methodology for undertaking the work is acceptable 			/ /		
47. Identify financial impact of proposed extension to overall agreed contract value, and obtain relevant approval to proceed to extension			/ /		

CONTRACT MANAGEMENT CHECKLIST

Actions	Who	Completed Yes / No	Date	Templates ⁶	Comment
48. Formally accept offer of extension to Contractor in writing (email/mail).			/ /		
49. Review and update Risk Assessment (risks and risk management strategies) based on Contractors information (if applicable)			/ /		
50. Notify relevant departments (e.g. Contracts, Finance) of expenditure changes			/ /		
51. Store copies of all records within Bluepoint/Records Management system			/ /		
6. Contract Expiry/Transition Out (Close)					
52. Undertake final inspections of project/site are conducted prior to Council issuing Contractor with certificate of Practical Completion (confirming start date of Defects Liability Period, and advising of minor omissions and defects required to be rectified). If major omissions and defects are identified, issue Omissions and Defects Advice to Contractor, and delay issuing Practical Completion until issues are rectified (or issue part Practical Completion of site).			/ /		
53. Issue certificate of Practical Completion to Contractor (identify any minor omissions and defects noted).			/ /		
54. After issuing Practical Completion, issue request to Contract Team to return relevant Bank Guarantee security as per agreed contract conditions.			/ /		
55. Monitor minor omissions and defects noted within Practical Completion are resolved in a timely manner.			/ /		
56. Prior to conclusion of Defects Liability Period or any warranty period (say 2 months), undertake project/site inspection to ensure all minor omissions and defects are addressed, and no new issues are identified. If omissions and defects are identified, issue Omissions and Defects Advice to Contractor, and delay issuing Final Certificate until issues are rectified.			/ /		
57. Issue Final Certificate to Contractor once any omissions and defects are rectified.			/ /		
58. After issuing Final Certificate, issue request to Contract Team to return relevant Bank Guarantee security as per agreed contract conditions.			/ /		

CONTRACT MANAGEMENT CHECKLIST

Actions	Who	Completed Yes / No	Date	Templates ⁶	Comment
59.If applicable, develop transition out plan in conjunction with Contractor			/ /		
60.Take receipt of all intellectual knowledge / deliverables belonging to Council e.g.: - As Constructed Drawings - Operating Manuals - Maintenance Schedules/Instructions - Warranty certificates etc.			/ /		
61.Undertake a final Contract Evaluation process review with incumbent Contractor and key stakeholders to recognise any opportunities for future improvement			/ /		
62.Arrange final record keeping in Blue Point/Record Management System			/ /		