

His Worship the Mayor
Councillors
CITY OF MARION



**NOTICE OF
FINANCE AND AUDIT COMMITTEE**

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

Tuesday 12 December 2017

Commencing at 9.30am

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 dark ink, appearing to read "Adrian Skull", with a stylized flourish at the end.

Adrian Skull
CHIEF EXECUTIVE OFFICER

7 December 2017

**CITY OF MARION
FINANCE AND AUDIT COMMITTEE AGENDA
FOR THE MEETING TO BE HELD ON
TUESDAY, 12 DECEMBER 2017
COMMENCING AT 9.30 AM
COUNCIL 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

- 4.1 Confirmation of the Minutes for the Finance and Audit Committee Meeting held 10 October 20174

5. BUSINESS ARISING

- 5.1 Review of the Business Arising from previous meetings of the Finance and Audit Committee16

6. ELECTED MEMBER REPORT

- 6.1 Elected Member's Report
Report Reference: FAC121217R6.124

7. REPORTS

Matters for Discussion

Corporate & Financial Management

- Framework, Parameters and Key Assumptions" for the 2018/19 ABP and LTFP
Report Reference: FAC121217R7.128

- Finance and Audit Committee Work Program and Meeting Schedule 2018
Report Reference: FAC121217R7.243

- Ombudsman SA Annual Report 2016/17
Report Reference: FAC121217R7.347

- Auditor-General Report 2017 - status of key recommendations as at December 2017
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Service Reviews

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Service Review – Scopes Report Reference: FAC121217R7.9	168
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8. CONFIDENTIAL ITEMS

Service Review – Report - Open Space Transformation Phase 1 Report Reference: FAC121217F01	176
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BMX Progress Report Report Reference: FAC121217F02	177
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Risk Management

NIL

8. ANY OTHER BUSINESS

9. MEETING CLOSURE

The Audit Committee meeting shall conclude on or before 12.30 pm unless there is a specific motion adopted at the meeting to continue beyond that time.

10. NEXT MEETING

The next **Meeting of the Finance and Audit Committee** is scheduled to be held on:

Time: 9.30 am – 12.30 pm

Date: 27 February 2018

Venue: Council Chamber, Administration Building

**MINUTES OF THE FINANCE AND AUDIT COMMITTEE MEETING
HELD AT THE ADMINISTRATION CENTRE
245 STURT ROAD, STURT
ON 10 OCTOBER 2017**



PRESENT

Mr Greg Connor (Chair), Ms Kathryn Presser, Ms Emma Hinchey, Councillor Telfer and Councillor Kerry

In Attendance

Mr Adrian Skull	Chief Executive Officer
Mr Vincent Mifsud	General Manager Corporate Services
Ms Abby Dickson	General Manager City Development
Mr Mat Allen	Acting General Manager, City Services
Ms Kate McKenzie	Manager Corporate Governance
Mr Ray Barnwell	Manager Finance and Contracts (items 7.2 – 7.6)
Ms Deborah Horton	Governance Quality Coordinator (items 7.8 – 7.9)
Ms Fiona Harvey	Manager Innovation and Strategy (items 7.10 – 7.12)
Ms Carol Hampton	Manager, City Property (item 7.12)
Ms Sherie Walczak	Unit Manager Risk (item 7.7)
Ms Penny Woods	Deloitte Touche Tohmatsu (Items 7.2 – 7.3)
Mr Jason Liu	Deloitte Touche Tohmatsu (Items 7.2 – 7.3)
Mr Jared Lawrence	KPMG (items 7.8 – 7.9)
Mr Justin Jamison	KPMG (items 7.8 – 7.9)

1. OPEN MEETING

The meeting commenced at 9.32 am. The Chair welcomed all those present to the meeting.

2. KAURNA ACKNOWLEDGEMENT

We 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

9.33 am Confirmation of Minutes for the Finance and Audit Committee held 15 August 2017

Moved Councillor Telfer, Seconded Ms Presser that the minutes of the Finance and Audit Committee (the Committee) meeting held on 15 August 2017 are confirmed as a true and correct record of proceedings.

Carried Unanimously

5. BUSINESS ARISING

9.33 am Review of the Business Arising from previous meetings of the Finance and Audit Committee

Report Reference: FAC101017R5.1

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

9.34 am Councillor Nick Kerry entered the meeting.

The Committee noted that:

- A further report would be presented to Council in February 2018 regarding the Local Government Association Membership for 2018/19.
- The Local Government Association Risk Review was not reported in this agenda as Local Government Risk Services had commenced. It was determined that a review of all audits undertaken by them would combine the risk review and the Workers Compensation/Work Health Safety audit into one process.

These will now occur bi-annually (every second year). The Committee requested that further information on the approach be provided at the December 2017 meeting.

ACTION – that further details regarding the approach of the LGRS audit be provided through the business arising statement at the December 2017 Finance and Audit Committee Meeting.

6. ELECTED MEMBER REPORT

9.36 am Elected Members' Report

Report Reference: FAC101017R6.1

The chair took the report as read and sought any further comment from Elected Members.

Councillor Kerry queried why the Oaklands Crossing matter had not been included within this report and it was advised that this matter was reported to the Committee at the August 2017 meeting. Councillor Kerry noted that he was absent from that meeting and raised concerns about the governance and the funding of \$5m towards to this project.

Management advised that the negotiations between the City of Marion and the State Government were highly confidential prior to the public announcement. As soon as it was practicably possible, a Special Council Meeting was convened to inform Council of the negotiations and seek a Council resolution to progress.

The CEO advised that the State Government were progressing with a select tender with two (2) preferred tenders. Once further information is available, Council will receive a briefing.

Councillor Kerry indicated that he was unsure as to what the \$5m would be spent on and suggested that the process was poor. Management indicated that Councils contribution included \$1.1m cash contribution plus in-kind support. As the design had not been finalised, no agreement had been reached regarding what the in-kind support would be. The Committee noted that the funding was included within the budget. The Committee requested that further information on the funding of this project come back to the December meeting.

ACTION – that the Committee receive an update on the Oaklands Crossing Project via the business arising statement at its next meeting.

7. REPORTS

Matters for Discussion

Corporate and Financial Management

9.45 am Finance and Audit Committee Annual Report to Council 2016/17 Report Reference: FAC101017R 7.1

The Committee noted the report and the workload over the past financial year. The Committee was satisfied with the report and requested that a paragraph be included regarding the work completed by Erika Comrie had resulted in actual savings and for these savings to be quantified in the report.

Moved Ms Hinchey, Seconded Councillor Kerry that the Finance and Audit Committee endorses the Annual Report to Council for 2016/17 provided at Appendix 1 to this report, subject to the above amendment being included prior to being presented to the General Council meeting on 24 October 2017.

Carried Unanimously

9.47 am Independence of Council's Auditor Report Reference: FAC101017R7.2

Moved Ms Presser, Seconded Councillor Telfer that the Finance and Audit Committee:

1. Notes the statement provided by Council's Auditor attesting to their independence in accordance with the Local Government (Financial Management) Regulations 2011 for the 2016/17 financial year.
2. Notes that the CEO will be signing a statement that Council's external auditor Deloitte Touche Tohmatsu maintained their independence in accordance with the Local Government (Financial Management) Regulations 2011 for the 2016/17 financial year.
3. Endorses the Chairperson signs a statement that Council's external auditor Deloitte Touche Tohmatsu maintained their independence in accordance with the Local Government (Financial Management) Regulations 2011 for the 2016/17 financial year.

Carried Unanimously

9.48 am Annual Financial Statements for the year ended 30 June 2017 Report Reference: FAC101017R7.3

Ms Penny Woods and Mr Jason Liu from Deloitte Touche Tomatsu entered the meeting.

The Manager Finance and Contracts provided an overview of the report noting that Council achieved an \$11.67 million operating surplus. It was noted that revenue was up by 6.7% for primarily two reasons being the rates increase of 2.5% and the timing of a number of grants and subsidies. The Committee suggested that it would have been good to see the figures with the timing issues removed.

The Committee noted that the operating costs increased from last financial year predominately relating to an increase in depreciation.

The depreciation costs has resulted from a change in accounting standards and the removal of residual values for infrastructure assets including roads, footpath and drainage resulting in

a \$3.2 million once off adjustment. This had not been foreshadowed in budget preparations and hence not included.

It was noted that the organisational restructure had resulted in a reduction of management positions that created savings and therefore offset the increases of the Enterprise Agreements.

The Committee noted that the City of Marion had no new borrowings and the current debt was \$9.1 million. Management had investigated paying out the loans but due to the fixed term conditions, there was no benefit in doing this.

The Committee made the following queries/comments:

- The analytical review against prior year actual was a good summary and helpful.
- Rates increases have been consecutively reduced and management have also reduced expenses meaning that Council's operating costs, with the exception on non-cash depreciation costs, have increased by less than 1% which is an excellent result.
- The financial ratios presented are not used by many private sector companies to manage their finances. It was noted that these are legislated local government indicators used for comparison between Councils. The Committee suggested that a best practice approach (in addition to the ratios) may be useful moving forward.
- The surplus ratio is well above the current target and it seemed unusual to have so much money in the bank. The Committee queried if the Council intended to meet the target.

It was noted that Council had reduced rates over the past three years and was currently in a unique position that will benefit the rate payers. It was noted that Council had a number of capital projects in detailed design and will be moving forward on these shortly. Management and Council is aware that the cash had built up but plans are underway to allocate these funds to capital projects.

- The Net Financial Liabilities ratio is in a high negative position (-25%) because Council's financial assets exceed the financial liabilities as a result of its substantial holding of cash allocated for funding capital projects. The ratio will be reduced when the capital projects come to fruition.

Following these comments, the Committee noted that management are prepared to sign the representation letters.

Ms Woods and Mr Liu from Deloitte introduced their report highlighting that the Audit had been completed in accordance with section 125 of the *Local Government Act 1999*. Ms Woods indicated that they expected to issue an unmodified audit report with no misstatement or disclosure deficiencies to report.

Ms Woods highlighted they also tested 141 of 219 internal controls as outlined on page 156 of the agenda. No significant issues were found and five (5) findings were noted and assessed as low risk.

The Committee noted the report and questioned the following:

- The Committee sought assurance that the journal entry testing was followed up each year and indicated that this seemed to provide management a 'heads up' over what was going to be tested. Ms. Woods indicated that although the journal entry is tested each year, the scope will change year on year.
- The Debtors report had noted changes to addresses and the committee queried that if the addresses could be changed, did this mean the same thing for bank details? It was noted that the debtors report does not contain any bank information as this report is money that Council is seeking (debts owed to Council).

- That Grant income had been assessed and no grant revenue was inappropriately deferred. It was noted that there had been a substantial increase in grant income which was due to the advanced payment of half the 2017/18 Financial Assistance Grants (FAG) in 2016/17.
- If detailed testing had occurred across expenditure allocation in the profit and loss statement. The Auditors confirmed they focused on controls and ensured that expenditure was in the correct categories.
- The impact of the new suite of accounting standards and if applicable, the impact on some areas of Council. It was noted that the comparative period had already commenced and management need to be prepared for any impact and requested an update on the status of the Council's preparedness for the application of these new accounting standards.

Action – provide the Committee with a verbal briefing on the impact of the new standards at the Committee meeting in December.

10.30 am – Councillor Telfer left the meeting and did not return.

- The Committee noted that all prior years findings had been resolved
- The Committee queried the superannuation information noting that the last actuarial review of the defined benefits scheme was undertaken in 2014. The Committee queried when the next review would be? Management indicated they would confirm. The Committee also queried if the Council (like a Board) could be held personally liable of superannuation if managed incorrectly. Management was of the view that members couldn't be held personally liable but would confirm and advise the Committee accordingly.

Action – through the business arising statement, provide details to the Committee regarding when the next actuarial review of the Defined Benefits Scheme is scheduled and if Elected Members could be held personally liable for superannuation payments.

- The Committee noted the SRWRA and Council Solutions Annual Financial Statements. The Committee noted that SRWRA had significant cash (\$20 million) and queried if they were over collecting income. It was noted that the high cash reserves are required for remediation of the site at the end of its life. It was also noted that the SRWRA's CEO had through a number of investigations/reports been able to extend the life of the landfill site meaning it was a profitable venture and council has been able to receive a dividend in the past. It was also noted the Council Solutions was running at a small operating loss and the six constituent Councils are contributing funds when required but this is offset by the savings incurred through collaborative bulk buying agreements.

Moved Ms Hinchey, Seconded Ms Presser that the Finance and Audit Committee:

1. Recommends to Council that the audited Annual Financial Statements for the year ended 30 June 2017, as attached at Appendices 3-5, be adopted.
2. Notes Deloitte's management letter, as attached at Appendix 6.
3. Notes the comparative analysis to prior year Audited Financial Statements (Analytical Review), as attached at Appendix 2.

Carried Unanimously

10.36 am – Councillor Kerry left the meeting and a short adjournment occurred.

10.40 am – Councillor Kerry returned and the meeting resumed.

10.40am Meeting with External Auditor in Confidence

Report Reference: FAC101017R8.13

Moved Councillor Kerry, Seconded Ms Presser that the Finance and Audit Committee:

1. Pursuant to Section 90(2) and (3)(b) of the *Local Government Act 1999*, orders that all persons present, with the exception of Ms Penny Woods (Deloitte) and Mr Jason Liu (Deloitte) be excluded from the meeting as the Finance and Audit Committee meets with Councils external auditor to discuss the end of financial year audit, on the basis that the Finance and Audit Committee is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential given the information relates to commercial information of the Council.

Carried Unanimously

10.40 am all persons present left the meeting and the Committee moved into confidence.

As required within the terms of reference the Members of the Finance and Audit Committee met in confidence with the External Auditors from Deloitte. In response to a number of questions the External Auditors confirmed that their relationship with the staff and Management at Marion was a good one, and that all requests made by them for information had been provided to them in a timely manner. They went on to say that the team at Marion were most supportive of the audit process and had been forthcoming with all information requested. They had handled the changes to the Statements of Accounts well. They did recommend that the Finance team look to prepare early for the changes in Accounting Standards which will impact in the next reporting period. This was noted by the Committee and passed on to the group when we came back from "in –confidence". The Committee Members thanked the Deloitte team for their assistance.

10.50 am the Committee came out of confidence

Service Reviews and Internal Audit

10.51 am Internal Audit Program FY2018 and FY2019

Report Reference: FAC101017R7.8

10.51am Mr Justin Jamison and Mr Jared Lawrence entered the meeting

Mr Jamison provided an overview of the report noting internal audit reviews had been selected after consultation with management and after review of the corporate risk registers and other universal risks.

It was noted that the Contractor Management and Regulatory Fines and Enforcement had been selected due to the high reputational risks and the associated financial risks.

The Committee queried the NDIS review noting that the funding could be up to \$1.5 million. Management confirmed that the Council caps the number of residents who can access this fund and there is an opportunity to grow this area. The Committee suggested that Council needs to confirm its strategy prior to undertaking an audit in this space and that the audit may

be pre-emptive. The Committee requested that the detailed scope be prepared and reviewed by the Committee prior to any work commencing on this review.

The Committee noted that key risks such as Asset Management and Work Health Safety are not included within the program. Management advised that these risks are being managed and reviewed through other means. For example, Asset Management has just completed a large service review and the recommendations are currently being implemented whilst WHS is audited via the Local Government Association Workers Compensation Scheme on an annual basis. The implementation of the findings of the WHS audit are monitored monthly by the Executive Leadership Team.

The Committee also noted that the Emergency Management Review was not scheduled until the second year of the Plan. Management confirmed that this was because new legislative requirements commence in December 2016 and further time was required for implementation. It is proposed that a desktop exercise occur in May 2018 and the audit would follow thereafter.

It was also noted that the previous Internal Audit Plan presented to the Committee in August 2017 had focused on data and systems. These items will be addressed as a standing item in each internal audit completed.

It was agreed that the scopes for the first reviews would commence and be circulated to the Committee out of session so work could commence.

The Committee endorsed the Internal Audit Plan for 2017-19 but requested that further work occur on the NDIS review.

11.08 am Debtors Report

Report Reference: FAC101017R7.4

Committee noted the report and the debt value was a little higher than expected. It was noted that the report includes both sundry debtors and rates debtors. The Committee queried if Council needed a more aggressive approach regarding the recovery of rate related debts? It was noted the rates debts are a timing issue as Council will recover costs when the property is sold. This is part of the conveyancing process.

The Committee queried if management track the total value of the outstanding debt and the capital value of the property to ensure the debt does not exceed the property value. Management indicated that this is not tracked but could be implemented if the value of the debt increased above a certain threshold.

The Committee noted that the debt is managed through debt collectors and the cost of this is also included as a debt owed to Council.

11.19 am Investment Performance 2016/17

Report Reference: FAC101017R7.5

The Committee noted the investment report and that Council recorded a favorable result against the benchmark indicator.

The Committee noted that the rate of return is better than the reserve bank but queried, due to our high cash, if there was more opportunity for Council to improve its returns with minimal risk. Management indicated that in-line with Councils Treasury Policy, Council is limited to certain banks to invest with and Council will test the market with 3 to 4 banks to ensure the best rate of return is achieved.

The Committee queried if Council provides a discount on rates if paid on time. Management advised that Council does not offer a pay on time discount.

11.22 am Edwardstown Redevelopment Project Update
Report Reference: FAC101017R7.6

The Committee noted that report and the update provided. The key changes related to the facilities manager and this would now be funded by Council. The Committee queried if the clubs would have the capacity to fund this position into the future? Management confirmed that this would be assessed later down the track. The Committee suggested an initial three year contract and that this would then be reviewed to assess the clubs capacity to pay.

It was noted that the project would now be funded via cash rather than borrowings and Council's total contribution would be \$4,430,300 (up from its original \$4m commitment)

Risk Management

11.26am Corporate Risk Profile
Report Reference: FAC101017R7.7

The Unit Manager Risk provided an overview of the report noting that the review had occurred with management within the Senior Leadership Team and any of their direct reports as required. The review focused on the accuracy and relevance of the risk, the current risk rating, the outlined further actions to mitigate the risk and the subsequent forecasted risk rating. The Risk Team, in conjunction with the Manager Corporate Governance then reviewed the register for any inconsistencies in risk ratings.

The Committee noted that the risk register consists of 110 risks, with the majority of the risks rated as a medium or low. Only 14 risks were rated as a high risk and no risks were rated as extreme.

The Committee noted that there were still a number of Work Health Safety Risks reported. The Unit Manager Risk advised that significant work had progressed particularly with the implementation of a WHS system (Skytrust). It was noted that the implementation of Skytrust was a staged approach and would not be fully implemented until June 2018. The Committee noted this improvement and confirmed that Skytrust was a good system to implement.

The Committee queried what risk rating 'compliance' had received as it was not within the high risks reported. It was assumed that compliance was rated as a medium risk. Management agreed to provide some detail and clarity at the next meeting.

The Committee discussed why the likelihood but not the consequence had not been reduced on a number of risks? It was suggested that the consequences should be reassessed within the residual risk rating. This Committee did not reach consensus on this and requested that the risk definitions be presented to the next Committee meeting.

ACTION – through the business arising statement for December, please clarify what risk rating compliance has been assessed at, provide further details of the definitions regarding assessment of risks (including consequences).

11.42 am Internal Audit Program 2015 to 2017 Update
Report Reference: FAC101017R7.9

The Committee noted the report and the progress made on the implementation of recommendations.

The Committee queried the progress of the insurance review and Management confirmed that AON had been appointed to undertake a risk profiling exercise to assess the insurance requirements for the Council.

11.43am Improvements delivered from Service Review Program 2016/17 and Plan Update

Report Reference: FAC101017R7.10

The Committee noted the report and the work undertaken over the past 12 months. The Committee indicated that it was hard to quantify the improvements. Management agreed and indicated that they had taken the learnings and are now moving forward with the intent to specify the tangible outcomes of each review. The Committee agreed that they would be expecting the future reports to measure and quantify outcomes.

11.46am Service Review – Scope – Customer Service

Report Reference: FAC101017R7.11

The Committee noted the report and queried why there was no mention of discussion with customers as part of the scope. The Manager Customer Experience indicated that the Council did have customer data that could be used. The Committee indicated that current data should be used and recommended that we talk to our customers as part of this review.

The Committee also suggested that benchmarking with other Councils should be included within the scope and should be added to the external stakeholders as part of the scope.

11.51am Service Review – Report – Maintenance of Council Facilities

Report Reference: FAC101017R7.12

The Committee noted the report and indicated that this was a well-structured review. The Committee queried why we didn't interview internal customers as part of the review? The Manager City Property confirmed that this was a timing issue. The Committee noted that the management approach had changed with a clubs and community groups now having a liaison person (one point of contact). This has assisted with issues management and relationship building. This approach has assisted to improve the satisfaction rating of Council.

The Committee discussed the recommendations and supported the proposal for a handyman. The Committee queried the proposal to remove the requirement for purchase orders under \$1000. The Committee noted that Management was looking for efficiencies but requested that further assessment of this occur to ensure it does not create any other risks of fraud or misappropriation of funds.

8. OTHER BUSINESS

Mitchell Park Sports and Community Centre – Funding

A late report was tabled at the meeting (**Appendix 1**) and the Committee agreed to discuss the item. Management apologised for the report not being included within the agenda. An overview was provided by the General Manager City Development highlighting that the Committee had considered a section 48 prudential report on Mitchell Park in 2016. The section 48 prudential report indicated that the cost estimate of the project was \$19.7 million and Council had resolved to fund 50% of the project (i.e. approximately \$10 million contribution from Council) and then seek the other 50% from other sources. The feedback

received to date has indicated that the contribution being sought from other levels of government was likely too high and Council may like to consider adjusting its financial contribution towards the project to see a successful outcome.

The Committee queried how Council defines the community benefit and if this is comparable from project to project. For example, if Council spends \$10 million on Mitchell Park and this benefits 5000 people in the community how does this compare if Council spends \$750k on BMX and it benefits 500 people (noting these figures are only used as examples). Management indicated that this approach had not been taken but Council had clearly defined the community needs and strategic intent at the beginning of the Council term. Both BMX and indoor multi use courts were included in these discussions.

The Committee suggested that a holistic approach is required and the increase in funding should be considered in conjunction with all other unfunded major projects and Councils desire to increase/decrease rates.

The Committee also cautioned that there are a number of large capital work projects currently being progressed and Council should be aware of the resource impact and the organisations capacity to manage multiple projects at the same time.

12.15pm the meeting adjourned for 5 minutes

12.20 pm Meeting resumed

CONFIDENTIAL ITEMS

**12.20 pm Section 48 Prudential Report – BMX Confidential
Report Reference: FAC101017R8.14**

Moved Ms Hinchey, Seconded Ms Presser that the Finance and Audit Committee:

1. pursuant to Section 90(2) and (3)(b)(i)(ii) of the *Local Government Act 1999*, the Finance and Audit Committee orders that all persons present, with the exception of the following persons: Councillor Janet Byram, Adrian Skull, Chief Executive Officer; Vincent Mifsud, General Manager Corporate Services; Abby Dickson, General Manager City Development, Mat Allen, Acting General Manager City Services, Kate McKenzie, Manager Corporate Governance; Greg Salmon, Manager City Activation, Ray Barnwell, Manager Finance and Contracts, Phil Freeman (Office of rec and sport) and Geoff Norris (Onkaparinga) be excluded from the meeting as the Council receives and considers information relating to Section 48 Prudential Report – BMX Confidential, upon the basis that the Finance and Audit Committee is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential given the information could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting, or proposing to conduct, business, or to prejudice the commercial position of the council and would on balance, be contrary to the public interest.

Carried unanimously

12.20 pm moved into confidence

Moved Ms Hinchey, Seconded Ms Presser that the Finance and Audit Committee:

1. In accordance with Section 91(7) and (9) of the Local Government Act 1999 the Committee orders that this report, Section 48 Prudential Report – BMX Confidential and the minutes arising from this report having been considered in confidence under Section 90(2) and (3)(i)(ii) of the Act, except when required to effect or comply with Council's resolution(s) regarding this matter, be kept confidential and not available for public inspection for a period of 12 months from the date of this meeting. This confidentiality order will be reviewed at the General Council Meeting in December 2017.

Carried Unanimously

12.45 pm the meeting came out of confidence

12.44 pm Moved Ms Presser, Seconded Councillor Kerry that the meeting be extended to 1pm.

Carried Unanimously

12.45 am 73 Cove Road, Marino
Report Reference: FAC101017R8.15

Moved Councillor Kerry, Seconded Ms Hinchey that the Finance and Audit Committee:

1. pursuant to Section 90(2) and 3(a) and (3)(h)(i) of the *Local Government Act 1999*, the Finance and Audit Committee orders that all persons present, with the exception of the following persons: Abby Dickson, General Manager City Development; Vincent Mifsud, General Manager Corporate Services, Mat Allen, Acting General Manager City Services, Kate McKenzie, Manager Corporate Governance, Sherie Walczak, Unit Manager Risk be excluded from the meeting as the Finance & Audit Committee receives and considers information relating to 73 Cove Road Marino, upon the basis that it is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential given information the disclosure of which would involve the unreasonable disclosure of information concerning the person affairs of any person (living or dead); and information relating to actual litigation, or litigation that the Finance and Audit Committee believes on reasonable grounds will take place, involving the Council or an employee of the Council.

Carried Unanimously

12.45 pm The Committee moved into confidence

1.00 pm the Committee came out of confidence

9. ANY OTHER BUSINESS

Nil

10. MEETING CLOSURE

The meeting was declared closed at 1 pm.

11. NEXT MEETING

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

Time: 9.30 am

Date: Tuesday, 12 December 2017

Venue: Council Chamber, Administration Building

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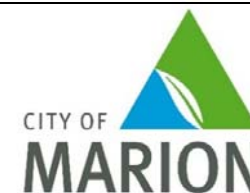
CHAIRPERSON

/ /

CITY OF MARION

BUSINESS ARISING FROM FINANCE AND AUDIT COMMITTEE MEETINGS

AS AT 6 DECEMBER 2017



	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
1.	30 May 2017	Elected Members' Report Report Reference: FAC300517R6.1 An update report be provided on what the LGA is doing in response to the request by Council regarding a number of performance areas listed. (GC140317F02).	J Thwaites / K McKenzie	August 2017	A verbal update was provided to the August 2017 meeting after receiving a letter from the LGA. The LGA has responded to each of the matters raised by Council as requested. This item can be closed as a further report will be presented to the FAC in February 2018.	Dec 2017
2.	30 May 2017	Auditor-General Report – Examination of governance arrangements in local government: February 2017 Report Reference: FAC300517R8.3 Advise the Auditor-General in writing once all recommendations have been completed.	K McKenzie	Dec 2017	A progress report is included in the agenda for this meeting. The Compliance Framework remains the outstanding action from the Audit, which now has a rescheduled timeframe of 30 June 2018 due to resources and workload.	30 June 2018
3.	30 May 2017	Internal Audit Program 2015 – 2017 (2016/17 Report to date) Report Reference: FAC300517R8.5 A brief update report be presented at the December 2017 Finance and Audit Committee meeting on the new leasing approach adopted by Council.	C Hampton	Dec 2017	Report presented to 12 December meeting – Property Internal Audit Update	12 December 2017
4.	10 October 2017	Review of the Business Arising from previous meetings of the Finance and Audit Committee that further details regarding the approach of the LGRS audit be provided through the business arising statement at the December 2017 Finance and Audit Committee Meeting.	S Walzcak	Dec 2017	Combined Risk Evaluations, will occur every two years. This will provide a mechanism to test Risk, WHS and Injury Management / Return to Work processes objectively and identify examples of both good practice and opportunities for improvement that can be addressed at the local, regional and sector level. Councils will be tested against the agreed sector	Dec 2017

Report Reference: FAC101017R5.1

	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
					<p>baselines which will be drawn from Legislative requirements, (including Codes of Practice), Industry standards, the Performance Standards for Self Insurers (PPSI) and from industry consultation via a working group. Commentary will be provided by the Evaluator regarding whether the agreed sector baseline has been met or not met. Where the Council has developed their system beyond the sector baselines this may be recognised in the evaluation commentary and reports. Action Plans will be developed as part of the process, and the results of these plans will be used to calculate the annual LGAMLS bonus like it does the LGAWCS rebate.</p> <p>The City of Marion is awaiting the new LGAMLS Risk Consultant to schedule our Risk Review for some time in 2018.</p>	
5.	10 October 2017	Elected Member Report that the Committee receive an update on the Oaklands Crossing Project via the business arising statement at its next meeting.	K Davies	Dec 2017	<p>Council set the following initiative within its 3 year Business under its Goal of a <i>Connected</i>:</p> <p><i>Advocate for key rail infrastructure including grade separation at the Oaklands Rail Crossing</i></p> <p>At the 13 June 2017 General Council meeting Council endorsed the Annual Business Plan 2017/18 and Long Term Financial Plan which included the allocation of funds towards the Oaklands Crossing project (GC130617R07)</p>	Dec 2017

	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
					<p>Resolution 3 - Council notes and endorses the items of Operating Expenditure (Table 1) 13 June 2017 and Capital Expenditure (Table 2) for inclusion in the 2017/18 ABP and LTFP.</p> <p>Table 1</p> <ul style="list-style-type: none"> • \$100,000 committed in FY17/18 - Oaklands Crossing Design Stage • \$1M committed as contribution towards Project – DPTI <p>In securing Federal and State Government funding CoM in-kind contributions of up to \$3.9M were negotiated. Council's in-kind contribution is currently being determined.</p> <p>Council's total contributions are \$5M (\$1.1M cash and \$3.9M in-kind)</p> <p>Council received further information on the progress of the project at an Elected member Forum on 5 December 2017.</p>	
6.	10 October 2017	<p>Annual Financial Statements for the year ended 30 June 2017</p> <p>through the business arising statement, provide details to the Committee regarding when the next actuarial review of the Defined Benefits Scheme is scheduled and if Elected Members could be held personally liable for superannuation payments.</p>	R Barnwell	December 2017	<p>The Salarylink (Defined Benefits Scheme) Actuarial Review is conducted formally every three years with the next review now due effective 30 June 2017. The Actuarial Review is conducted following the finalisation of the 30 June review of member's benefits for Annual statement purposes and has recently commenced.</p> <p>Results of the Actuarial Review are typically communicated to the LGA and Councils early in the new calendar year once the results have been presented to the Fund. One of the key outcomes is the</p>	Dec 2017

	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
					<p>confirmation of the Salarylink contribution rate for employers. At this time the scheme is unable to confirm whether this rate will change for future financial years, however they have said all indicators currently show that the Salarylink Scheme is in a strong funding position.</p> <p>Elected Members cannot be held personally liable for superannuation payments into the Salarylink (Defined Benefits) Scheme – specific protection is provided under Section 39 of the LG Act 1999. Any potential liability for a funding deficiency in the Salarylink Scheme attaches to, and would be shared by, the 68 SA councils as a whole.</p>	
7.	10 October 2017	<p>Annual Financial Statements for the year ended 30 June 2017</p> <p>provide the Committee with a verbal briefing on the impact of the new standards at the Committee's meeting in December.</p>	R Barnwell	December 2017	A verbal briefing on the impact of the new standards will be provided at the Committee's meeting in December.	Dec 2017
8.	10 October 2017	<p>Corporate Risk Profile</p> <p>Through the business arising statement for December, please provide further details of the definitions regarding assessment of risks (including consequences).</p>	S Walzcak	December 2017	<p>The City of Marion Risk Management Framework provides guidance regarding how risks are rated and evaluated. In the next review of the Framework, further clarity can be provided regarding assessment and/or evaluation of risk consequences. Current practice does not recommended to lower the risk score for residual likelihood and consequences if an additional control is implemented. The overall risk score will reduce if the control is effective but very few</p>	

City of Marion
Finance & Audit Committee Action Arising Statement as at 10 October 2017

	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
					controls influence both likelihood and consequence.	

* completed items to be removed are shaded

SCHEDULE OF MEETINGS 2017			
Day	Date	Time	Venue
Tuesday	28 February 2017	9.30am – 12.30 pm	Administration Centre
Tuesday	30 May 2017	9.30am – 12.30 pm	Administration Centre
Tuesday	15 August 2017	4.00 – 6.00 pm Followed by 7.00 – 9.00 pm (Joint workshop with Council)	Administration Centre
Tuesday	10 October 2017	9.30am – 12.30 pm	Administration Centre
Tuesday	12 December 2017	9.30am – 12.30 pm	Administration Centre

INDICATIVE AUDIT COMMITTEE WORK PROGRAM - 2017
TUESDAY, 28 February 2017

Topic	Action
Draft Annual Business Plan and Budget 2017/18 and Draft Long Term Financial Plan	Review and Feedback
Corporate Risk Profile (including defining Council's risk tolerance)	Review and Feedback
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback
Draft Policy Framework	Review and Feedback
Draft Project Management Framework	Review and feedback
Outcomes of Auditor General Audit	Review and Feedback
Outcome of External Audit Tender	Review and Recommendation to Council

TUESDAY, 30 May 2017

Topic	Action
Audit Engagement for the Year Ending 30 June 2017	Review and Recommendation to Council
Draft Annual Business Plan and Budget (after public consultation) & Draft Long Term Financial Plan	Review and Feedback
Organisational Key Performance Indicators 2017/18	Review and Recommendation to Council
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback

Internal Audit Plan July 2017 – June 2019	Review and Feedback
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback
Service Review Plan July 2017 - June 2019	Review and Feedback
Annual Review of WHS Program	Review and Feedback

TUESDAY, 15 August 2017 (Joint Workshop with Council)

Topic	Action
Annual Claims and Insurance Renewal Report	Review and Feedback
Valuations of Buildings and Assets	Review and Feedback
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback
Service Review Program – Scopes, Reviews and Monitoring	Review and Feedback
Meeting with Internal auditors in camera	Seeking feedback from Auditors
Property Portfolio Internal Audit Recommendations	Update report
Joint Workshop with Council (6.30 – 8.00 pm)	<ul style="list-style-type: none"> • Discussion with Council • Funding Major projects (borrowings versus cash)

TUESDAY, 10 October 2017

Topic	Action
Audit Committee Annual Report to Council 2016/17	Review and Refer to Council
Independence of Council's Auditor for the year end 30 June 2017	Review and Recommendation to Council
Audited Annual Financial Statements for the year end 30 June 2017	Review and Recommendation to Council
Meeting with external auditors in camera	Seeking feedback from Auditors
Draft Compliance Framework	Review and Feedback
LGA MLS Risk Review	Review and Feedback
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback
Investment Performance 2016/17	Noting

Tuesday, 12 December 2017

Topic	Action
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback
Work Program and Meeting Schedule 2018	Review and Feedback
Ombudsman SA Annual Report 2016/17	Review and Feedback
New Leasing approach for Council facilities	Update report

**CITY OF MARION
FINANCE AND AUDIT COMMITTEE MEETING
12 DECEMBER 2017**

Originating Officer: Kate McKenzie, Manager Corporate Governance
Councillor Raelene Telfer, Councillor Nick Kerry

Subject: Elected Members' Report

Report Reference: FAC121217R6.1

REPORT OBJECTIVE:

Section 4.20 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 Finance and Audit Committee meeting on 10 October 2017, Council has held three (3) General Council Meetings on the 10th, 24th October and 28th November with one (1) Special Council meetings on the 27th November 2017.

At these four (4) meetings, the Council made the following decisions that relate to the Finance and Audit Committee Terms of Reference in chronological order:

GENERAL COUNCIL – 10 October 2017

Update to the Schedule of Delegations

Council reviewed and updated delegations under various legislation

Complaints and Grievance Policy and Procedure Review

Council reviewed and adopt a revised Policy and Procedure for Complaints and Grievances as required pursuant section 270 of the *Local Government Act 1999*.

GENERAL COUNCIL 24 October 2017

Corporate Risk Profile

Council reviewed and noted the high risks as reported and the mitigation strategies listed within the corporate risk register.

Finance and Audit Committee Annual Report to Council 2016-17

Mr Greg Connor (FAC Chair) was present at the meeting. Council noted the Finance and Audit Committee's Annual Report to Council for 2016/17.

Annual Financial Statements for the year ended 30 June 2017

Council adopted the audited Annual Financial Statements for the year ended 30 June 2017 and authorised the Mayor and CEO to sign off on the audited Financial Statements and Management Representation letters. The Council also received the audited Financial Statements 16/17 for the Southern Region Waste Resource Authority (SRWRA) and Council Solutions Regional Authority 2016/17

Investment Performance 2016/17

Council noted the investment report for 16/17 highlighting that Council recorded a favourable result against the benchmark indicator for the 10th consecutive year.

1st Budget Review 2017/18

Council adopted a revised budgeted statements including the Income Statement, Balance Sheet, Statement of Changes in Equity and Statement of Cash Flows.

Council approved the identified once-off cash savings following the completion of the 2016/17 audited Annual Financial Statements of \$3.276m to be transferred to the Asset Sustainability Reserve.

Council approved the transfer of \$249,383 from the identified once-off cash savings from 2016/17 in the Asset Sustainability Reserve to fund the following Council Resolutions:

• GC250717R01 - HYPA Driving Program	\$10,000
• GC080817F02 - Edwardstown Facility Management	\$45,000
• GC220817R01 - Housing Diversity Dev Plan Amendment	\$85,000
• GC260917R05 - McConnell Reserve Asset Optimisation	\$20,300
• GC260917R09 - Waste Management Plan	<u>\$89,083</u>
	<u>\$249,383</u>

As previously resolved (GC110417R08), Council approved the revenue received of \$21,522 from the sale of and savings generated of \$146,000 from the re-use of treated storm water from the Oaklands Wetland (Total \$167,522) be quarantined in the Asset Sustainability Reserve to further develop 3rd party treated storm water supply opportunities.

Annual Corporate Performance Report 2016-17

Council noted the report and 5 out of 6 KPI's for the 2016/17 were achieved. The KPI not achieved related to the retention of key staff.

Annual Report 2016/17

Council adopted the City of Marion Annual Report 2016/17 with minor amendments ready for distribution.

Unfunded Initiatives

Council approved :

- the use of \$54,760 from the identified once-off cash savings from 2016/17 in the Asset Sustainability Reserve to outsource the management of the environmental friends group to "Trees for Life"
- the use of \$50,000 from the identified once-off cash savings from 2016/17 in the Asset Sustainability Reserve for the implementation of remnant native vegetation activities. Council also noted that a report is being prepared to present the final Remnant Vegetation Plan (after community consultation) to Council on 12 December 2017, which will contain details regarding the ongoing financial implications of the Plan, currently forecast to be in the order of \$350,000 per annum.

SPECIAL GENERAL COUNCIL – 27 November 2017

CEO KPI's 2017/18

Council noted that the CEO and Corporate Key Performance Indicators for the 2017/18 Financial Year are now aligned.

Council also resolved that the Mayor liaises with the CEO in accordance with clause 9.11 of the CEO's Employment Contract and seeks formal agreement and acceptance of the additional measures as follows:

Elected Member assessment of the Chief Executive's ability to encourage from Management:

- *Understanding of the Elected Member and Community perspective*
- *Responsive communication with Elected Members*
- *Timely provision of information*

The assessment is to remain confidential between the Elected Members, the CEO and the Manager Human Resources.

Housing Diversity Development Plan Amendment

Council and individual Elected Members received advice prior to the meeting regarding numerous conflicts of Interests arising from property ownership/interests across the City of Marion. These conflicts were declared in accordance with the requirements of section 74 of the *Local Government Act 1999*. The Housing Diversity DPA was then adopted in parts (north, central and south), to ensure the meeting remained quorate after the conflicts had been declared. In addition to this, Council notes the 288 community submissions and the 10 government agency submissions received during the consultation period for the Housing Diversity DPA. Council also noted than an informal gathering of Council (open to the public) was held Tuesday 21 November 2017 at which the consultation responses to the draft DPA were discussed, and administration was asked to prepare a further draft of the DPA in accordance with the consultation responses. Council also noted that the DPA will be submitted to the Minister for Planning with a summary of consultation and proposed amendments yet to be prepared.

GENERAL COUNCIL – 28 November 2017

Independent Member – Finance and Audit Committee

Council considered a report of the independent member for the Finance and Audit Committee and resolved that the term of Ms Kathryn Presser be extended to December 31 2017. That Ms Kathryn Presser be thanked for her care and insights to the Finance and Audit Committee since May 2015 and a recruitment process for an independent member of the Finance and Audit Committee be conducted.

Confidential Reports

Council also considered a number of other various reports in confidence that included:

- Three Elected Member Code of Conducts
- Expression of Interest for Potential Land Acquisition Opportunity at Morphettsville,
- Morphettsville Park Sports and Community Club Redevelopment and
- Edwardstown Oval – Approval to award construction tender.

If the Committee wishes to receive any further information on these matter, the Committee will be required to discuss these in confidence.

COMMITTEES

The following Committees also met and discussed the following matters relating to the FAC's Terms of Reference:

Infrastructure and Strategy Committee – 7 November

- Infrastructure Projects Progress Updates
- Quarterly Capital Works Report
- LED Lighting Update
- Morphettsville Park Sports & Community Club Redevelopment Options
- Future Directions for Energy Efficiency and Renewable Energy

Urban Planning – 20 November 2017

- Housing Diversity Development Plan Amendment (DPA) Public Hearing

Review and Selection Committee – 7 November 2017

- CEO Annual Performance Review 2016/17 and Employment Agreement
- CEO KPI's Annual Confidential Report 2016/17
- CEO KPI Report Quarter one 2017/18

- Independent Member – Finance and Audit Committee

RECOMMENDATION

DUE DATE

The Finance and Audit Committee note the report.

10 OCT 2017

**CITY OF MARION
FINANCE AND AUDIT COMMITTEE MEETING
12 DECEMBER 2017**

Originating Officer: Melissa Virgin, Assistant Financial Accountant

Corporate Managers: Ray Barnwell, Manager Finance & Contracts
Fiona Harvey, Manager Strategy & Innovation

General Manager: Vincent Mifsud, General Manager Corporate Services

Subject: Framework and Key Assumptions for the preparation of the 2018/19 ABP&B and LTFP

Report Reference: FAC121217R7.1

EXECUTIVE SUMMARY:

The purpose of this report is to present to the Finance & Audit Committee (FAC) for its consideration and feedback:

- The proposed framework in setting the Annual Business Plan 2018/19 (ABP) & Long Term Financial Plan (LTFP) including a review of financial parameters and key budget assumptions
- The associated risks with the proposed framework and key budget assumptions

Prior to the preparation of the next iteration of Council's LTFP and ABP 2018/19 as part of the ABP planning process which has recently commenced, the FAC'S feedback is sought on the proposed framework and key assumptions.

RECOMMENDATIONS

DUE DATES

That the Finance & Audit Committee:

- | | |
|---|--------------------|
| 1. Provides feedback on the framework, assumptions and associated risks in setting the Annual Business Plan for 2018/19 and the Long Term Financial Plan | 12 Dec 2017 |
| 2. Provides feedback on the Environmental Scan (refer to Appendices 1 and 2) as an input into the Draft ABP 2018/19 and draft LTFP. | 12 Dec 2017 |

BACKGROUND & DISCUSSION

The 2018/19 Annual Business Planning process has now commenced. The table below outlines the key steps and indicative timeframes in the planning and budgeting process. It also highlights the critical decision points for Council through the process (highlighted in the blue shaded areas) and the opportunities for FAC feedback (highlighted in the green shaded areas).

2018-19 Planning and Budgeting Process

Stage	Focus	Timing
1	Staff analysis of planning inputs – committed projects/programs, labour budgets, new initiatives, review of WAPs.	September- January
2	High level draft budget model development: <ul style="list-style-type: none"> Elected Members' consideration of current unfunded initiatives, new priority initiatives and staff new initiatives Elected Members' input in setting tolerance/ key assumptions, parameters for management Draft Budget Model developed based on parameters set 	5 December December- January
3	Initial new priorities identified for draft Budget Model development	5 December
4	Finance & Audit Committee - Feedback on the proposed framework, assumptions and associated risks in setting the Annual Business Plan for 2018/19 and the Long Term Financial Plan	12 December
5	<ul style="list-style-type: none"> LTFP aligned with set parameters, Council resolutions and prioritised new activities High Level draft Budget/LTFP modelling presented to Elected Members 	January 20 January
6	Finance & Audit Committee – Update provided on Development Draft Annual Business Plan & LTFP, Framework and Assumptions – FAC feedback sought	27 February
7	Draft Annual Business Plan /LTFP Framework and Assumptions endorsed and adopted	13 March
8	<ul style="list-style-type: none"> Draft Annual Business Plan and Comprehensive Draft Budget Elected Member Forum – Rating data, rates discussion, 2018/19 priority projects list modelling, 	20 March
9	Set Tentative Rates Set draft priority projects list for consultation	

10	Draft Annual Business Plan endorsed and adopted for Community Consultation	24 April
11	Community Consultation period (Min. 21 Days)	April / May
12	Community Consultation Feedback to Council	22 May
13	Final rates discussion Final priority projects discussions	
14	Finance & Audit Committee – Post Community Consultation Feedback	29 May
15	Final Draft Annual Business Plan and LTFP endorsed by Council for Adoption	11 June
16	Lock in final plan and budget in preparation for adoption	
17	Annual Business Plan / LTFP adopted	25 June

As part of the ABP planning process and prior to the preparation of the next iteration of Council's LTFP and ABP 2018/19, the Finance & Audit Committee's feedback is sought on the proposed framework and key assumptions.

The proposed framework for 2018/19 is based on the framework adopted by Council at its meeting on 9 May 2017 (GC090517R07):

Framework:

- **Support the achievement of the City of Marion's Strategic Directions.**
Comments: No change proposed.
- **Address issues arising and opportunities identified from internal audit reviews, service reviews and business excellence assessments.**
Comments: No Change Proposed
- **Maintain, on average, a break-even or better funding (cash) position over the Long Term Financial Plan.**
Comment – in adopting the framework for 2017/18 this replaced Council maintaining an operating surplus ratio of between 0 and 5%, as this target was not consistent with Council meeting its long-term strategies.
- **Continue to improve the maintenance of assets in accordance with Council's Asset Management Plans, with a priority on maintenance before renewal, and renewal before new when it is cost effective to do so.**
Comments: No Change Proposed
- **Review existing services and assets to ensure they meet prioritised community needs.**
Comments: No Change Proposed

- **Council only approve new Major Projects where it has the identified funding capacity to do so.**

Comments: No Change Proposed

- **Maintain Council's position for an average residential rate which remains among the lower rating metropolitan councils.**

Comments: No Change Proposed

Assumptions

In developing the Draft LTFP and Draft ABP 2018/19, the following key assumptions and variables are proposed to be applied:

- Service delivery levels will be maintained at current levels (any changes to current service levels are to be approved separately by Council subject to financial capacity).
- The 2018/19 budget will be based off historical actuals adjusted where appropriate by the current CPI figure (Adelaide, Sept 2017) of 1.8%. For the years following (2018/19 onwards) a 2.5% increase per annum will be applied to operating income and expenditure amounts in line with the Reserve Bank's target inflation rate of 2–3 per cent, on average over time, with the following exceptions:

- A 2.0% increase per annum will be applied to Employee operating costs with consideration given to the revised timetable relating to the change in the Superannuation Guarantee. The Superannuation Guarantee increases recommence on 1 July 2021 - halfway through the LTFP - with five annual increases of 0.5% each, being incorporated into the LTFP.
- Interest expenses are directly related to Council borrowings and cash flows.
- Rates – an increase of 2.2% (TBC) plus growth which is currently forecast at 1.0%. This assumption will continue to be monitored in light of global economic forecasts and the financial impact that those circumstances may have on Marion ratepayers and their capacity to pay.

Comment: Council has over the past 3 years been in a position to decrease the rate increase applied, down from (4.9% - 2015/16, 2.5% - 2016/17 to 2.2% in 2017/18). The 2.2% rate is currently projected to be sufficient for Council to achieve its long-term strategies while maintaining a break-even or better funding (cash) position over the LTFP. The rate for 2018/19 and throughout the LTFP will be modelled and assessed as part of the ABP process. The LTFP adopted by council at their meeting on 27 June 2017 has forecast a breakeven cash position for 2018/19.

- Interest revenue is directly related to Council investments and cash flows and in light of recent global economic forecasts will be carefully monitored in line with interest rate movements.
- An adjustments schedule has been developed to account for any future variations in operating activities (e.g. an adjustment is made for election expenses to reflect that they only occur once every 4 years).
- Contributed assets from developers of \$1.5m have been forecast for 2018/19 – 2027/28 (includes roads, footpaths, drains etc. provided by developer or new subdivisions occurring in the Council area). This figure does not include any

contributed assets from the Tonsley development – governance arrangements for this are currently being worked through with the Government of South Australia.

- Capital Grants, subsidies and monetary contributions reflect tied monies received in relation to the purchase/construction of new assets and are budgeted in accordance with information known at the time of preparing this document.

Risks in the preparation of the ABP&B and LTFP

There are a number of potential risks that Council should be aware of and consider when assessing the Framework and Key Assumptions:

1. Upcoming State Election - In the past, there has been discussion about the possibility of rate capping being introduced and with an upcoming state election, it is likely this discussion will resurface. This may impact on the assumption of an annual average rate increase, currently 2.2% over the life of the LTFP. This assumption, should rate capping be introduced, may prove to be unsustainable in the long term. Council will need to continue to investigate and develop strategies to reduce the reliance on such rate increases, balancing this with the real cost of service provision and service demand from the community.
2. Employee Costs - Dependent on the outcome of future Enterprise Agreements:
 - The outside workforce agreement expired on 30 June 2017 and is currently under negotiation. The forecast of 2% for the 2017/18 year has as a result yet to be agreed upon.
 - The inside workforce agreement has a CPI safety net (expires 30 June 2019)

Capping employee costs at 2.0% may not provide enough funding if sufficient efficiency gains in staffing levels cannot be realised. This increase may also not be sustainable should service levels increase and associated increases in staffing levels be required. Any increases over 2.0% in the early years of the LTFP have a compounding effect which could have a significant impact.

3. Competing priorities and community expectations - There are currently a number of large unfunded aspirational strategic projects identified for further investigation across the City that require partnership funding to be able to proceed. It is crucial that aspirational strategic projects are prudently assessed with appropriate due diligence and in a disciplined manner to ensure Council's long-term financial sustainability is preserved.

4. The renewal requirements currently identified in Council's adopted AMP's for existing assets have been assessed against the LTFP, which currently indicates sufficient funding in total, however timing of funds and works for different asset classes does need further alignment. There are some classes of assets that are currently not wholly incorporated into Council's AMP's and this information is actively being sought to further assess and, if required, fully incorporate into the LTFP.

Environmental Scan

The Environmental Scan summarising areas where critical issues and opportunities have been identified within the context of the Business Plan 2016-19, has undergone an annual review and is provided in detail in Appendix 1 and a summary in Appendix 2. The scan shows a number of high priority areas for 2018/19, many of which the Council and organisation is already responding.

The environmental scan highlights a number of risks and opportunities which are being considered through the development of the draft 2018/19 annual plan and budget including:

- State and Local Government elections
- Redevelopment of the Oaklands rail crossing with the opportunity for development of an Oaklands Hub
- Connectivity in and around the Tonsley Innovation District with the Darlington Upgrade and Flinders Link projects with impacts and opportunities relating to traffic levels, car parking, and pedestrian/cycling movements
- State government planning reforms that can provide opportunities for growth areas and greater housing choice
- Opportunities for urban activation at identified locations to increase walkability for urban environments and improve people's health
- Rapid technological change that is impacting on communication with our community
- Opportunities for access to data and information through installation and use of 'smart city' technology
- Investment in systems and technology to improve efficiency and effectiveness of business operations

The Finance & Audit Committee's feedback is sought on any issues or considerations that may be missing from the Environmental Scan.

This work will continue to feed into a range of areas including reviews of Council's suite of strategic plans, public policies, and operational plans, and the review of Council's strategic risk register.

Targeted Savings

As in prior years there will continue to be a strong focus on identifying on-going savings during the preparation of the ABP 2018/19. It should be noted that identified once-off savings of \$3.276m were achieved and recently reported to Council following the completion of the 2016/17 audited financial statements. Council services will continue to be reviewed during the preparation of the ABP 2018/19 and any areas where further efficiency and effectiveness savings are identified through Business Service reviews will be incorporated into the development of the ABP 2018/19 and the LTFP.

CONCLUSION:

Feedback is sought from the Finance and Audit Committee in regards to the Framework, Assumptions and Risks in the preparation of the draft LTFP and ABP 2018/19.

City of Marion Environmental Scan - December 2017

Marion specific items (as opposed to general societal trends) have been highlighted in **bold** text.

Current or emerging issues and opportunities			Criticality for action				2016-2019 Business Plan initiative reference	2016-2019 Business Plan initiative detail	Other initiatives / further detail
	Headline	Detail	Short term: 12 months	Medium term: 2-4 years	Long term: 5-10 years	Watching brief / Ongoing			
Liveable	Population growth of around 1% per annum & concerning public health demographics increasing demands on public places and spaces and public services	Higher than metropolitan average proportion of people with physically chronic conditions, mental health problems and psychological distress particularly in central and northern Marion - High % of adults overweight/obese, high cholesterol, high blood pressure, asthma, arthritis - High proportion of premature mortality due to circulatory system, heart disease, cancers and self-inflicted injury - High proportion of females with osteoporosis - High % of adults with psychological distress - High % of people with multiple chronic health conditions - High proportion of hospital admissions due to mental health conditions - High % of older people not participating in sufficient physical activity - Higher proportion than metropolitan average of children not achieving recommended amount of physical activity (SAMSS data)	✓	✓			L1	Amend the zoning of key sporting areas/hubs to support revitalised, modern sports facilities	Reconsideration of place based urban design and other Council services to encourage active living, healthy lifestyles and social connectivity for all age profiles
							L2	Deliver excellent Sport and Recreational Facilities across the City: • Community Club and indoor sports stadium at Mitchell Park • Sports and community complex at the Edwardstown Soldiers Memorial Oval • A new regional soccer facility in the South in partnership with Football SA • An International standard BMX complex in the South, led by BMX SA • Capella Reserve redevelopment in partnership with the Cove Football Club to pursue funding opportunities • Modern sustainable tennis and netball facilities across the City to meet the needs of the Community now and into the future	Continue and expand Crime Prevention Through Environmental Design Place-making opportunities in Tonsley, transport hubs, Hallett Cove Foreshore redevelopment, local and main streets also linked with community governance approaches The changing role of Council in disease prevention, health promotion and health protectio, embedding the four priority areas of Public Health legislation: - Increasing Opportunities for Healthy Living, Healthy Eating & Being Active - Preparing for Climate Change - Sustaining and Improving Public and Environmental Health Protection - Stronger & Healthier Communities & Neighbourhoods for All Generations
			✓	✓	✓		L3	Present the Marion Outdoor Pool Masterplan	
			✓	✓	✓		L4	Deliver Open Spaces and Playspaces across the City: • South Australia's first Inclusive Playspace at Hendrie Street Reserve • Jervois Street South Plympton Playspace • Hallett Cove Foreshore precinct redevelopment • Reserve Street Reserve Trott Park dog park, plus location and design for a second dedicated dog park • 8 local/neighbourhood scale playspaces, plus plans for a further 4 playspaces • Priority open space developments based on our Open Space plan, to meet the needs of a growing and changing community into the future • High quality public toilets in our priority reserves and parks	Maximise connectivity in and around major projects (to address physical activity; isolation and disadvantage; poor health outcomes; access to education, training and employment; access to open space with walking distance of homes and businesses; access to arts and culture and public safety
	Limited housing choices	Urban demographics: - Limited housing choice to meet the needs of everyone in the community - Population growth and urban infill cause increased traffic and limited on-street parking with increasing demands on public places and spaces and public services. State Planning Reforms transform planning in SA, including housing choices	✓	✓			L5	Review housing zones to preserve the character of areas in the north of our city and create housing choice in the south	Housing Diversity DPA will reflect the unique topography of Marion requiring different urban solutions: - create more choice in southern Marion due to increased density - increase densities along transit corridors and in close vicinity to activity centres - decrease density in the north to protect character and heritage areas, open space and trees whilst meeting 30 Year Plan for Greater Adelaide and review of Southern Growth Corridor population targets Collaborate on Southern Innovation DPA - higher residential density in Tonsley, Sturt Triangle and Lot 707
			✓	✓			L6	In partnership with State Government, the SA Jockey Club and adjoining councils, support the housing development at Morphettville Racecourse	
	National and international trends on people remaining independent as they age	Increase in 85+ year olds and pensioners Opportunity to focus more on individual quality of life	✓	✓	✓		L7	Develop and deliver an Age Friendly Strategy in partnership with neighbouring councils	Age Friendly Strategy completed. Ageing Friendly SA Grant - \$40K to Southern Adelaide councils to identify and train "Community Champions" in PERMA (Positive Emotion, Engagement, Relationships, Meaning and Accomplishment PLUS Optimism, Resilience, Physical Activity, Nutrition and Sleep messages). This aligns with State Government priorities in the Ageing Plan.
			✓	✓	✓		L8	Support our community to 'age well' through participation in the Adelaide Living Laboratory	Living Labortaotry has been built at Tonsley. City of Marion will continue to work in partnership with COTA (Centre for the Ageing) in 2018
	Reconciliation		✓	✓	✓		L11	Celebrate and recognise our Kaurna heritage through committed delivery of the 2016-2019 Reconciliation Action Plan (RAP)	Review and commence planning for 2019-2021 RAP
			✓	✓	✓		L12	Build strong relationships with the Elders of the Kaurna community, facilitated by the RAP Committee	
	Disengaged young people	Low % of young people involved in arts/ cultural activities, student leadership, and youth groups	✓	✓	✓		L14	Deliver transformed youth partnership programs focused on providing diverse and exciting opportunities for youth leadership, engagement and services	
	The National Disability Insurance Scheme (NDIS) roll out	By July 2018,an estimated 26,000 people will access the NDIS, including 17,000 people from the existing SA specialist disability system. The agreement provides for another 6,500 people who are not currently receiving disability services to enter from July 2018 onwards.				✓			Internal audit KPMG scheduled in Jan-March 2018 to determine NDIS readiness with City of Marion and to table various options for our future direction.

Current or emerging issues and opportunities			Criticality for action				2016-2019 Business Plan initiative reference	2016-2019 Business Plan initiative detail	Other initiatives / further detail
	Headline	Detail	Short term: 12 months	Medium term: 2-4 years	Long term: 5-10 years	Watching brief / Ongoing			
Valuing Nature	Opportunities in Water Sensitive Urban Design, energy efficiency and 'green' infrastructure	Opportunities in WSUD, energy efficiency and green infrastructure including whole-of-government green infrastructure strategy (SA) and the Living Adelaide initiative to mitigate the adverse impacts of urban planning and infill development on biodiversity/natural environments/ecosystems/water resources management/renewable energy and stormwater infrastructure requirements. Improving energy efficiency to combat the increasing maintenance and utility costs impact on the cost of delivering services SA Government 50% renewables commitment by 2025 & net zero emissions by 2050	✓	✓	✓		VN1	Significantly increase energy efficiency across our council facilities	20% of of council owned/leased buildings have had energy efficiency improvements made
			✓	✓	✓		VN2	Develop a business case and commence delivery of the transition to safe and sustainable street and public lighting	Street lighting project commenced - implementation 2018-2020
							VN9	Target an allocation of 5% of drainage and traffic capital works budgets to Water Sensitive Urban Design outcomes	CoM contribution to the Water Sensitive SA project that delivers WSUD capacity building initiatives for Council staff, etc Influence DPTI to include green infrastructure in projects within CoM Resilient South partnership projects such as Urban heat Island mapping project & developing a business case for urban trees project
			✓	✓	✓				
			✓	✓	✓		VN10	Continue to transform the Glade Crescent Wetlands scheme	Complete stage 1A (access road, Gross Pollutant Traps, sedimentation basin and high flow bypass) - complete December 2016 and 1B (wetland cells, overflow weirs, additional drainage the planting and landscaping) construction works package at Glade Crescent Wetlands scheme
			✓	✓	✓		VN13	Strive for the opening up of Glenthorne Farm for community benefit in partnership arrangements	
	Infrastructure issues associated with flooding and stormwater		✓	✓	✓		VN8	Manage stormwater in close partnership with our neighbours	Implement the two adopted Regional Stormwater Management Plans; Hallett Cove Creeks, and the Coastal Catchment between Glenelg and Marino. Complete draft Stormwater Management Plans for the catchments of 'East of Sturt River' and 'Urban area abutting Field River' for Council consideration and public consultation. Commence the Stormwater Masterplan DPA in 2017 with Completion in 2018.
	Adverse impacts of pest plants and animals on natural ecosystems		✓	✓	✓		VN12	Plan and deliver a program for the protection of precious remnant native vegetation in our reserves	
	Impacts of climate change	Limited natural resources and increased impacts on the natural environment and waste production Impacts of increasing temperatures, longer heatwaves, reduced rainfall but increased rainfall intensity, increased fire danger days and increased sea levels) on: - natural resources and ecosystems (including coastal and marine environments and water resources) - natural resources and ecosystems (including coastal and marine environments and water resources) - infrastructure and built environment (urban heat islands) - service level expectations for the public realm - essential services - manufacturing and business (business continuity support) - community health and wellbeing	✓	✓	✓		VN3	Implement the Resilient South Climate Change Policy and Plan	Increasing understanding of climate change, potential impacts and the need for adaptation and mitigation. Areas of focus include extreme heat management, management of urban heat islands and coastal sea level rise.
			✓	✓	✓		VN11	Develop and deliver a Regional Coastal Management Plan to support effective coastal management	Development of Natural Landscape Guidelines to improve the management of unirrigated areas.
			✓	✓	✓		VN4	Design the final stages of the Oaklands Reserve redevelopment	
			✓	✓	✓		VN5	Expand the Oaklands Wetland water distribution network to maximise sustainable irrigation of our parks and reserves	
	Emergence of Nature Play	Increased desire for recreational spaces for young people without needing built form				✓			Recognition of Nature Play within new Playspace Strategy due to trend in increasing understanding of the value of nature Bio Blitz Nature Play activities, design of reserves and playspaces
	Growth of localism	Links to community gardening, urban bee keeping, verge gardening, food forager movement, waste reduction etc.		✓					Trends in increased understanding of the value of nature and a changing climate leading to increased awareness and desire in the community to reduce environmental impacts and support sustainable behaviour and living. Increasing number of community gardens Citizen Science, Bio Blitz and Common Thread events - move to more community led events Increased promotion of related Neighbourhood Centre and Library resources
	Greening supply chains					✓			Procurement & Contractor Policy includes environmental management

Current or emerging issues and opportunities			Criticality for action				2016-2019 Business Plan initiative reference	2016-2019 Business Plan initiative detail	Other initiatives / further detail
	Headline	Detail	Short term: 12 months	Medium term: 2-4 years	Long term: 5-10 years	Watching brief / Ongoing			
Engaged	Increased numbers of volunteers	Increasing community interest in volunteerism is providing a varied skill base but higher expectations. Longer working hours are reducing the capacity for long-term volunteering and increasing the desire for more flexible periodic and short-term volunteering opportunities	✓	✓	✓		E1	Strive to become renowned for volunteers through targeted growth and diversity, and harnessing the skills and experience of our volunteers	Volunteer Policy reviewed and adopted 2017
	Community governance – growing expectation and desire to be effectively engaged in decision making requiring more active stakeholder management	High % of community not involved in social, recreational or community activities Low % of community on decision- making board or committees	✓	✓	✓		E2	Launch a Marketing Plan to enhance community engagement and partnering in council's services	Marketing & Communications Plan 2016-2019 adopted
			✓	✓	✓		E3	Support our lease and licence holders to develop their club management capacity	Review Leasing and Licensing Policy. Focused program to ensure 80% of facility leases are up to date (subject to negotiations with major lease holders) by June 2016
			✓	✓	✓		E4	Work in partnership with the Edwardstown Region Business Association and the Hallett Cove Business Association to grow membership and sustainability	
			✓	✓	✓		E5	Maximise community benefits through community led initiatives	
			✓	✓	✓		E6	Implement our reformed Community Grants programs with emphasis on diversity and community capacity building	
			✓	✓	✓		E7	Expand our network of community gardens in partnership with community groups	Working in partnership with community to expand community garden network. Developing verge gardening guidelines
			✓	✓	✓		E8	Pilot a place activation project focused on the use of vacant commercial properties in partnership with local community groups	Urban Activation Project established with Expressions of Interest being considered December 2017
			✓	✓	✓		E10	Grow the Community Leadership Program to support and harness the ideas and skills of emerging leaders within our community	
			✓	✓	✓		E9	Develop and deliver a Business Engagement Plan in consultation with the local business community to provide valuable business information to support small business growth	Business Engagement Plan developed (2016-2018)
Prosperous	Development of the Tonsley site	The regional focus on job creation in key growth areas of clean technology, advanced manufacturing and tourism including food and wine	✓	✓	✓		P1	Work in partnership to progress the Tonsley Redevelopment as a state of the art advanced manufacturing and urban environment	Continue to work with Renewal SA for a regional focus on job creation in the key growth areas of focus high-value manufacturing through the following sectors: - Health, medical devices and assistive technologies - Cleantech and renewable energy - Software and simulation - Mining and energy services
	Business and employment diversity	The number of GST registered businesses in Marion is falling Number of jobs in Marion remains static, whilst population is increasing Growth in higher/tertiary education particularly at Flinders University and Tonsley. Trend toward people wishing to work, shop and play locally	✓	✓	✓		P2	Work with key partners on the Darlington Upgrade project and the Flinders Link rail project to maximise business and employment opportunities	Continue to advocate with State Government and Construction consortium to maximise business and employment opportunities.
			✓	✓	✓		P4	Review Edwardstown Industry/Commerce Planning framework to support future business needs	Continue to work with DPTI and review this framework through the new Planning and Design code.
			✓	✓	✓		P5	Support the development of priority precincts that cater for a range of residential and business needs, and services that are aligned with the 30 Year Plan for Greater Adelaide	In conjunction with the Southern Adelaide Economic Development Board three Growth Precincts are identified in the City of Marion: - Edwardstown District - Tonsley Innovation District - Oaklands Hub
			✓	✓	✓		P6	Develop, in close cooperation with other councils and State Government, a business attraction plan that support jobs growth	In conjunction with the Southern Adelaide Economic Development Board a regional approach to investment and attraction is being progressed.
			✓	✓	✓		P7	Re-invigorate the Southern Adelaide Economic Development Board to establish an industry-led, independent advocacy and advisory group for the southern Adelaide region	The Southern Adelaide Economic Development Board re-launched in August 2017 with a Strategic Plan with five key priorities: - Growth Precincts - Regional approach to the visitor and lifestyle economy - Integrated transport and infrastructure - Vibrant business community - Smart region
			✓	✓	✓		P8	Deliver the Southern Adelaide Business Advisory Service, providing free advice to start up and early stage businesses	In conjunction the City of Marion, City of Onkaparinga and the Department of State Development have a jointly funded service aimed at helping businesses develop and grow in the region. The Southern Adelaide Business Advisory Service offers: - Advice on starting a new business - 'Business Health Check' for existing businesses - One-on-one consultations at a location suitable to you - Growth Services
			✓	✓	✓		P9	Reduce red-tape to support and promote business growth and employment opportunities	On-going awareness internally to increase customer service levels to businesses.
			✓	✓	✓		P10	Deliver digital economy education programs for businesses to capitalise on the NBN roll-out	SEED is the City of Marion's Digital Hub. Based at the Cove Civic Centre, the SEED program is delivering digital education programs for businesses and the community.
			✓	✓	✓		P11	In partnership with local businesses, grow visitation and increase spending in the region through the delivery of a Visitor Economy Strategy	In conjunction with the Southern Adelaide Economic Development Board will provide a review of existing strategies for a regional approach to Visitor Economy.

Current or emerging issues and opportunities			Criticality for action				2016-2019 Business Plan initiative reference	2016-2019 Business Plan initiative detail	Other initiatives / further detail
	Headline	Detail	Short term: 12 months	Medium term: 2-4 years	Long term: 5-10 years	Watching brief / Ongoing			
	Retail everywhere – e-commerce and pop-up shops	The continuing shift towards digital and knowledge based economies				✓			
Connected	Rapid technological change, specifically the rollout of NBN in some City of Marion areas	Rapid technological change and significant growth in wide application of social media, mobile devices and wireless and broadband networks. Fast-moving technological innovation is deeply affecting the way organisations deal with customers and stakeholders	✓	✓	✓		C6	Expand our communication and engagement network through our website and social media platforms	Opportunities in location aware service information, augmented reality and tourism apps for smart devices
	Many residents don't have ready access to internet, data or information	The increasing “Digital divide” within our community given varied levels of digital literacy to access services, employment opportunities, social and cultural networks, lifelong learning, teleworking and information.	✓	✓	✓		C7	Deliver valuable digital literacy programs in our libraries and neighbourhood centres	Changing digital economic conditions and global employment opportunities. SEED program developed and is delivering digital education programs for businesses and the community.
			✓	✓	✓		C8	Develop a business case for an innovative 'Creative Space' that showcases leading edge technologies for the community's creative and learning opportunities	Free Wi-Fi at Council sites and libraries. Free power, e-reference, learning and low cost printing facilities at libraries. Library review - implementing outcomes almost complete. Creative space is known as SEED (Space for Exploring Everything Digital) Analysis of Library 'One Card' borrowing and collection data - potential for shared and specialised collection management across all formats Vision 2030 Smart Libraries... Smart Communities - Our libraries are valued as institutions of civil democracy and community engagement. They are hubs of knowledge, creativity and innovation, bringing together the physical and digital worlds and providing opportunities for learning and leisure, linking the people of South Australia to each other and the world - 'Tomorrow's Libraries' by Libraries SA
	The joy of missing out - trend in de-digitising to reconnect with people in person					✓			
	South Road & Darlington Interchange upgrades	Marion's road/rail/freight network: - Poor east-west connectivity - Competing/overlapping transport systems - Multiple arterial roads carrying high volume of through traffic - Transit corridors dividing communities - Rail corridor, Lonsdale Road, South Road, Sturt drain _ Poor transport linkages to public places and spaces, goods and services, local business and industry - Unique terrain of the South combined with current transport services poses potential risk of isolation to residents that are ageing and mobility impaired increasing demand on community bus, neighbourhood centres and mobile library	✓	✓	✓		C5	Support the rail expansion from Tonsley to Flinders Medical and University precinct	Continue to advocate for improved connectivity through the rail corridor to maintain east/west local connections at the historic Tonsley station. Liaise with DPTI Project Managers to ensure that contributed assets meet councils standards and maintenance requirements.
	Train extension from Tonsley to Flinders University		✓	✓	✓		C4	Advocate for key rail infrastructure including the grade separation at the Oaklands Rail crossing	Contribute to the improvement of urban environment to promote cycling and walkability through the station precinct. Create connections from the station precinct to MCC including Waracowie Intersection.
	Potential risk of isolation to residents that are ageing and mobility impaired		✓	✓	✓		P3	Advocate for the future development of the North-South Corridor to improve east-west connectivity, which maximises community access andconnection with the valuable adjacent areas.	Continue to advocate for State Government to prioritise the section North of Tonsley Blvd to Anzac Highway.
	Increased walking, cycling and public transport usage with fewer young drivers						C1	Expand the Walking and Cycling network linking key destinations across the City and beyond	Advocate and implement high priority projects identified in the Walking and Cycling Strategy including the Tonsley Greenway, Sturt River Linear Park Greenway and other local cycling connections between Tonsley Innovation Distrcit and the Marion Central precinct. Reconstruct the next section(s) of Railway Terrace to extend the off road shared use path along the Adelaide to Marion Rocks Greenway.
	Vehicles, pedestrians, parking, public transport	Dominance of cars causing congestion on roads, noise and air pollution and increased on-street parking demands, coupled with the significant number of major arterial roads and transit corridors throughout the City.					L13	Better manage traffic in Marion and Oaklands Park Commence delivery of priority elements of the Streetscape Masterplan Continue delivery of priority elements of the Streetscape Masterplan	Remove traffic management in Marion and Oaklands. Data has been developed to identify narrow footpaths throughout the City of Marion.
		Narrow footpaths with limited resting/seating places – poor accessibility for mobility impaired	✓	✓	✓		C2	Complete Glandore Laneways project to finalise council ownership of the laneways and improve safety and traffic flow	Glandore Laneways completed
		Inadequate car parking for public transport commuters	✓	✓	✓		C3	Deliver a Policy and Program to enhance streetscapes across the City	Oaklands Crossing provides an opportunity to reduce congestion and on street parking demands. A Parking Management Plan is currently being develped.
	Lightweight vehicles developed					✓			
	Driverless cars - SA legislation reform underway (Motor Vehicles Act, Road Traffic Act)					✓			Initial discussion about trialling this technology with the community to complement the community bus and with the community passenger network service.
	Smart parking systems – greater use of technology					✓			Opportunities may exist for smart parking technologies through the transition to LED lighting (which can be smart technology enabled)

Current or emerging issues and opportunities			Criticality for action				2016-2019 Business Plan initiative reference	2016-2019 Business Plan initiative detail	Other initiatives / further detail
	Headline	Detail	Short term: 12 months	Medium term: 2-4 years	Long term: 5-10 years	Watching brief / Ongoing			
	Car and bike sharing e.g. GoGet (Sydney) and Flexicar (Melbourne)					✓			
	Big data, smarter transport for trucking and freight etc.					✓			
Innovative	Embracing and developing new ideas and technologies providing opportunities for all		✓	✓	✓		I1	Establish partnerships with innovation mentors, including hosting university students to work on innovation projects	Invitation to innovation student to pitch Ageing and Social Isolation project idea to the wider Community and Cultural Services team
			✓	✓	✓		I2	Launch a marketing plan for all neighbourhood centres that supports creative use, programming and participation within the centres	Neighbourhood Centre Marketing Plan adopted by Council
			✓	✓	✓		I3	Maximise community feedback through a range of surveys, digital tools and campaigns to support our ongoing focus on innovation and improvement	City of Marion Evenets and Facilities Survey - June 2017
			✓	✓	✓		I4	Deliver a solar panel network at key council sites across the City	20% of of council owned/leased buildings have had energy efficiency improvements made
			✓	✓	✓		I5	Renew the Leasing and Licensing Policy to set up a strong support and collaboration model for clubs and organisations to continue to innovate their businesses	New leasing template being rolled out as leases are renewed
			✓	✓	✓		I6	Continue to promote and provide valuable programs at the Cove Enterprise Hub to support start-ups and small businesses in the southern region	Ongoing initiatives between the City Activation and Libraries teams
			✓	✓	✓		I7	Investigate Smart City technology and infrastructure opportunities	LED street lighting project - Implementation 2018-2020
				✓			VN6	Investigate the potential to establish a water supply business using the Oaklands Wetlands water distribution network	
	Collaborative consumption, co-working spaces and sharing economy					✓			
Political	Rate capping & State Government control	Rate capping a high likelihood if Liberal party win next state election. Potential impacts on service levels				✓			Participating in the ‘Council of the future’ review regarding the potential future direction, structure and amalgamation of local government, regional approaches and the ongoing debate regarding constitutional recognition for local government. Improve understanding of ratepayer value to ensure rates are directed to highest priority services, programs, projects Provide Council with a feasibility analysis of boundary realignment opportunities between the City of Marion and adjoining Councils and commence implementation
	Maximise funding opportunities in the lead up to the next State election	Next State election March 2018	✓						Ensure projects are spade ready. Build relationships and lobbying partnerships - become a voice for the South
	Local Government Election 2018	Next Local Government election November 2018	✓						New Council focus & priorities Strategic Plan comprehensive review
	3 tiers of Government	Ongoing changes to Federal, State & Local government policies and funding programs	✓						
Financial sustainability	Continued focus on driving innovation and continuous improvement in a constrained budgetary environment The opportunity for Council shared services - need for greater collaboration, partnering and innovative funding solutions	Most revenue comes from rates with compromised financial capacity of ratepayers in economic climate and decreasing grant opportunities Increases in State Government fees and levies impact on the cost of delivering services Opportunity to work more collaboratively with regional Councils in cost sharing Limited funding capacity for competing strategic projects or incremental service improvements given current rates assumptions and funding position - need for greater collaboration, partnering and innovative funding solutions to achieve community outcomes in a challenging fiscal environment	✓	✓	✓		L10	Undertake an evaluation and review of at least 9 council services to ensure they continue to provide maximan value to our community, now and into the future.	9 service reviews completed in 2016/17 12 service reviews scheduled for 2017/18 12service reviews scheduled for 2018/19 Ongoing review of the Long Term Financial Plan to ensure council remains in a sound and sustainable financial position. Low rate increases modelled for next 10 years Further models of collaborative procurement, public private partnership, cost sharing and funding streams investigated Uncertainty of future interest rates and its impact on our future loan portfolio Council Solutions' pilot program - data mining and benchmarking Further reduction of carry-overs

Current or emerging issues and opportunities			Criticality for action				2016-2019 Business Plan initiative reference	2016-2019 Business Plan initiative detail	Other initiatives / further detail
	Headline	Detail	Short term: 12 months	Medium term: 2-4 years	Long term: 5-10 years	Watching brief / Ongoing			
Asset reliability and sustainability	Significant ageing infrastructure and assets Investigating innovative asset management/ownership models Potential for asset disposals Potential for non-asset solutions for service delivery	Reviewing our existing asset base: - In light of increasing costs and customer service requests to maintain and renew our existing asset base - Understanding which assets could be repurposed, reused or disposed of in order to enhance other assets to better meet community needs - Investigating innovative asset management models e.g. share community use, public private partnerships and related business and retail opportunities	✓	✓	✓		L9	Review and under-utilised council reserves and facilities to ensure community use is optimised.	Embedding the Asset Sustainability matrix into prioritisation of customer service request resolution actions Undertake a building/facilities condition audit Develop a building renewal plan Develop an asset disposal / consolidation program and commence implementation
Service provision	Need to provide the appropriate technology tools and information resources for staff to connect, collaborate and do their jobs efficiently and effectively		✓	✓	✓				Continued COMConnect replacement of Lotus Notes - Invest in new technology to modernise City of Marion's technology platform. Opportunities to automate back office functions e.g. order & print out your own dog licence online Increased use of video technology for 'how-to' information and video calls Improved contract management under wider review of procurement management
	Customer Experience	Opportunity to develop more insightful understanding of customer value, service needs and satisfaction levels, including customer experience and perspective in the development of service range and required service levels	✓	✓	✓				Development of Customer Experience Charter Customer Experience training delivered to all staff Develop and implement a community feedback program, including an annual community satisfaction survey Deliver an annual Stakeholder survey on satisfaction with Council facilities Greater effective use of evidence for decision making
	The need for all work groups to be aligned in terms of the Strategic Plan and Business Plan 2016-19	Alignment of the organisation to deliver the aspirations of the Strategic Management Framework Continued building of leadership and workforce capability and skills, particularly in the areas of project management, partnership models and industry experience Vacancy Policy: positions are not filled unless a clear case can be made	✓	✓	✓				Endorsement of 3-year Business Plan and roll-out of new 10-year Strategic Plan Roll-out of values, Leadership Development Plans and Personal Development Plans Working collaboratively to deliver the 3-year Business Plan through integrated work area planning 'Living' the values Develop and deliver consistent Project and Program Management Develop and deliver a Workforce Plan E3 learning & 70/20/10 training and development program LEAD leadership program Increased knowledge transfer from contractors
	Safety focus		✓	✓	✓				Focus on reduction of Lost Time Injuries Improved Admin building security
	An organisation possibly too averse to risk	Transition to an agile & responsive delivery model whilst maintaining prudent financial management Alignment of risk management throughout the organisation	✓	✓	✓				Review of frameworks and procedures to support delivery: Monitoring of risk registers, reformed Risk Working Group Changes to regional emergency management planning - update of emergency management procedure
Workforce	Health and safety	Embedding Work Health & Safety system improvements throughout the organisation	✓	✓	✓				Implementation of SkyTrust - system to support Hazard & Incident Management
	Tools for effectiveness and efficiency	Need to provide the appropriate technology tools and information resources for staff to connect, collaborate and do their jobs efficiently and effectively	✓	✓	✓				CoMConnect rollout Use of smart technology in the field to identify and schedule works
	Leadership	Continued building leadership and workforce capability and skills, particularly in the areas of project management, partnership models and industry experience	✓	✓	✓				LEAD program

Current or emerging issues and opportunities			Criticality for action				2016-2019 Business Plan initiative reference	2016-2019 Business Plan initiative detail	Other initiatives / further detail
	Headline	Detail	Short term: 12 months	Medium term: 2-4 years	Long term: 5-10 years	Watching brief / Ongoing			
	Ageing	Managing an ageing workforce, with provision of opportunities for transition programs, mentoring and training	✓	✓	✓				Workforce planning with a key priority on career transition

Environmental Scan Summary – 2018/19 Annual Business Plan

Critical external issues and opportunities:	
<p>Political</p> <ul style="list-style-type: none"> State Government election March 2018 Local Government election November 2018 Maximising ratepayer/community value Maximising opportunities in the lead up to the next state election, noting changes in electoral boundaries and candidates Implications of introduction of rate capping through potential change in Government at state level Ongoing changes to Federal, State and Local Government policies and funding programs Community political preferences moving away from dominant 2-party government system 	<p>Economic</p> <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 Innovation District, Oaklands Hub, Edwardstown District Activation of local hubs as destinations to increase walkability Re-establishment of the Southern Adelaide Economic Development Board to focus on growth, visitor economy, integrated transport, businesses and a smart region
<p>Technological</p> <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 through 'smart city' technology Opportunities through the transition to 'smart' LED lighting across the City 	<p>Social and Cultural</p> <ul style="list-style-type: none"> Concerning public health demographics Transitioning to NDIS national and regional customer led wellbeing and home support programs Population growth and changing demographics Increasing community interest in volunteerism is providing a varied skill base Potential health issues around noise and air pollution around major traffic routes & building work
<p>Natural Environment</p> <ul style="list-style-type: none"> Impacts of climate change – storm events, heat, sea level rise Growth of localism Need for effective coastal management Protection of remnant vegetation Impacts of urban infill on biodiversity Emergence of Nature Play 	<p>Urban Environment</p> <ul style="list-style-type: none"> Limited housing choice to meet the needs of everyone in the community Population growth and urban infill cause increased traffic and limited on-street parking with increasing demands on public places and spaces and public services Opportunities in integrating nature into the urban environment, WSUD, energy efficiency and green infrastructure Opportunities to lift vibrancy of commercial/retail areas through urban activation Increased implementation of planning reforms
<p>Transport & Connectivity</p> <ul style="list-style-type: none"> Darlington Upgrade Project Poor transport linkages to public places and spaces, goods and services, local business and industry Potential risk of isolation to residents that are ageing and mobility impaired Opportunity to expand and integrate walking & cycling networks with major transport infrastructure upgrades 	

<ul style="list-style-type: none"> • Commitment to Flinders Link Rail extension • Connections in and around Tonsley, Darlington and Flinders developments, with impacts on traffic, parking, pedestrian/cycling movements • Opportunities to progress an Oaklands Hub development through the redesign of the Oaklands Rail Crossing • Opportunities to improve East-West connectivity through Sturt Rd, in conjunction with the Darlington, Tonsley and Flinders Link project 	
Critical internal issues and opportunities:	
<p>Service provision</p> <ul style="list-style-type: none"> • Limited funding capacity for competing strategic projects or incremental service improvements, given current rates assumptions. Could be exacerbated if rate capping introduced. • Continue service review program 	<p>Risk and strategic alignment</p> <ul style="list-style-type: none"> • Alignment of the organisation to deliver the aspirations of the Strategic and Business Plans • Transition to an agile & responsive delivery model whilst maintaining prudent financial management • Alignment of risk management throughout the organisation • Changes to regional emergency management planning • High number of large projects running concurrently
<p>Long Term 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 	<p>Asset reliability and sustainability</p> <ul style="list-style-type: none"> • Reviewing our existing asset base: <ul style="list-style-type: none"> • In light of increasing costs and customer service requests to maintain and renew our existing asset base • Understanding which assets could be repurposed, reused or disposed of in order to enhance other assets to better meet community needs • Investigating innovative asset management models e.g. share community use, public private partnerships and related business and retail opportunities
<p>Workforce</p> <ul style="list-style-type: none"> • Embedding Work Health & Safety system improvements throughout the organisation • Need to provide the appropriate technology tools and information resources for staff to connect, collaborate and do their jobs efficiently and effectively • Continued building leadership and workforce capability and skills, particularly in the areas of project management, partnership models and industry experience • Managing an ageing workforce, with provision of opportunities for transition programs, mentoring and training 	

REPORT OBJECTIVE

EXECUTIVE SUMMARY

A work program and meeting schedule for 2018 satisfying the requirements set out in the Policy has been compiled in **Appendix 1** for the Committee's consideration. The items included on the program are indicative only as items may be added, changed or moved during the year depending on areas of identified risk. As can be seen, the program addresses areas of responsibility as defined within the Committee's Terms of Reference, as well as providing opportunity for the improvement of the Committee's operations.

RECOMMENDATION:

DUE DATES

That the Finance and Audit Committee:

Appendix 1

SCHEDULE OF MEETINGS 2018			
Day	Date	Time	Venue
Tuesday	27 February 2018	9.30am – 12.30 pm	Administration Centre
Tuesday	29 May 2018	9.30am – 12.30 pm	Administration Centre
Tuesday	14 August 2018	4.00 – 6.00 pm Followed by 7.00 – 9.00 pm (Joint workshop with Council)	Administration Centre
Tuesday	2 October 2018	9.30am – 12.30 pm	Administration Centre
Tuesday	11 December 2018	9.30am – 12.30 pm	Administration Centre

INDICATIVE AUDIT COMMITTEE WORK PROGRAM - 2018
TUESDAY, 27 February 2018

Topic	Action
Elected Member Report	Communication Report
Draft Annual Business Plan and Budget 2018/19 and Draft Long Term Financial Plan	Review and Feedback
Insurance Review (Confidential)	Review and Recommendation to Council
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback

TUESDAY, 29 May 2018

Topic	Action
Elected Member Report	Communication Report
Draft Annual Business Plan and Budget 2018/19 (after public consultation) & Draft Long Term Financial Plan	Review and Feedback
Organisational Key Performance Indicators 2018/19	Review and Recommendation to Council
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback
Corporate Risk Profile	Review and Feedback

TUESDAY, 14 August 2018 (Joint Workshop with Council)

Topic	Action
Elected Member Report	Communication Report
Annual Review of WHS Program	Review and Feedback
Valuations of Buildings and Assets	Review and Feedback
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback
Service Review Program – Scopes, Reviews and Monitoring	Review and Feedback
Meeting with Internal auditors in camera	Seeking feedback from Auditors
Joint Workshop with Council (4.00 pm – 6.00 pm)	Topic TBC

TUESDAY, 2 October 2018

Topic	Action
Elected Member Report	Communication Report
Independence of Council's Auditor for the year end 30 June 2018	Review and Recommendation to Council
Audited Annual Financial Statements for the year end 30 June 2018	Review and Recommendation to Council
Investment Performance 2017/18	Noting
Debtors Report	Noting
Meeting with external auditors in camera	Seeking feedback from Auditors
Local Government Risk Services Audit	Review and Feedback
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback

Tuesday, 11 December 2018

Topic	Action
Elected Member Report	Communication Report
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback
Work Program and Meeting Schedule 2019	Review and Feedback

Ombudsman SA Annual Report 2017/18	Review and Feedback
Framework and Key Assumptions for preparation of 2019/20 ABP and LTFP	Review and Feedback

**CITY OF MARION
FINANCE & AUDIT COMMITTEE
12 DECEMBER 2017**

Originating Officer: Deborah Horton, Quality Governance Coordinator
Manager: Kate McKenzie, Manager Corporate Governance
General Manager: Vincent Mifsud, General Manager Corporate Services
Subject: Ombudsman SA Annual Report 2016/17
Report Reference: FAC121217R7.3

REPORT OBJECTIVES

To provide information extracted from the South Australian Ombudsman (the Ombudsman's office) Annual Report 2016/17 (the report) with particular reference and explanation of statistics relating to Local Government and the City of Marion.

EXECUTIVE SUMMARY

The Ombudsman's office received a total of 25 complaints relating to the City of Marion in 2016/17, these include;¹

- Fifteen (15) complainants were referred back to the City of Marion.
- Six (6) complaints were refused to be investigated by the Ombudsman,
- Two (2) complainants did not provide outcomes or details for further investigation,
- One (1) investigation was found to be in breach of the *Ombudsman Act 1972* (SA).
- Council resolved one (1) complaint expediently during initial contact with the Ombudsman.

In addition eight formal requests were received (direct to the City of Marion by five individual complainants) to conduct a review of a council decision,² the details of which are provided within.

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

RECOMMENDATION

DUE DATE

That the Finance and Audit Committee:

1. Notes the report.

12 Dec 2017

¹ Ombudsman SA, Annual Report 2016/17 pg 32 identifies 29 complaints/issues completed.

² *Local Government Act 1999* (SA) s 270.

BACKGROUND

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

ANALYSIS:

Relevant Local Government highlights

- A total of 965 local government complaints within the Ombudsman's jurisdiction were 'received' during 2016/17 (6% more than complaints received 2015/16).
- In June 2017, the Ombudsman released the final implementation Report entitled "*Right of Review – An audit of Local Government Internal Review of Council Decisions Procedures*". The key outcomes of this review include;
 - Importance of the right of review for citizens and ratepayers to challenge decisions of council.
 - The use of section 270 reviews under the Local Government Act by Councils are inconsistent.
 - Councils are willing to 'strengthen and develop their decision making accountability measures'.³
- The City of Marion reviewed its "Complaints and Grievance Policy" and Procedure at its meeting on the 10 October 2017 (GC101017R07).
- The top three areas of complaints in local government relate to the following;
 - 188 complaints (20%) – unreasonable enforcement parking fines
 - 73 complaints (7%) – complaint handling/inadequate processes
 - 64 complaints (6%) – complaint handling/delay

The top five Councils receiving the most number of complaints to the Ombudsman's Officer were:- (Appendix 1, diagram 1 provides a visual comparison of complaints received in metropolitan local government relating to the number of complaints per 10,000 head of population)

- Adelaide, City of, 92 complaints
- West Torrens, City of 84 complaints
- Onkaparinga, City of 65 complaints
- Charles Sturt, City of 49 complaints
- Playford, City of 40 complaints
- Port Adelaide Enfield, City of 38 complaints

City of Marion Key Highlights

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

The phrase "*referrals back to the Agency*" used within documents produced by the Ombudsman's Office indicate that the complainant has been advised to liaise with Council in the first instance.

³Ombudsman SA, Right of Review, "An audit of Local Government Internal Review of Council Decisions Procedures, November 2016, page 50.

In some instances, this contact may be the first time that Council may have heard of the complaint (they may have called anonymously) or there may be a record of the complaint and they have requested;

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

In some cases, the complainant may not have contacted Council again, even after the request of the Ombudsman's office to do so.

Key highlights include:

- The Ombudsman received in total 25 complaints pertaining to the City of Marion in 2016/17 (Appendix one diagram two shows a comparison of complaints made over the past three financial years).⁴
- Of the 25 complaints, 15 were referred back to the City of Marion, six were declined to be investigated, two complaints provided no outcomes/details, one was found to be in breach of section 25 of the Ombudsman Act and one was resolved expediently by Council during initial contact with the Ombudsman's office by the complainant. Further information is provided below;
 - 15 complaints were referred back to the City of Marion involving the following (see summary in Appendix two);
 - Failure to remove a loading zone (one)
 - Unreasonable delay finalising development application (one)
 - Unreasonable resolution to complaint regarding flooding (one)
 - Unreasonable demand to clear vacant block (one)
 - Failure to act on complaints regarding disruptive person in Library (one)
 - Breach of Code of Conduct by an Elected Member (two)
 - Failure to repair road (one)
 - Unreasonable expiation notice (one)
 - Unreasonable refusal to reduce rates when house destroyed in fire (one)
 - Unreasonable ban from community centre (one)
 - Unreasonable remedy for house flooding (one)
 - Failure to adequately water newly planted trees (one)
 - Failure to compensate for damage to retaining wall (one)
 - Unreasonable development approval (one)
 - Six (6) complaints were declined to be investigated in the first instance relating to;
 - Unreasonable refusal to provide compensation (one)
 - Unreasonable refusal to remove tree (one)

⁴ Ombudsman SA Annual Report 2016/17 pg 30 identifies 25 complaints, however six monthly reports received from the office identify 24.

- Unlawful breach of confidentiality by an Elected Member (one)
- Unreasonable tender process for delivery of Immunisation services (one)
- Unreasonable development approval (one)
- Unreasonable development application process (one)
- Two (2) complaints registered with the Ombudsman's office did not report outcomes which related to;
 - Unreasonable delay providing response to complaint handling development

The complainant protested to the neighbour's erection of a screen for a length of 15mtrs on their shared boundary. This screening was in response to the installation of security cameras on the complainants property with lens directed to the neighbours property. The neighbour advised the screens would be removed if the cameras were removed. The screens installed meet development requirements and therefore no action was taken to remove the screens. The complainant has been informed of that decision.

- Breach of Elected Member Code of Conduct

This matter related to an allegation that an Elected member had inappropriately influenced the progression of a key infrastructure project. No finding was made by the Ombudsman and the matter was closed.

- During the 2016/17 financial year the Ombudsman undertook a formal investigation finding administrative error and therefore a breach of section 25 of the *Ombudsman Act 1972* (SA). The complaint was made in August 2016 and relates to an unreasonable complaint handling process.

The details of this complaint related to two issues; unsightly property and an abandoned vehicle. The complainant first registered a complaint with Council in September 2014 with the complaint closed in December 2014. A section 270 report was undertaken at the complainants request on 30 January 2015 which concluded May 2015. The complainant was not satisfied with the outcome of the section 270 and contacted the Ombudsman's office March 2016. The complainant asserted (and therefore the ombudsman investigated);

- That council did not follow its Complaints and Grievance Policy in respect of timeframes in completing the section 270 report,
- The section 270 report was unreasonable because it ignored facts provided by the complainants and was biased toward council staff,
- Council did not adequately communicate with the complainant in relation to their provision of a boundary survey.

The Ombudsman found no evidence that Council acted in a manner that was unlawful, unreasonable or wrong with regard to timeframes, or the report being biased toward staff. However, found that the complainants were not kept informed of the developments of their complaint which was found to be in breach of the *Ombudsman Act 1972* (SA).

- One (1) complaint registered with the Ombudsman's was resolved during the initials stages of the complaint relating to an abandoned vehicle.

S270 Reports (reviews of a council decision)

In addition the City of Marion received eight formal requests to conduct an internal review of decisions of Council (one complainant relates to three separate requests - the third request was denied).

None of the complaints below were escalated to the Ombudsman's Office for further investigation (based on the information provided from the Office). The complaints related to the following in date order:

- Expiation fine (requested September 2016) resulting in the fine being upheld.
- Request relating to seven development applications dating from 2009 – 2016 (requested October 2016) resulting in process improvements being implemented.
- Dangerous Dog Attack (requested November 2016) resulting in an "Intention to Place a Destruction Order" being issued.
- Review of several development applications relating to a previous review (requested December 2016) – undertaken by an external party with findings of the previous review commenced in October 2016 upheld.
- Removal of Resolute Crescent Play equipment (requested December 2016) – resulting in a new report submitted to Council for a decision in addition to process improvements being made.
- Bee complaint (requested December 2016) resulting in further investigations.
- Development Application – removal of Tree (requested March 2017) resulting in the complainant being encouraged to submit a final application.
- Review of several development applications relating to previous reviews undertaken (requested May 2017) - request denied. (Same complainant for review requested in October 2016 and December 2016)

CONCLUSION:

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

Appendix 1 Additional Information - Diagrams

Appendix 2 Summary of complaints referred back to the City of Marion

Diagram 1

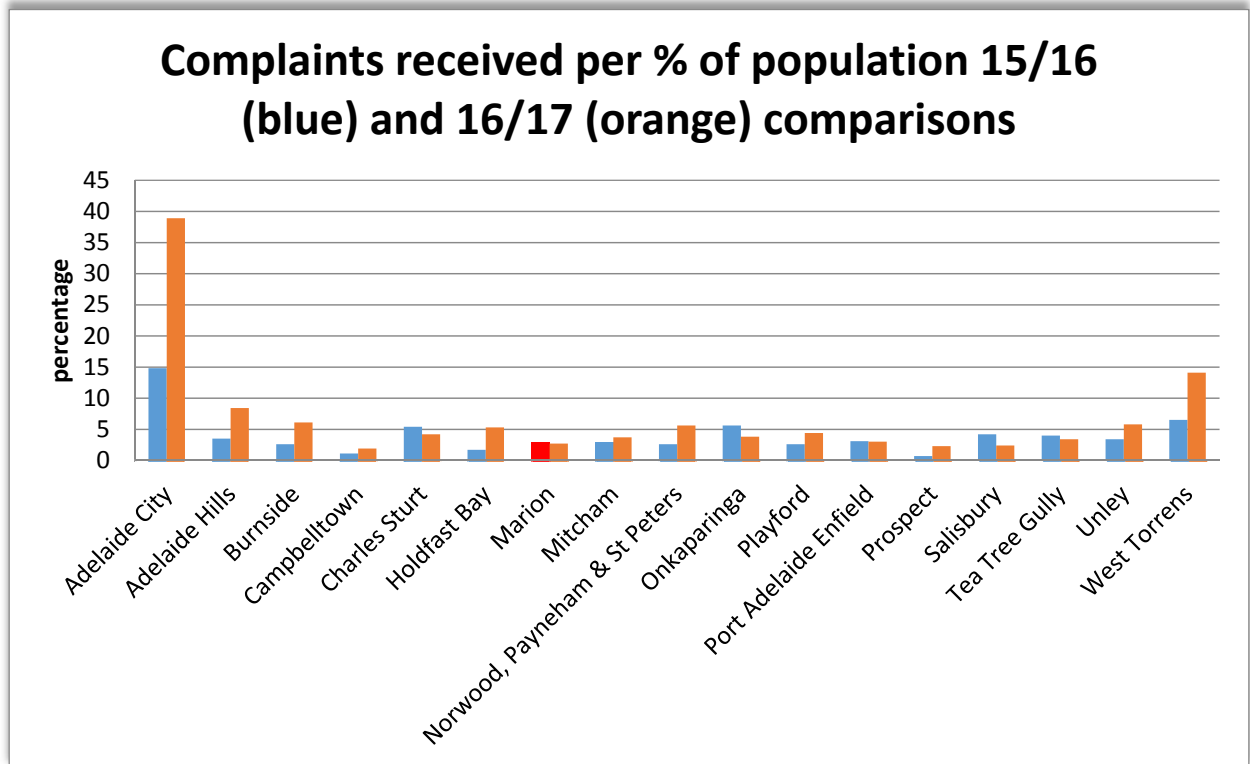
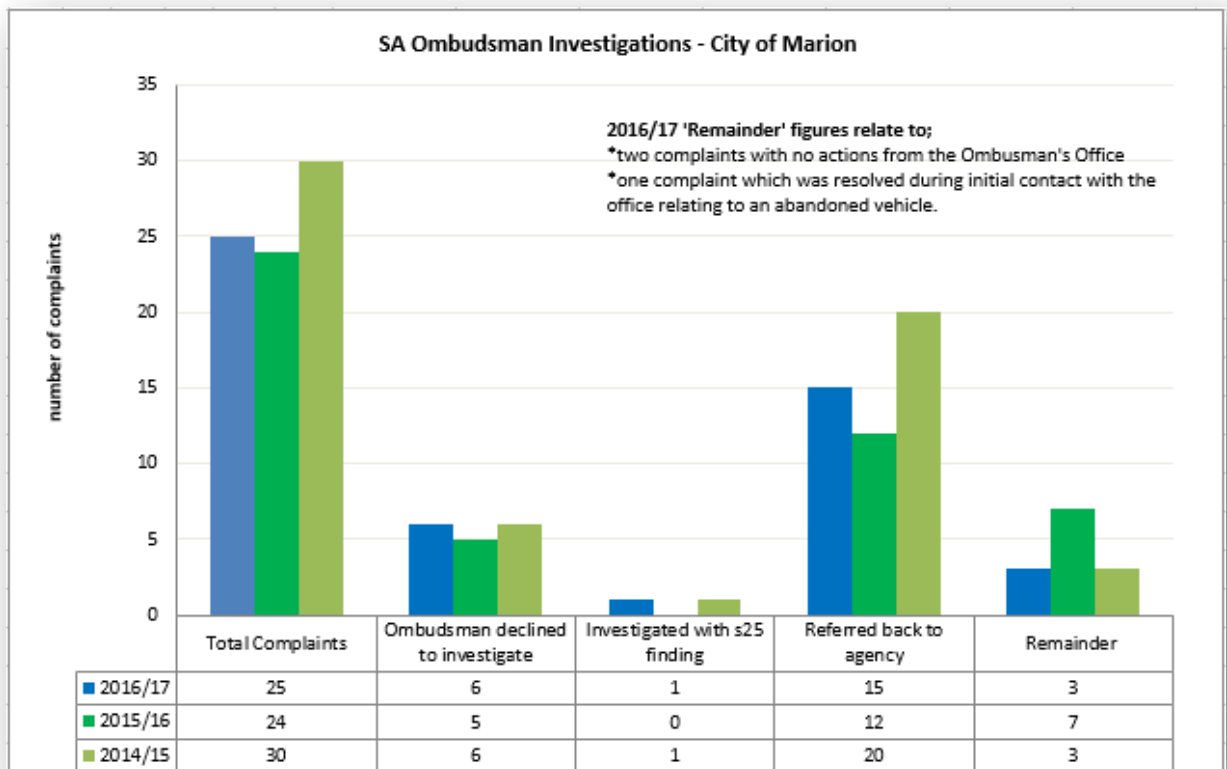


Diagram 2



Appendix 2

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

- Seven (7) of the 15 complaints 'referred back' were known to the City of Marion. A short summary providing known details including any action as a result of the complaint as below;
 - Failure to remove a loading zone (one)
 - City of Marion was unaware that a complaint was made to the Ombudsman and no complaint has subsequently been received by Council.
 - Unreasonable delay finalising development application (one)
 - Complainant provided a development application for an existing dwelling. Amendments were made to the dwelling design to improve consistency to enable the grant of development approval. The development is now under construction.
 - Unreasonable resolution to complaint regarding flooding (one)
 - City of Marion was unaware that a complaint was made to the Ombudsman and no complaint has subsequently been received by Council.
 - Unreasonable demand to clear vacant block (one)
 - City of Marion was unaware that a complaint was made to the Ombudsman and no complaint has subsequently been received by Council.
 - Failure to act on complaints regarding disruptive person in library (one)
 - City of Marion was unaware that a complaint was made to the Ombudsman and no complaint has subsequently been received by Council. There are no records on file for this complainant.
 - Breach of Code of Conduct by Elected Member (two)
 - These complaints relate to an alleged conflict of interest complaint and behaviour at a public meeting. These were investigated by Council to the satisfaction of the complainant and are considered closed.
 - Failure to repair road (one)
 - City of Marion was unaware that a complaint was made to the Ombudsman and no complaint has subsequently been received by Council.
 - Unreasonable expiation notice (one)
 - The complainant contacted the Ombudsman's office on 10 January 2017 regarding an expiation notice. The notice was withdrawn on 31 Jan 2017 due to an administrative error. It is expected that the impending internal audit will identify any additional process improvements.
 - Unreasonable refusal to reduce rates when house destroyed by fire (one)
 - The City of Marion was unaware the complainant complained to the Ombudsman's Office however records indicate the complainant attended the Council offices in November 2016 advising their property had been destroyed by a fire. Officers advised the complainant to ring the Valuer General's Office to arrange a new valuation and advised of

process for extension of time to pay rates. As of November 2017, all rates for this complainant/property are paid in full.

- Unreasonable ban from community centre (one)
 - The complainant was banned temporarily for a period of 3 months from utilising the Glandore Community Centre after having breached the Code of Conduct for participants. The ban expired in May 2017.
- Unreasonable remedy for house flooding (one)
 - This complaint relates to a flooding event occurring in December 2016. The complainant lives adjacent to a reserve in Hallett Cove which flooded his property. Officers sand-banked his property including his neighbours property who's driveway/crossover treatment contributed to the flooding. A claim was raised through Council's Mutual Liability Scheme however it was rejected as the complainant had already claimed through his own insurance scheme. At the time the Ombudsman's office was contacted by the complainant, Council Officers were continuing to liaise with the complainant.
- Failure to adequately water newly planted trees (one)
 - City of Marion was unaware that a complaint was made to the Ombudsman and no complaint has subsequently been received by Council.
- Failure to compensate for damage to retaining wall (one)
 - City of Marion was unaware that a complaint was made to the Ombudsman and no complaint has subsequently been received by Council.
- Unreasonable development approval (one)
 - City of Marion was unaware that a complaint was made to the Ombudsman and no complaint has subsequently been received by Council.

**CITY OF MARION
FINANCE AND AUDIT COMMITTEE
12 DECEMBER 2017**

Manager: Kate McKenzie, Manager Corporate Governance

General Manager: Vincent Mifsud, General Manager Corporate Services

Subject: Auditor-General Report 2017 - status of key recommendations as at December 2017

Report Reference: FAC121217R7.4

REPORT OBJECTIVES

To provide the Finance and Audit Committee (the Committee) with a status of the actions contained within the Auditor-General's Report 2017 since first reported to the Committee on 30 May 2017 (FAC300517R8.3).

EXECUTIVE SUMMARY

At its meeting on the 30 May, the Committee was presented with a copy of the Auditor-General's report titled "*Auditor-General Report – Examination of governance arrangements in local government: February 2017*".

This report was the result of a 17 month audit of three randomly chosen local government entities including the City of Marion and Barossa Councils and the Adelaide Hills Waste Management Authority (AHWMA). The audit sought to assess governance functions to determine efficiency, accountability and fiscal transparency.

The City of Marion's resulting assessment of its governance function was reported as being adequate to manage activities efficiently and economically.

It identified 13 recommendations for further improvement in some areas namely; regional subsidiary reporting, implementing legal compliance, fraud and risk management frameworks and some complaint handling management systems. Of the 13 recommendations 12 are considered complete as having systems implemented to ensure continued improvement across the organisation.

The remaining recommendation relates to the legal compliance project. This is a significant body of work, therefore a revised due date of June 2018 has been set for implementation. It is also envisaged that the Committee will continue to be kept apprised of progress during 2018.

RECOMMENDATIONS

DUE DATES

That the Finance & Audit Committee:

- 1. Note this report and appendix 1.**

12 DEC 2017

**Report of the Auditor-General – Examination of governance arrangements in local government: February 2017
Status of Recommendations as at December 2017**

Recommendation	CoM Response	Status at May 2017	Status at December 2017
3.1.1 Audit conclusion			
Overall, Marion Council's governance and accountability framework is adequate for managing its activities efficiently and economically. Marion Council reviews and evaluates its administrative arrangements and processes to manage its activities more efficiently and achieve better outcomes. A key initiative is establishing the Performance and Improvements Team to deliver a service review program that focuses on achieving efficiency and effectiveness. There is scope for improvement in some areas, such as monitoring the performance of regional subsidiaries through better reporting, implementing legal compliance and fraud risk management frameworks and reviewing the complaint management system.	Marion Council supported most of the recommendations we made and acknowledged the positive governance findings in our Report. Marion Council advised that certain actions are being taken to address the recommendations and provided specific completion time frames ranging from October 2016 to December 2017.		See below.
3.4.3 Not all information needed to monitor regional subsidiaries was received			
Marion Council should receive regular reports to monitor the regional subsidiaries' performance in delivering services efficiently and economically. These reports should be tabled at council meetings.	Marion Council responded that action is being taken and will be completed by December 2016 [sic] 2017.	The Audited Financial Statement for Council Solutions and Southern Regional Waste Resource Authority were presented to Council at the 11 October 2016 General Council meeting (GC111016R10). The 2017/18 Draft Annual Business Plan and Budgets for Council Solutions and Southern Regional Waste Resource Authority were presented to Council at the 23 May 2017 General Council meeting (GC230517R10).	Completed. Audited financial statements from Subsidiaries were presented to Council in October 2017 (GC241117R07) and were included in the City of Marion's Annual Report 2016/17 (GC241117R13). Draft Business Plans from subsidiaries were presented to Council for their review and consideration in May 2017 (GC230517R10). In addition, other reporting mechanisms are being

Recommendation	CoM Response	Status at May 2017	Status at December 2017
			explored to ensure that Council is able to regularly monitor regional subsidiary performance.
3.4.4 Not all committees' performance is regularly evaluated			
Consistent with the practices adopted by the finance and audit committee, Marion Council should regularly evaluate the performance of all committees. The purpose is to ensure they are achieving their intended purpose and to encourage continuous improvement in performance. The evaluation requirement should be documented in the terms of reference for each committee.	All committees' terms of reference were scheduled to be reviewed at the council meeting of 25 October 2016. This includes the recommendation to evaluate the committees' performance biannually. Performance reviews of all committees (excluding the finance and audit committee) will be completed by October 2017.	A new Section 41 Committee structure was adopted on 1 November 2016 (SGC011116R04). To be implemented from January 2017. All Committee Terms of Reference include the requirement that the Committee will review its Performance on a bi-annual (every two years) basis using performance indicators developed for that purpose.	Completed; Annual Report of Finance & Audit Committee presented October 2017 (FAC101017R7.2). Reviews are currently in progress during the month of December for the Infrastructure and Strategy Committee and Review and Selection Committee.
3.4.5 Some policies and procedures need to be reviewed			
Marion Council, through its Administration, should regularly review policies and procedures to ensure they remain relevant and accurate.	A policy framework is being developed to help structure Marion Council's policies and will be completed by December 2016. ¹ This will also include a standard format for all policies and a review schedule. At the time of finalising this Report, in February 2017, the CEO advised that the project has commenced and a draft framework will be presented to the finance and audit committee in February 2017.	The draft Policy framework was presented to the Finance and Audit Committee on 28 February 2017 (FAC280217R8.2). Currently an internal audit is being conducted by KPMG on Council's Policies. The Audit is due to be completed by 30 June 2017. The feedback from this audit will be used to further enhance the framework prior to presenting it to Council for adoption.	KPMG's Audit was completed and presented to the FAC in August 2017 (FAC150817R8.2). Recommendations from the Audit are being reported to the Finance and Audit Committee to ensure work continues to progress by 30 June 2017.
3.4.6 There is no documented policy and procedures for authorised persons			
Marion Council should endorse a policy for appointing and administering authorised persons. It should establish procedures to support the policy.	A policy is not required as this is defined by the LG Act. A procedure for appointing and administering authorised persons will be established by February 2017. In assessing Marion Council's response, we note that councils require authorised persons	More detailed draft procedures have been developed for appointing authorised officers. New Procedure endorsed by Executive Leadership Team 18 September 2017.	Completed 18 September 2017.

¹ Noted this date is incorrect (see update as per May and December 2017) however, for transparency and historical recording, remains unedited.

Recommendation	CoM Response	Status at May 2017	Status at December 2017
	under various Acts, not just the LG Act (eg the <i>Dog and Cat Management Act 1995</i> and <i>Expiation of Offences Act 1996</i>). As such, it is our view that a policy is still required to capture all Acts that Marion Council must comply with in appointing authorised persons.		
3.4.7 The authorised person register is not regularly reviewed			
<p>The Administration should regularly review the authorised person register to ensure it is current and accurate.</p> <p>A formal regular review may consist of obtaining sign-off from the relevant division to confirm the authorised person's appointment details are valid, current and in line with their roles and responsibilities. This will ensure that officers are not improperly exercising powers under legislation and exposing Marion Council to adverse operational and legal consequences.</p>	<p>This will be addressed and implemented within the relevant procedure and included in Governance and Record's work area plan by February 2017.</p>	<p>The procedure will document the requirement for regular review (ie. 6 monthly).</p> <p>Work is also being undertaken across departments to put procedures in place to ensure the register is kept up to date (particularly in regards to staff departures).</p>	<p>New procedure completed 18 September 2017. The review of the procedure will be addressed with the Policy work required at item 3.4.5 which is due for completion 30 June 2018.</p>
3.5.3 Sub-delegations not appropriately approved			
<p>Marion Council's instrument of delegations should be a complete record of all delegations. The CEO's sub-delegation reflected in the instrument of delegations should be at the level needed for efficient decision-making over the expenditure of funds. The instrument of delegations should prescribe all conditions and limitations, for example specific amount limits assigned to positions.</p> <p>The purchase order system should be reviewed and updated for the current and approved instrument of delegations.</p>	<p>In line with the annual review process, the delegations are being reviewed and were scheduled to be reported to Marion Council in November 2016. The findings are being addressed as part of this review.</p> <p>At the time of finalising this Report, in February 2017, the CEO advised that the delegations will be provided to the Marion Council at its April 2017 meeting. The delay is due to resource issues and coordinating the timing with the draft agenda process.</p>	<p>The Schedule of Delegations was reviewed and presented to Council on 23 May 2017 (GC230517R11). The Schedule of Delegations has been updated to be a complete record of delegations (including Financial and Human Resource delegations).</p>	<p>Completed 23 May 2017.</p>
3.5.4 There are no human resource delegations			
<p>The instrument of delegations should clearly provide for human resource delegations consistent with applicable policies.</p>	<p>The human resource delegations are being addressed as part of the annual review process discussed in section 3.5.3.</p>	<p>As above.</p>	<p>Completed 23 May 2017.</p>
3.6.3 No established criteria and evaluation of general managers' performance			
<p>The CEO should ensure the General Managers' performance criteria is clearly documented and</p>	<p>The finding has been addressed by the General Managers' new performance review process,</p>	<p>The new performance process has been implemented as at November</p>	<p>Completed November 2017.</p>

Recommendation	CoM Response	Status at May 2017	Status at December 2017
aligned with achieving the council's strategic objectives. The performance criteria should be part of the employment contract. As required by the employment contract, the CEO should ensure that the General Managers' performance is reviewed annually against the established performance criteria and that documentation of these reviews is retained on file.	implemented at the beginning of 2016-17.	2017 in combination with a review of the CEO Key performance indicators 28 November 2017 (GC281117F01).	
3.6.4 Links between the internal audit projects and strategic risks are unclear			
The internal audit plan should provide a clear link between the planned projects and Marion Council's high strategic risks.	A new plan will be developed for 2017-18 and 2018-19. The finance and audit committee will consider this plan in May 2017. The link between projects and risks will be included in the new plan.	KPMG will be working with City of Marion to develop new plans for 17/18 and 18/19 At KPMG's request, these plans will be presented to the Finance and Audit Committee.	Completed – August 2017.
3.7.3 There is no legal compliance framework			
As identified in the strategic risk register, the Administration should implement a legal compliance framework to help monitor compliance with the legal and regulatory obligations relevant to Marion Council's operations.	A centralised legal compliance framework is currently being developed based on existing work priorities. The draft framework is scheduled to be considered by the finance and audit committee in August 2017.	The Legal Compliance Framework is listed as part of the Governance and Records Work Area Plan.	This project has a revised due date of 30 June 2018 for implementation. It has been delayed due to a focus on the policy audit. It will address legal compliance from across the organisation, with an initial focus on the <i>Local Government Act 1999</i> (SA).
3.7.4 There is not enough data to evaluate the efficiency of the complaint management system			
The Administration should undertake a review of the complaint management system to identify opportunities to improve: <ul style="list-style-type: none"> the effectiveness and efficiency of the system service delivery to the community integration with other organisational processes. 	Marion Council acknowledged that improvement in this area is required. This will be progressed throughout 2017 and completed by December 2017.	A review of the Complaints and Grievance Policy and Procedure was presented and endorsed by Council at the 24 January 2017 General Council Meeting (GC240117R08). The process will continue to be reviewed and opportunities for improvement will be implemented as identified.	Completed 24 January 2017. Council further revised its policy at its meeting on 10 October 2017 (GC101017R07).
3.7.5 There is no fraud risk management framework			
Marion Council should continue to implement a fraud risk management framework for the efficient management of fraud and corruption	Marion Council has developed a fraud and corruption framework that was considered by the finance and audit committee on 4 October	The Fraud and Corruption framework was presented to the General Council on 23 May 2017	Completed 23 May 2017.

Recommendation	CoM Response	Status at May 2017	Status at December 2017
<p>risk. This includes developing a fraud and corruption control plan, a fraud and corruption register and if feasible a designated fraud control officer.</p> <p>In developing a framework, Marion Council should consider our comments below and the guidance in Australian Standard AS 8001-2008 'Fraud and Corruption Control' (AS 8001)</p>	<p>2016. The committee endorsed the framework to be considered by Marion Council subject to the committee's feedback. The framework addresses a number of the recommendations and will be implemented by June 2017</p>	<p>(GC230517R07).</p>	

**CITY OF MARION
FINANCE & AUDIT COMMITTEE MEETING
12 DECEMBER 2017**

Originating Officer: James Clough, Unit Manager Land and Property
Manager: Carol Hampton, Manager City Property
General Manager: Abby Dickson, General Manager City Development
Subject: Property Internal Audit Update
Report Reference: FAC121217R7.5

REPORT OBJECTIVES

To provide the Finance and Audit Committee with an update on the implementation of the recommendations from the Property Portfolio – Internal Audit Report.

EXECUTIVE SUMMARY

An internal audit was undertaken on the Property Portfolio, the report was provided to the FAC in May 2017 and subsequent updates have been provided on the implementation of the recommendations.

The report provides a further update on the progress of the recommendations.

RECOMMENDATIONS

DUE DATES

That the Finance & Audit Committee

- | | |
|--|--------------------|
| 1. Notes the update on the implementation of the recommendations for the Property Internal Audit Report. | 12 Dec 2017 |
|--|--------------------|

BACKGROUND

At the Finance and Audit Committee on 30 May 2017, a report was provided (FAC300517R8.5) on the Property Portfolio Management and a report was provided in (Appendix 1) of the report.

There were seven recommendations (three rated 'moderate' and four rated 'low' in terms of managing risk).

The Committee noted the Property Portfolio Management Internal Audit report and acknowledged the following:

- Council hold a diverse range of properties.
- An improved system (or better utilisation of the current system) is required to better manage properties.

- The Land and Property team need support from Corporate Services to assess governance structures for new leases and licenses and compliance with discount entitlements.
- Council has endorsed a new Leasing and Licensing Policy, which is being transitioned, starting with those agreements that have expired but are on hold.
- A number of the issues are legacy issues, however these have been recognised and are being addressed.

The following actions were noted;

1. The Committee be provided with an update report on the KPMG Property Portfolio Management recommendations at the August 2017 meeting.
2. A brief update report be presented at the December 2017 Finance and Audit Committee meeting on the new leasing approach adopted by Council.

A progress report was provided to the Finance and Audit Committee on the 15 August 2017 (FAC150817R 8.1)

DISCUSSION

The following table provides an update on the actions that have been or are being undertaken in relation to the seven findings.

1. <i>Building asset maintenance is not effectively planned, implemented, reported and monitored</i>
<p>Actions</p> <p>Update: The draft Building Asset Management plan is due to be considered at the Finance and Audit Committee on 12 December 2017. Next steps for the plan include community consultation.</p> <p>The key action from the Building Asset Management Plan improvement plan is to undertake a condition audit of our buildings giving an up to date assessment on the portfolio. This is the next step in being able to develop robust maintenance and capital renewal programs based on up to date condition data.</p> <p>The findings of the 2016 Building Condition Audit, DDA and Asbestos Management Work are being used to help build the 2018/2019 capital budget currently.</p> <p>The Property Maintenance – Service Review has been completed and provided to the FAC in August 2017. Recommendations from the review are being implemented and updates will continue to be provided to FAC.</p>
2. <i>There is limited management reporting for the property portfolio</i>
<p>Actions</p> <p>Requests for maintenance are being channelled through the corporate Customer Events system to assist in the management and reporting of requests. The Service Review identified a number of opportunities to improve efficiencies and the customer experience and these changes are being implemented. Changes to the process for managing these requests are assisting in the requestors of the maintenance being kept more up to date on progress.</p>

The Land and Property team are contributing to the review of the Asset Management System which will enable improved reporting. This will be achieved in the long term.

The Leasing Officer continues to access the finance system on a weekly basis to run a report to monitor and manage debtors.

Monthly finance reports have been introduced to the organisation and this is assisting with monitoring variances and taking action to address any matters.

3. The interface between (i) Land and Property Team and (ii) Finance team has improved in recent months but remains challenging in terms of information flow (both ways)

Regular meetings are occurring between the Unit Manager Land and Property and Unit Manager Finance to create a stronger link between the two units.

Communications between the two work areas occurs on a regular basis. Some changes have occurred including details of Standing Orders which have been verified by both teams.

Appropriate property management systems are required to replace current manual systems. This analysis will be undertaken in next 6 months to identify potential systems.

4. Kiwanis Club occupy and pay rent for use of City of Marion assets, however, there is no lease arrangement in place

A 12 month permit has been issued.

5. Compliance and documentation management matters regarding existing leases

Lessee are required to hold AGMs within 3 months of the end of the financial year. AGM documentation is beginning to be produced late 2017. We have sent a letter (30 October 2017) to all lease holders both on old leases and on the new lease template requesting compliance information be sent to Council. Currently we have received compliance information from 11 lessees.

Follow up letter/communications will be sent out in early December 2017 to chase up outstanding information. We will begin review of AGM documents early 2018 in partnership with Finance.

Debtors are monitored weekly by the Leasing Officer, currently \$2,800 outstanding 90days or more, this included \$1,800 for a club on a payment plan which they are adhering to, and \$950 which has been referred to the debt collectors.

Staff continue to work with clubs and community groups to build their capacity in governance which supports them to meet their reporting obligations under the lease.

6. Lease documents are not stored securely and are also not accessible to key stakeholders

Property folders are set up in Share point for each lessee and leases are stored in is location. These folders are accessible by Finance staff.

7. There is an opportunity to consider service delivery models for key maintenance activities

As above in 1. The Service Review has identified alternative service delivery models, these are currently being implemented;

- A number of changes have been made to the Customer Event Process, this includes reducing categories and priorities to make it easier for the person making a request, reallocation of the event back to the requestor so they know the request has been actioned, service levels have been reviewed and staff informed of the changes. Currently working on improving management reports and monitoring.

- Improved allocation of work to handy person rather than tradesperson.
- Continue to work on improving contract management through improving scope of work, accessing a broader range contracts (regional, partnerships) to improve accountability and value

Work is continuing on contracts for provision of maintenance services, which also includes fire services and cleaning. Large scale capital works are being tendered to assist with obtaining competitive market pricing on the required work.

CONCLUSION

Recommendations from the KPMG internal audit continue to be implemented.

**CITY OF MARION
FINANCE & AUDIT COMMITTEE MEETING
12 December 2017**

Originating Officer: Brendon Lyons, Team Leader Asset Systems
Manager: Fiona Harvey, Manager Innovation and Strategy
General Manager: Abby Dickson, General Manager City Development
Subject: Draft Building Asset Management Plan
Report Reference: FAC121217R7.6

REPORT OBJECTIVES

This report presents the City of Marion's Draft Building Asset Management Plan (BAMP) in order to seek support to take the BAMP through to community consultation.

The BAMP provides information on Council's building assets needs over the life of the 10 year Long Term Financial Plan (LTFP) with financial projections extending over 20 years. It also includes a key section detailing an ongoing improvement program for improved asset management.

EXECUTIVE SUMMARY

The key objective of the BAMP is to inform Council's long-term investment in its building assets and align forecast expenditure in the LTFP with projected asset maintenance and renewal requirements.

The BAMP has been prepared in accordance with the requirements of the *Local Government Act 1999* and Council's Asset Management Policy adopted in August 2014, 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 prioritisation by Council prior to their inclusion in future iterations of the BAMP, having regard to whole of life costs.

The BAMP has been prepared on the 2016/17 LTFP 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 BAMP unless there is a specific Council resolution or legislative requirement to do so.

RECOMMENDATIONS

DUE DATES

That the Finance and Audit Committee:

- 1. Endorses the forwarding of the Draft Building Asset Management Plan (as attached in Appendix 1) to Council to seek approval to take to community consultation.**

12 December 2017

DISCUSSION

Community Consultation

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 in line with Council's Community Engagement Policy and the legislative requirements for consultation on strategic plans.

Although this BAMP 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 will translate into appropriate and sustainable service levels.

The following are key elements of the BAMP:

- The Plan identifies opportunities for improving the management of the building network including the need for the development of renewal plans, rationalisation and additional data capture.
- The Asset Improvement Plan identifies a number of tasks that will provide opportunities for effective decision-making and improved asset management.
- The document has been compiled using a national template based on the International Infrastructure Management Manual (IIMM) and the Institute of Public Works Engineering's (IPWEA) NAMS Plus 3 data portal. The content, including the analysis and costing's are City of Marion specific.
- The BAMP meets the legislative requirements within the *Local Government Act 1999* and is informed by the City of Marion Asset Management Policy. There is no current requirement for Local Government in SA to meet the international standards ISO 55000, ISO 51000, ISO 51002.
- The BAMP includes an improvement plan (Table 7.2), which, in summary recommends an ongoing focus on continuous improvement in asset management, particularly in areas of audit and assessment, development of renewal programs and review of levels of service. This ongoing focus on improvement will ensure that the City of Marion is well placed to understand current and future community and asset needs and proactively plan to meet these needs.

Strengthening the BAMP will continue in 2018/19 with the collection of detailed condition data.

An overview - Buildings

- Council's 188 buildings have an estimated 'like for like' renewal value of approximately \$122 million (valuation as at 30 June 2017).
- A key opportunity for improvement in the BAMP will be to review utilisation, community need and development of renewal / replacement plans. A detailed building condition audit is planned to be undertaken in the 2018/19 financial year. This condition data will inform the renewal plans.
- Risks exist with DDA provision, leaseholder equipment compliance, electrical compliance, fire protection compliance and inadequate condition data.
- Projected outlays to provide the services covered by this BAMP (including operations, maintenance, renewal and upgrade) is \$63 M over 10 years.

ANALYSIS

Legal / Legislative and Risk Management

The BAMP will meet the requirements of the *Local Government Act 1999* (SA). The section on risk contained in the BAMP has been developed in conjunction with Council's risk unit and is incorporated into Council's corporate risk register.

Financial Implications

The BAMP identifies a forecast funding shortfall in the order of \$625k on average per year over the 10 year planning cycle. This forecast is likely to be low as the cost of renewal is generally greater than the accumulated depreciation. In addition, it is likely the detailed condition data collection and 10-year maintenance program scheduled for 18/19 will result in a greater shortfall.

CONCLUSION

The Draft BAMP presented provides a baseline plan developed with a moderate level of confidence. It has been developed in accordance with the provisions of the *Local Government Act 1999* and the City of Marion's Asset Management Policy. The BAMP includes a significant focus on ongoing asset management improvement to ensure asset management practices become more proactive, dynamic and effective in meeting the community's needs.

City of Marion



Building

Asset Management Plan



Version 4.0

Sept 2017



Document Control		 			
Marion Building IAMP 2017 V4					
Rev No	Date	Revision Details	Author	Reviewer	Approver
0.1	1 June 2012	First draft	KAH		
0.2	2 July 2012	Updates from CDs and memory stick from Vincent Cammell	KAH		
0.3	17 July 2012	Updates from emails from Mark Gibson	KAH		
0.4	6 August 2012	Updates after memory stick from Vince Cammel	KAH		
0.5	15 August 2012	Updates after email of maintenance data from Joanne Thomas	KAH		
0.6	27 October 2012	Updates after revised spreadsheet from Dale Fitzpatrick	KAH		
0.7	February 2013	Translated into NAMS.PLUS2 templates & website	SW (TC)		
0.8	Draft June 2013	Updated with material according to discussions with Steve Walker	HA (WAIAM)	SW	
1	Draft 20 June 2013	Updated following discussion with Council including increase in upgrade expenditure	SW (AE)	SW	
2	Draft 23 June 2015	Updated PET and resulting graphs and indices to bring the plan up to date to 2015	SW (AE)	SW	
3	Draft 17 Sept 2015	Appendices added	SW (AE)	JS	JS
4	Draft 28 Sept 2017	Plan revised using updated condition data and budget	SW (AE)		

Image on cover: Perspective of proposed multi-use clubrooms at Edwardstown Memorial Oval

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www.ipwea.org.au/namsplus

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1. EXECUTIVE SUMMARY

Context

The City of Marion is a large established urban Council in Adelaide, with a population of about 85,000. The City is marked by diversity and change, and includes rugged coastline and bushland areas.

This plan has been updated over the 2015 plan through the compilation of updated asset condition data.

This plan covers 188 Council buildings that have diverse functions including;

- Civic centre, depot & libraries
- Cultural centre
- Sports clubrooms
- Kindergartens
- Community centres & houses
- Halls
- YMCA
- Senior citizens clubs

These buildings have a replacement value of \$121,877,491 (30 June 2017).

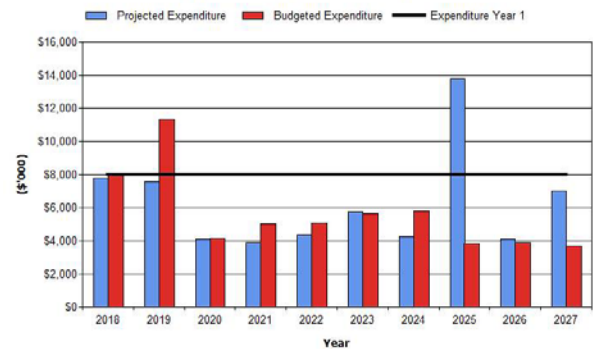
Major asset issues include providing adequate services in areas identified as being under-supplied, addressing disabled access issues, addressing asbestos issues, and positioning for environmental best practices

What does it Cost?

The projected outlays necessary to provide the services covered by this Asset Management Plan (AM Plan) includes operations, maintenance, renewal and upgrade of existing assets over the 10 year planning period is \$62,664k or \$6,266k on average per year.

Estimated available funding for this period is \$56,141k or \$5,614k on average per year which is 90% of the cost to provide the service. This is a funding shortfall of \$625k on average per year. Projected expenditure required to provide services in the AM Plan compared with planned expenditure currently included in the Long Term Financial Plan are shown in the graph below.

Marion City - Projected and Budget Expenditure for (Buildings 17_S1_V1)



What we will do

We plan to provide building services for the following:

- Operation, maintenance, renewal and upgrade of buildings to meet service levels set in annual budgets.

Managing the Risks

There are risks associated with providing the service and not being able to complete all identified activities and projects. We have identified major risks as:

- DDA access provisions
- Leaseholders equipment non compliance
- Electrical compliance.
- Fire protection equipment non compliance
- Inadequate condition data

We will endeavour to manage these risks within available funding by:

- Compliance inspections
- Further data collection

Confidence Levels

This AM Plan is based on moderate level of confidence information.

The Next Steps

The actions resulting from this asset management plan include:

- Undertake a data collection exercise to collate the condition, extent, remaining life and service levels of building components
- Prepare the operations and maintenance plan, including levels of service.
- Complete draft community facilities strategy
- Undertake service delivery review of property maintenance

Questions you may have

What is this plan about?

This asset management plan covers the infrastructure assets that serve the City of Marion community's building needs. These assets include civic buildings, libraries, cultural centres, sporting facilities, and housing throughout the community area that enable people to benefit from a variety of services.

What is an Asset Management Plan?

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 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.

Why is there a funding shortfall?

The recent condition audit has been undertaken at a fairly coarse level and has essentially delayed the majority of renewal expenditure until year 8 of this plan. This has resulted in an apparent sustainable position of the first 5 years of the plan and a shortfall over the full 10 years of the plan. It is considered that the 10 year average renewals project a more realistic required picture for consideration in annual budget development.

What options do we have?

Resolving the funding shortfall involves several steps:

1. Improving asset knowledge so that data accurately records the asset inventory, how assets are performing and when assets are not able to provide the required service levels,
2. Improving our efficiency in operating, maintaining, renewing and replacing existing assets to optimise life cycle costs,
3. Identifying and managing risks associated with providing services from infrastructure,
4. Making trade-offs between service levels and costs to ensure that the community receives the best return from infrastructure,
5. Identifying assets surplus to needs for disposal to make saving in future operations and maintenance costs,

6. Consulting with the community to ensure that building services and costs meet community needs and are affordable,
7. Developing partnership with other bodies, where available to provide services,
8. Seeking additional funding from governments and other bodies to better reflect a 'whole of government' funding approach to infrastructure services.

What happens if we don't manage the shortfall?

It is likely that we will have to reduce service levels in some areas, unless new sources of revenue are found. For buildings, the service level reduction may include failure to deliver services.

What can we do?

We can develop options, costs and priorities for future building services, consult with the community to plan future services to match the community service needs with ability to pay for services and maximise community benefits against costs.

What can you do?

We will be pleased to consider your thoughts on the issues raised in this asset management plan and suggestions on how we may change or reduce the building mix of services to ensure that the appropriate level of service can be provided to the community within available funding.

2. INTRODUCTION

2.1 Background

This asset management plan is to demonstrate responsive management of assets (and services provided from assets), compliance with regulatory requirements, and to communicate funding needed to provide the required levels of service over a 10 year planning period.

The asset management plan follows the format for AM Plans recommended in Section 4.2.6 of the International Infrastructure Management Manual¹.

The asset management plan is to be read with the organisation's Asset Management Policy, Asset Management Strategy and the following associated planning documents:

- City of Marion Strategic Plan, 2017-2027
- City of Marion Community Vision, towards 2040
- City of Marion Long Term Financial Plan 2017- 2027
- City of Marion 2017 -2018 Annual Business Plan and Budget
- City of Marion Risk Management Framework
- City of Marion Draft Community Facilities Strategy 2010 (currently being reviewed).

This infrastructure assets covered by this asset management plan are shown in Table 2.1a and Table 2.1b. These assets are used to provide accommodation, recreation, business, meeting and aged care services to the community. The current replacement costs are in 2016/17 dollar values, and are estimated from valuation figures supplied by the City of Marion.

Table 2.1: Assets covered by this Plan

Asset Component	Number of Components	Current Replacement Cost
Total	188 Buildings	\$121,877,491

Table 2.1b: Asset Categories covered by this Plan

Asset category
Council Civic Centre, Depot and Libraries
Cultural Centre
Sports Clubrooms
Kindergartens
Community Centres & Houses
Halls
YMCA
Senior Citizens Clubs

Key stakeholders in the preparation and implementation of this asset management plan are: Shown in Table 2.1.1.

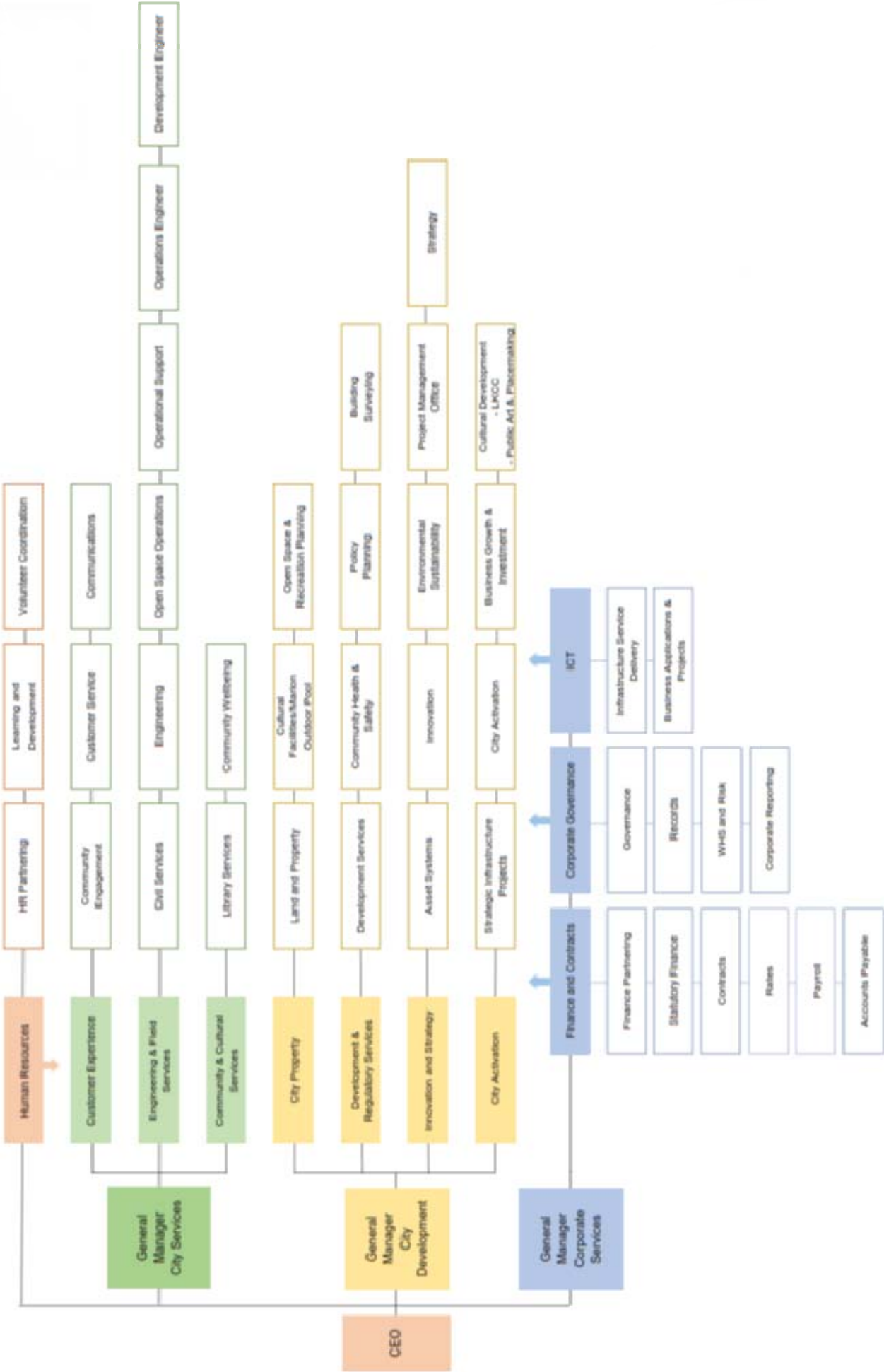
¹ IPWEA, 2011, Sec 4.2.6, Example of an Asset Management Plan Structure, pp 4 | 24 – 27.

Table 2.1.1: Key Stakeholders in the AM Plan

Key Stakeholder	Role in Asset Management Plan
Elected Members	<ul style="list-style-type: none"> Represent needs of community/shareholders, Allocate resources to meet the organisation's objectives in providing services while managing risks, Ensure organisation is financial sustainable.
City Property	Prioritisation and programming of maintenance and capital works, preparation and revision of Asset Management Plans.
City Services	Undertaking programmed and reactive maintenance works.
Finance Division	Allocation of required funds for the implementation of this Asset Management Plan.
Elected Members	Approval of this plan.
Various Community Groups	Needs must be considered in drafting this plan.
Sporting Clubs	Needs must be considered in drafting this plan.
Asset Systems	Supporting asset owners to obtain, manage, analyse, maintain and present data in a way that ensures effective decision making.

Our organisation's organisational structure for service delivery from infrastructure assets is detailed on the next page:

ORGANISATIONAL CHART



2.2 Goals and Objectives of Asset Management

The organisation 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 and by donation of assets constructed by developers and others to meet increased levels of service.

Our goal in managing assets is to meet maintain City of Marion assets to agreed levels of service at the lowest cost possible for each year of useful life.

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.²

2.3 Plan Framework

Key elements of the plan are

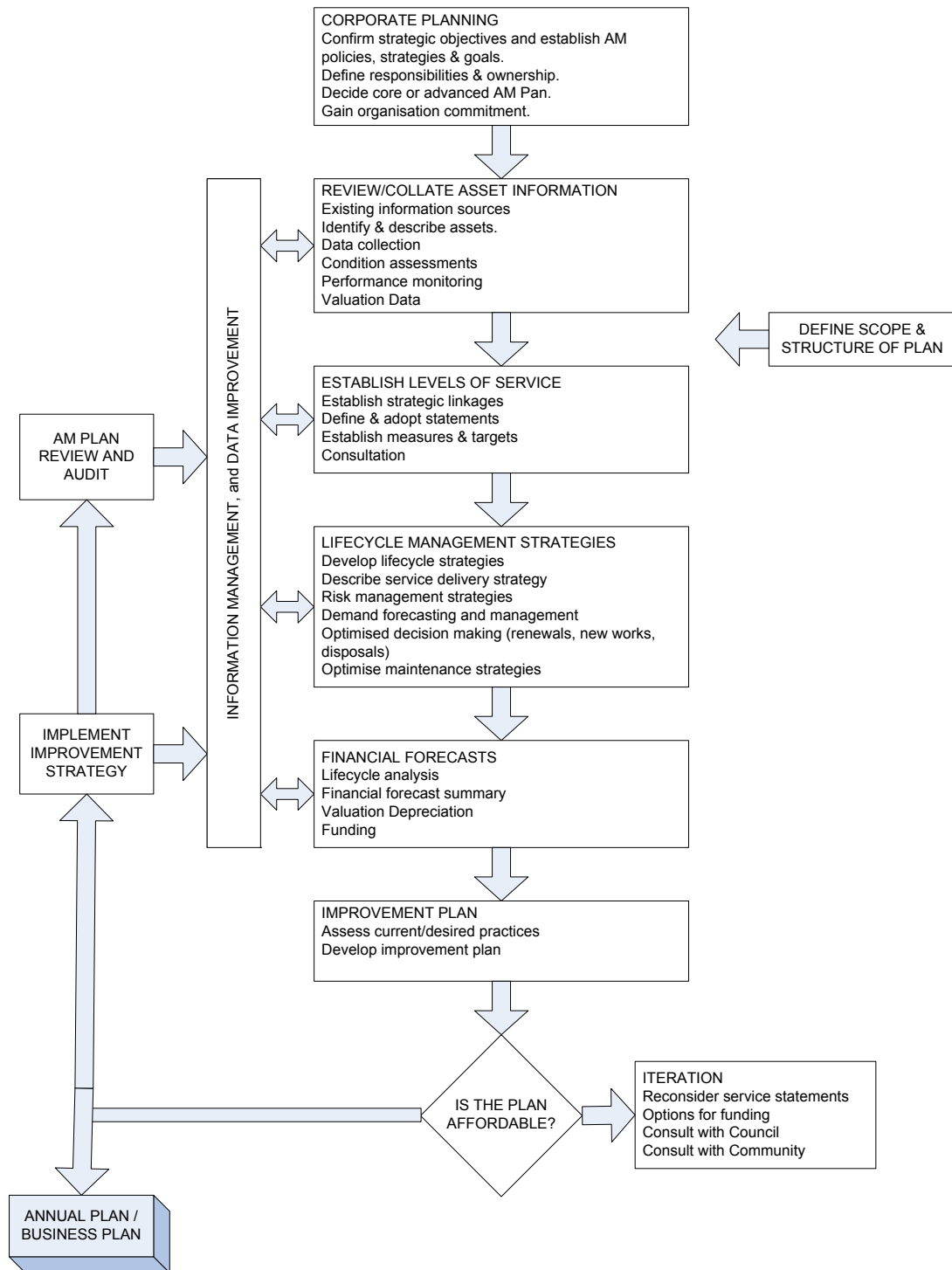
Levels of service – specifies the services and levels of service to be provided by Council,
Future demand – how this will impact on future service delivery and how this is to be met,
Life cycle management – how we will manage our existing and future assets to provide defined levels of service,
Financial 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 asset management plan is shown below.

² 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.



2.4 Core and Advanced Asset Management

This asset management plan is prepared as a 'core' asset management plan over a 20 year planning period in accordance with the International Infrastructure Management Manual³. It is prepared to meet minimum legislative and organisational requirements for sustainable service delivery and long term financial planning and reporting. Core asset management is a 'top down' approach where analysis is applied at the 'system' or 'network' level.

Future revisions of this asset management plan will move towards 'advanced' asset management using a 'bottom up' approach for gathering asset information for individual assets to support the optimisation of activities and programs to meet agreed service levels.

2.5 Community Consultation

This 'core' asset management plan is prepared to facilitate community consultation initially through feedback on public display of draft asset management plans prior to adoption by the Council/Board. Future revisions of the asset management plan will incorporate community consultation on service levels and costs of providing the service. This will assist the Council/Board and the community in matching the level of service needed by the community, service risks and consequences with the community's ability and willingness to pay for the service.

The City's Draft Community Facilities Strategy (2010, currently being updated) mentions in section 3.3 that community engagement was not undertaken during the formulation of the strategy, and was envisaged as a next step.

³ IPWEA, 2011, IIMM.

3. LEVELS OF SERVICE

3.1 Customer Research and Expectations

Council has undertaken several community surveys covering, in part, services provided by buildings:

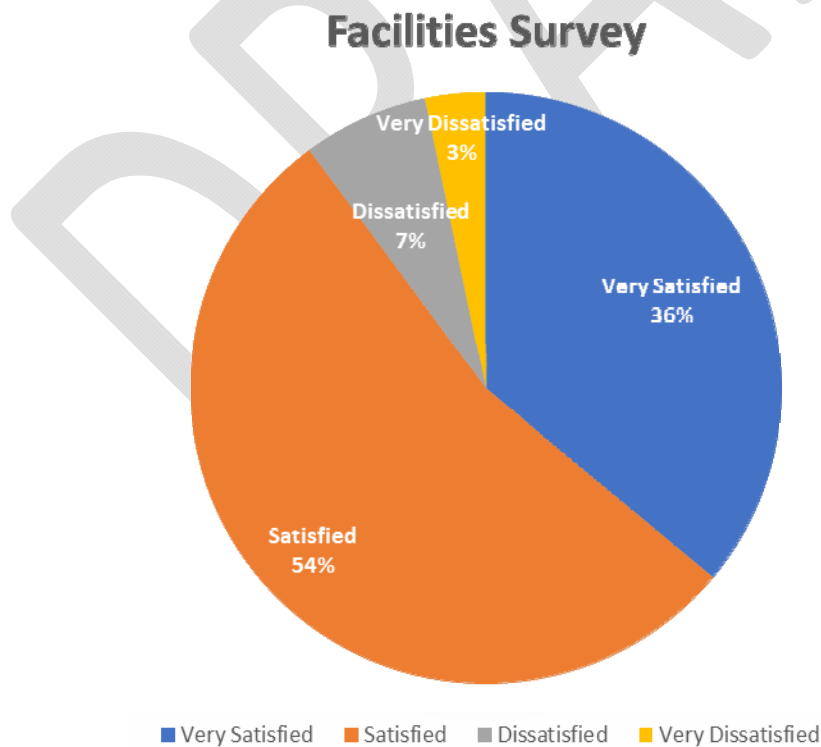
Events and Facilities Survey

The 2016/17 Community Events and Facilities survey was distributed to 5000 homes across every suburb in the City of Marion. In conjunction with paper surveys delivered to homes, the survey was launched on the Making Marion community engagement website, allowing residents (and others living outside of City of Marion) to self-select a response.

Of the 5000 surveys delivered to residents, 430 were returned completed, and 160 were 'returned to sender' unopened, equating to a response rate of 9%. This compares to a response rate of 7.5% in 2016. The Making Marion Web portal provided 42 responses.

The following graph shows the summarised results of the question *"How would you rate your overall satisfaction with these facilities"* filtered to only include the services associated with buildings in the following 'hubs'.

- Cove Sports and Community Club
- Edwardstown Soldiers' Memorial Recreation Ground (Edwardstown Oval)
- Glandore Recreation Centre (Glandore Oval)
- Marion Sports and Community Club (Club Marion)
- Mitchell Park Sports and Community Club
- Morphettville Park Sporting Club
- Plympton Sporting and Recreation Club

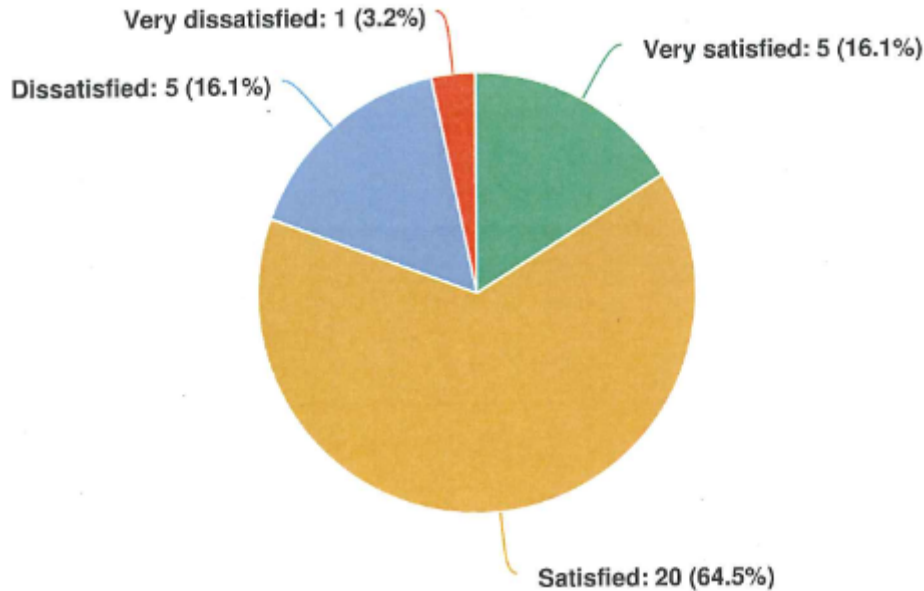


Leaseholders Survey

Council has recently (Sept 17) undertaken a survey of its building leaseholders by asking the following question:

“How satisfied are you that the facilities are well maintained to a standard suitable for your use”

The graph below shows the results from this survey:



Community satisfaction information is used in developing the Strategic Plan and in the allocation of resources in the budget.

3.2 Strategic and Corporate Goals

This asset management plan is prepared under the direction of the organisation's vision, mission, goals and objectives.

Our community vision has 6 themes:

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.

VALUING NATURE

By 2040 our city will be deeply connected with nature to enhance peoples' lives, while minimising the impact on the climate, and protecting the natural environment.

ENGAGED

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

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.

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.

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.



The topic of Asset Management is further embraced in Council's Annual Business Plan 2017-2018 as follows:

Key asset management initiatives include:

- *Reviewing our existing asset base in light of:*
 - *Increasing costs to maintain and renew our existing asset base*
 - *Understanding which assets could 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 \$14.766m, including:*
 - *Capital renewal of council's roads and kerbs with a forecast spend of approximately \$4.3m.*
 - *Improving Marion's existing footpath network at a cost of \$1.5m.*
- *Preparation of building renewal plans for all council buildings.*
- *Actively exploring and investing in technology solutions that will deliver enhanced outcomes and services for the community.*

3.3 Legislative Requirements

We have to meet many legislative requirements including Australian and State legislation and State regulations. These include:

Table 3.3: Legislative Requirements

Legislation	Requirement
Local Government Act 1999 SA	Sets out role, purpose, responsibilities and powers of local governments including the preparation of a long term financial plan supported by asset management plans for sustainable service delivery.
Development Act 1993 SA	Provides 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; and for other purposes.

Legislation	Requirement
Occupational Health, Safety and Welfare Act 1986 SA	Provides for the health, safety, and welfare of people at work and serves related purposes.
Development Act 1993 SA	Provides 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; and for other purposes.
Heritage Act 1993 SA	To conserve places of heritage value, and for other purposes.
Dangerous Substances Act 1979 SA	An Act to regulate the keeping, handling, transporting, conveyance, use and disposal, and the quality, of dangerous substances.
Public and Environmental Health Act 1987 SA	Under the conditions of this Act it is the duty of a local council to promote proper standards of public and environmental health and to prevent any infestation or spread of vermin, rodents or other pests within its area.
Disability Discrimination Act 1992 Commonwealth	Prevents discrimination against people with disabilities in various areas, including in the provision of goods, facilities, services and land.
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.
Australian Standards	Various specifications, including construction and maintenance.

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 asset management plan are:

Quality	How good is the service?
Function	Does it meet users' needs?
Capacity/Utilisation	Is the service over or under used?

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 (by example):

- 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 (eg 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 (eg 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).

Asset Managers plan, implement and control technical service levels to influence the customer service levels.⁴

Our current service levels (last revised in 2015) are detailed in Table 3.4.

⁴ IPWEA, 2011, IIMM, p 2.22

Table 3.4: Current and Desired Service Levels

Key Performance Measure	Level of Service Objective	Performance Measure Process	Current Level of Service	Optimal 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.

3.5 Desired Levels of Service

Indications of desired levels of service are obtained from community consultation/engagement. The asset management planning process includes the development of 3 scenarios to develop levels of service that are financially sustainable.

4. FUTURE DEMAND

4.1 Demand Drivers

Drivers affecting demand include population change, changes in demographics, seasonal factors, vehicle ownership rates, consumer preferences and expectations, technological changes, economic factors, agricultural practices, environmental awareness, etc.

4.2 Demand Forecast

The present position and projections for demand drivers that may impact future service delivery and utilisation of assets were 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 assets are shown in Table 4.3 (last revised in 2015).

Table 4.3: Demand Drivers, Projections and Impact on Services

Demand drivers	Present position	Projection	Impact on services
Population growth	Adelaide's 30 year plan has earmarked urban consolidation as a key driver. This may see an increase in population within the City.	The current assessment is that an annual average growth rate of 0.7% is expected. This estimate however may grow subject to the impact of urban consolidation.	Demand for more service and higher levels of service.
Sustainability and climate change	The Strategic Plan lists issues that must be addressed for climate change and water and energy efficiency. Version 0.6 of the City's previous Asset Management Plan addresses environmental issues in Section 5.8.	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 costs of assets to meet minimum required standards.
Legislation	Any existing asbestos conditions will have to be managed and planned for. Version 0.6 of the City's previous Asset Management Plan addresses asbestos issues in Section 5.7. Health and safety issues in e.g. aquatic centres being met. Disabled access provisions at present might reflect standards when buildings were created. Version 0.6 of the City's previous Asset Management Plan addresses DDA compliance issues in Section 5.6.	Renewals might encounter complications if asbestos present. Future requirements might increase Council obligations. Might be a program to upgrade legacy access to current standards. Renewals will have to address disability issues.	Planning required to manage any existing asbestos issues. Possible increases future costs of services. Possible programs requiring capital upgrades. Possible increased renewal costs.
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.

4.4 Demand Management Plan

Demand for new services will be managed through a combination of managing existing assets, upgrading of existing assets and providing new assets to meet demand and demand management. Demand management practices include non-asset solutions, insuring against risks and managing failures.

Non-asset solutions focus on providing the required service without the need for the organisation to own the assets and management actions including reducing demand for the service, reducing the level of service (allowing some assets to deteriorate beyond current service levels) or educating customers to accept appropriate asset failures⁵. Examples of non-asset solutions include providing services from existing infrastructure such as aquatic centres and libraries that may be in another community area or public toilets provided in commercial premises.

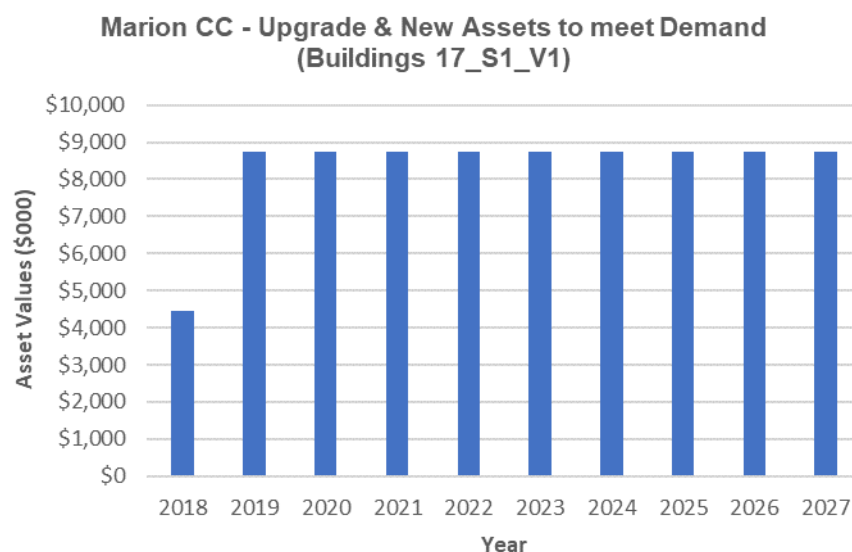
The key long term strategy is to manage the demand so that services can still be provided into the future at a reasonable cost to the community. The City's Draft Community Facilities Strategy addressed the provision and development of community buildings across the City of Marion. Some areas were identified as being adequately provided, whereas others faced shortages of facilities. It should be noted that the significant additional works recognised in this document have not been included in this plan.

In the case of buildings, the City tends not to limit the demand by discouraging the use of assets (as would be the case when Councils manage demand on roads by discouraging private vehicles and encouraging public transport).

4.5 Asset Programs to meet Demand

The value of new contributed and constructed asset values are summarised in Figure 1: note that this value is cumulative.

Figure 1: Upgrade and New Assets to meet Demand (Cumulative)



The new assets required to meet growth will be acquired free of cost from land developments and constructed/acquired by the organisation. New assets constructed/acquired by the organisation are discussed in Section 5.5.

All costs are shown in current 2016/17 dollar values. The specific programs leading to the increases include the following:

⁵ IPWEA, 2011, IIMM, Table 3.4.1, p 3|58.

- Edwardstown Memorial Oval Redevelopment \$8m 18/19 (\$4m grant)
- Solar upgrades, \$255k, 2018
- BMX Building redevelopment, \$375k, 2018
- Warradale Tennis Clubrooms upgrade, \$125k, 2018

Acquiring these new assets will commit the organisation to fund ongoing operations, maintenance and renewal costs for the period that the service provided from the assets is required. These future costs are identified and considered in developing forecasts of future operations, maintenance and renewal costs in Section 5.

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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 (defined in Section 3) while optimising life cycle costs.

5.1 Background Data

5.1.1 Physical parameters

The assets covered by this asset management plan are shown in Table 2.1a and Table 2.1b.

The City offers services through a variety of buildings spread across the Council area. Version 0.6 of the City's previous Asset Management Plan identified issues in Sections 5.6, 5.7, and 5.8 covering environmental concerns, DDA compliance, and asbestos, which should be reviewed to determine the current state of the building assets. The DDA and asbestos issues were also noted in a 'Property Portfolio, Internal Audit Report, by KPMG May 2017'

The City's Draft Community Facilities Strategy identified some Council areas as being adequately provided by buildings, and others as having shortages.

The age profile of the building assets included in this AM Plan is unknown therefore Figure 2 (age profile is omitted from this plan)

5.1.2 Asset capacity and performance

The organisation's services are generally provided to meet design standards where these are available.

Locations where deficiencies in service performance are known are detailed in Table 5.1.2.

Table 5.1.2: Known Service Performance Deficiencies

Location	Service Deficiency
City wide	Services are adequately supplied in some areas; shortages in others. Refer to Draft Community Facility Strategy 2010 (still in development).
City wide	Environmental concerns. Refer Section 5.8 in previous Building AM Plan Version 0.6.
City wide	Asbestos concerns. Refer Section 5.7 in previous Building AM Plan Version 0.6.
City wide	DDA concerns. Refer Section 5.6 in previous Building AM Plan Version 0.6.

The above service deficiencies were identified from legacy information in the City's previous Building Asset Management Plan Version 0.6 and from the City's Draft Community Facilities Strategy.

5.1.3 Asset condition

In March 2016 GHD undertook a building condition audit (building assessment) of Council's facilities. In broad terms this audit developed a renewal, repair and maintenance cashflow for each building. The renewals were generated by splitting the CRC of the building into the following components (using Rawlinsons Australian Construction handbook as a guide):

- Ceiling
- External Fittings
- External Structures
- Fire Services
- Flooring
- General electrical
- Hot Water System
- HVAC
- Internal Furniture

- Lighting
- Sanitary Drainage System
- Switchboard
- Wall
- Water Fixtures

Following the CRC being split into the components a remaining life was established for the broad component groups (defined above) and therefore the renewal cashflow was defined. In some cases the CRC for components was split across differing renewal years.

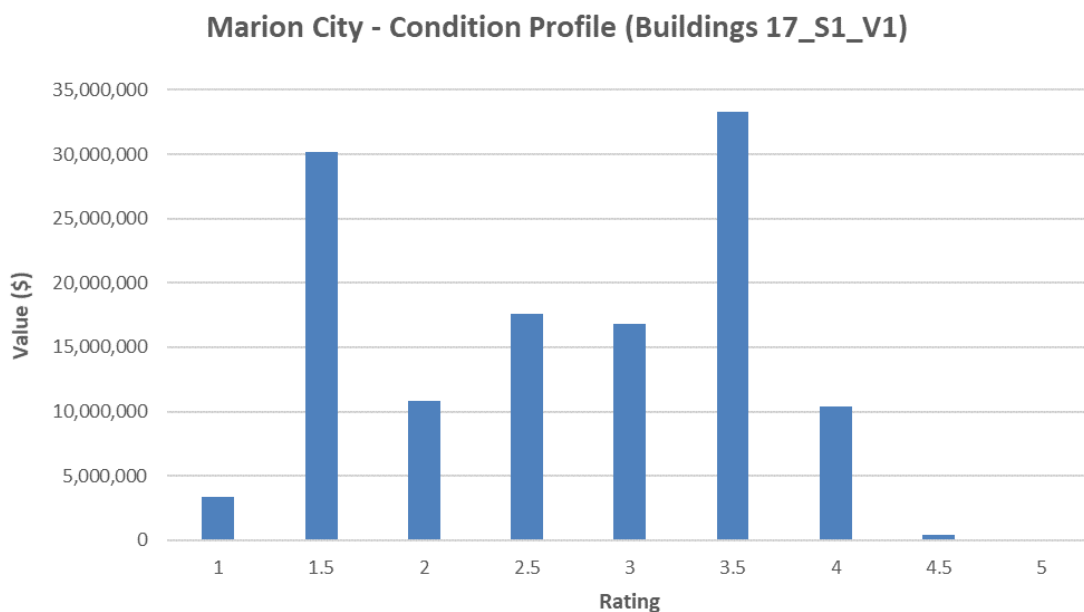
Given the methodology employed in the audit, it is considered that the data should be used with the following limitations:

- The data does not provide a defined program of works i.e. it does not detail specific renewal works required to be undertaken on buildings but only **approximate** costs
- It does not detail DDA access issues
- It does not detail asbestos issues
- It does not detail FPE issues
- It does not detail compliance issues
- It does not detail issues relating to service levels i.e. amenity
- It does not consider asset capacity and utilisation

Figure 3 below has been generated from valuation data at the component level rather than the condition audit undertaken by GHD since the GHD data was not consolidated and only available in individual building reports.. All amounts are in current 2016/17 dollar values.

The accuracy of Figure 3 will improve in future versions of this Asset Management Plan as condition surveys provide suitable data.

Fig 3: Asset Condition Profile



Condition is measured using a 1 – 5 grading system as detailed in Table 5.1.3.

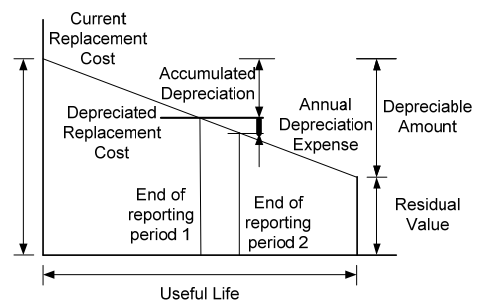
Table 5.1.3: Simple Condition Grading Model

Condition Grading	Description of Condition
1	Very Good: only planned maintenance required
2	Good: minor maintenance required plus planned maintenance
3	Fair: significant maintenance required
4	Poor: significant renewal/rehabilitation required
5	Very Poor: physically unsound and/or beyond rehabilitation

5.1.4 Asset valuations

The value of assets recorded in the asset register as at 30 June 2014 covered by this asset management plan is shown below. Assets were last re-valued at 30 June 2014. Assets are valued at fair value.

Current Replacement Cost	\$121,877k
Depreciable Amount	\$121,877k
Depreciated Replacement Cost ⁶	\$57,727k
Annual Depreciation Expense	\$3,399k



The valuation of Council's buildings was conducted by Maloney Field Services by breaking down the buildings into the following general components:

Component	Useful Life (Yrs)
Structure	30,40,50,60 or 80 years depending upon building classification
Fitout	15 or 30 years depending upon building classification
Roofing	30 or 40 years depending upon building classification
Services	30, 40 or 50 years depending upon building classification

Key assumptions made in preparing the valuations were:

- The assessments of Current Replacement Cost are applicable.
- The useful lives reflect asset performance in the field.

⁶ Also reported as Written Down Current Replacement Cost (WDCRC).

Various ratios of asset consumption and expenditure have been prepared to help guide and gauge asset management performance and trends over time.

Rate of Annual Asset Consumption (Depreciation/Depreciable Amount)	2.8%
Rate of Annual Asset Renewal (Capital renewal exp/Depreciable amount)	0.4%, first year only, (1.52% for years 2 to 10 of LTFP)
Rate of Annual Asset Upgrade/New (Capital upgrade exp/Depreciable amount)	3.7%, first year only
Rate of Annual Asset Upgrade/New (including contributed assets)	3.7%, first year only

In 2017 the Council plans to renew assets at 14.2% of the rate they are being consumed (depreciation) and will be increasing its asset stock by 3.7% in the year. In years 2018- 2027 it is planned to renew assets at a rate of 54.7% (on average) compared to consumption (depreciation).

5.2 Infrastructure Risk Management Plan

Strategic Assets have prepared a Risk Register which identifies risks⁷ associated with the service delivery from infrastructure assets.

The Risk Register describes the risks, the consequences and likelihood of the risk event occurring, the inherent level of risk with and without controls and the risk treatment plan with associated residual risk rating.

Based on this Register the risks, causes/sources and treatments associated with building infrastructure are summarised in Table 5.2.

³ Council's Strategic Assets Risk Register

Table 5.2: Critical Risks and Treatment Plans

Service or Asset at Risk	What can Happen	Risk Rating (VH, H)	Risk Treatment Plan	Residual Risk *	Treatment Costs
Buildings	DDA access & priority	H	Review and prioritise DDA actions across building asset portfolio with priority being given to Council occupied buildings that service the whole community Update the existing register together with the community facilities strategy	M	Internal resources
Building contents	Specialised equipment used by leaseholders not currently inspected to ensure compliance	H	Identifying with leaseholders as lease is being renewed Inspect equipment & ensure compliance together with SOP being in place	M	Internal resources
Ancillary assets	Structures: light towers, goal posts, signs, coaches box's, fences over 1.8m high	H	Improve existing inspection program being undertaken by an external engineer	M	\$5k pa
Buildings	Electrical compliance including inspection of switchboards for leased buildings	H	Testing for RCD's, thermal mapping of switchboards	L	\$100k
Buildings	Fire protection, some battery operated smoke alarms that are not monitored Clubs may not check fire extinguishers	H	Investigate appropriate fire protection measures	M	Internal resources + \$10k
Carparks	Carparks not being maintained / renewed resulting in high lifecycle costing	H	Develop and implement a carpark resealing program, including data collection and renewal prioritisation	M	\$350k pa
Air conditioners	Air conditioner- financial risk (admin)	H	Expand air conditioner condition register to include leased buildings	L	\$15k
Heritage building	Heritage Coach House in Warriparinga Wetlands, potential poor structural condition	H	Heritage architect and engineer to investigate building	M	\$25k
Buildings	Poor lifecycle decisions being made due to inadequate data.	H	Review existing condition data with a view to creating a more relevant data set that also includes service levels and can be analysed to produce a project based program of works. Include roof audit and gutters	M	\$150k

Note * The residual risk is the risk remaining after the selected risk treatment plan is operational.

5.3 Routine Operations and Maintenance Plan

Operations include regular activities to provide services such as public health, safety and amenity, e.g. street sweeping, grass mowing and street lighting.

Routine maintenance is the regular on-going work that is necessary to keep assets operating, including instances where portions of the asset fail and need immediate repair to make the asset operational again.

5.3.1 Operations and Maintenance Plan

Operations activities affect service levels including quality and function through street sweeping and grass mowing frequency, intensity and spacing of street lights and cleaning frequency and opening hours of building and other facilities.

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. road patching 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, replacing air conditioning units, etc. This work falls below the capital/maintenance threshold but may require a specific budget allocation.

Actual past maintenance expenditure is shown in Table 5.3.1.

Table 5.3.1: Maintenance Expenditure Trends

Year	Maintenance Expenditure		Total (budgeted)
	Planned and Specific	Unplanned	
2011/12	\$80,209	\$962,617	
2017/18			\$911,000

Planned maintenance work was 8% of total maintenance expenditure (2011/12).

Information was unavailable at time of drafting this plan for actual maintenance expenditure over the period 2012-2016. Maintenance expenditure in 2017/18 was unable to be split between planned and unplanned.

Currently, Council only has only limited planned/programmed maintenance schedules in place. Proactive maintenance currently performed includes air-conditioning servicing, pest control, gutter cleaning, testing and tagging and fire safety.

Council is currently in the process of conducting a service review of its building maintenance functions.

5.3.2 Operations and Maintenance Strategies

The organisation 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 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),
- Maintain a current infrastructure risk register for assets and present service risks associated with providing services from infrastructure assets and reporting Very High and High risks and residual risks after treatment to management and Council/Board,
- Review current and required skills base and implement workforce training and development to meet required operations and maintenance needs,
- Review asset utilisation to identify underutilised assets and appropriate remedies, and over utilised assets and customer demand management options,
- Maintain a current hierarchy of critical assets and required operations and maintenance activities,
- Develop and regularly review appropriate emergency response capability,
- Review management of operations and maintenance activities to ensure Council is obtaining best value for resources used.

Asset hierarchy

An asset hierarchy provides a framework for structuring data in an information system to assist in collection of data, reporting information and making decisions. The hierarchy includes the asset class and component used for asset planning and financial reporting and service level hierarchy used for service planning and delivery.

The organisation's service hierarchy is shown in Table 5.3.2.

Table 5.3.2: Asset Service Hierarchy

Service Hierarchy	Service Level Objective
N/A	N/A

Note: All building assets are maintained, renewed and upgraded based on safety and risk. At this stage no hierarchy for service currently applies.

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, organisations 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 assets failure and maintain service levels. These activities may include increased inspection frequency, higher maintenance intervention levels, etc. Critical assets failure modes and required operations and maintenance activities are detailed in Table 5.3.2.1.

Table 5.3.2.1: Critical Assets and Service Level Objectives

Critical Assets	Critical Failure Mode	Operations & Maintenance Activities
High profile buildings offering services in demand with whole community, e.g. libraries, aquatic centres, administration offices.	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.

Standards and specifications

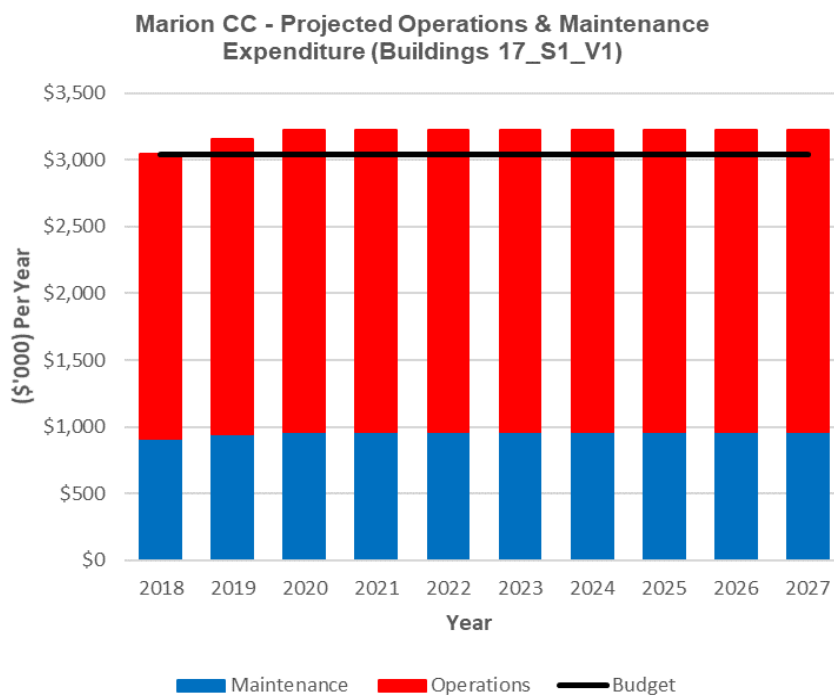
Maintenance work is carried out in accordance with the following Standards and Specifications.

- Building Code of Australia
- Occupational Health and Safety
- Australian Standards
- Council Standards and Specifications for works.

5.3.3 Summary of future operations and maintenance expenditures

Future operations and maintenance expenditure is forecast to trend in line with the value of the asset stock as shown in Figure 4. Note that all costs are shown in current 2016/17 dollar values (i.e. real values).

Figure 4: Projected Operations and Maintenance Expenditure



The reason for the disparity between the budget and projected operations / maintenance expenditure beyond 2018 is due to the requirement for additional expenditure following the redevelopment of Edwardstown Memorial Oval (higher CRC than existing buildings) together with no provision yet being made for this in Councils budget.

Deferred maintenance, i.e. works that are identified for maintenance and unable to be funded are to be included in the risk assessment and analysis in the infrastructure risk management plan.

Maintenance is funded from the operating budget where available. This is further discussed in Section 6.2.

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 from one of three methods provided in the 'Expenditure Template'.

- Method 1 uses Asset Register data to project the renewal costs using acquisition year and useful life to determine the renewal year, or
- Method 2 uses capital renewal expenditure projections from external condition modelling systems (such as Pavement Management Systems), or
- Method 3 uses a combination of average *network renewals* plus *defect repairs* in the *Renewal Plan* and *Defect Repair Plan* worksheets on the 'Expenditure template'.

Method 1 was used for this asset management plan, although for a limited subset of building assets: those components identified in a desktop exercise as requiring renewal.

The useful lives of assets used to develop projected asset renewal expenditures are shown in Table 5.4.1. Asset useful lives were last reviewed in 2012, during the revaluation.

Table 5.4.1: Useful Lives of Assets

Asset (Sub)Category	Useful life
Structure	30,40,50,60 or 80 years depending upon building classification
Fitout	15 or 30 years depending upon building classification
Roofing	30 or 40 years depending upon building classification
Services	30, 40 or 50 years depending upon building classification

5.4.2 Renewal and Replacement Strategies

The organisation will 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,
- Maintain a current infrastructure risk register for assets and service risks associated with providing services from infrastructure assets and reporting Very High and High risks and residual risks after treatment to management and Council,
- 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.

Renewal ranking criteria

Asset renewal and replacement is typically undertaken to either:

Ensure the reliability of the existing infrastructure to deliver the service it was constructed to facilitate (e.g. replacing a bridge that has a 5 t load limit), or

To ensure the infrastructure is of sufficient quality to meet the service requirements (e.g. roughness of a road).⁸

⁸ IPWEA, 2011, IIMM, Sec 3.4.4, p 3|60.

It is possible to get some indication of capital renewal and replacement priorities by identifying assets or asset groups that:

- Have a high consequence of failure,
- Have a high utilisation and subsequent impact on users would be greatest,
- The total value represents the greatest net value to the organisation,
- Have the highest average age relative to their expected lives,
- Are identified in the AM Plan as key cost factors,
- Have high operational or maintenance costs, and
- Where replacement with modern equivalent assets would yield material savings.⁹

The ranking criteria used to determine priority of identified renewal and replacement proposals is detailed in Table 5.4.2.

Table 5.4.2: Renewal and Replacement Priority Ranking Criteria

Criteria	Weighting
Components in poor or unsafe condition	High
DDA affected components	Medium
Asbestos affected components	Medium
Environmentally deficient components.	Low

Renewal and replacement standards

Renewal work is carried out in accordance with the following Standards and Specifications.

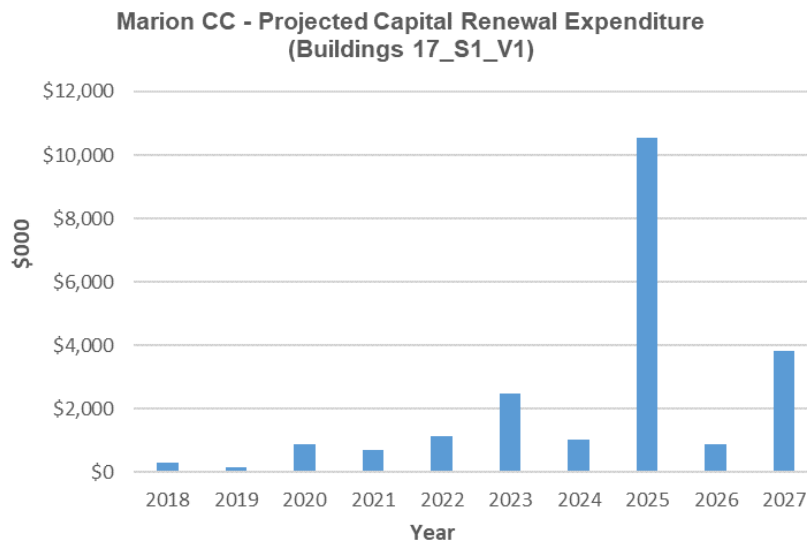
- Building Code of Australia
- Occupational Health and Safety
- DDA requirements
- Council environmental and sustainability policies
- Australian Standards
- Council Standards and Specifications for works.

5.4.3 Summary of future renewal and replacement expenditure

Projected future renewal and replacement expenditures are forecast to increase over time as the asset stock increases from growth. The expenditure is summarised in Fig 5. Note that all amounts are shown in 2014/15 real values.

The projected capital renewal and replacement program is shown in Appendix B.

⁹ Based on IPWEA, 2011, IIMM, Sec 3.4.5, p 3|66.

Fig 5: Projected Capital Renewal and Replacement Expenditure

It is important to note the constraints on the condition data that was collected and subsequently analysed to produce the renewal profile above, as documented in section 5.1.3. Some concern is expressed with relation to the 'renewal spike' in 2025 of \$10.5m and it is considered that this is a result of the methodology employed in the data capture.

Deferred renewal and replacement, i.e. those assets identified for renewal and/or replacement and not scheduled in capital works programs are to be included in the risk analysis process in the risk management plan. Renewals and replacement expenditure in the organisation's capital works program will be accommodated in the long term financial plan. This is further discussed in Section 6.2.

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. These assets from growth are considered in Section 4.4.

5.5.1 Selection criteria

New assets and upgrade/expansion of existing assets are identified from various sources such as councillor or community requests, proposals identified by strategic plans or partnerships with other organisations. Candidate proposals are inspected to verify need and to develop a preliminary renewal estimate. Verified proposals are ranked by priority and available funds and scheduled in future works programmes. The priority ranking criteria is detailed below.

Table 5.5.1: New Assets Priority Ranking Criteria

Criteria	Weighting
Assessed in Draft Community Facility Strategy as being in an area that is underserved.	High
Assessed as being required by a Direction in the Strategic Plan.	Medium

5.5.2 Capital Investment Strategies

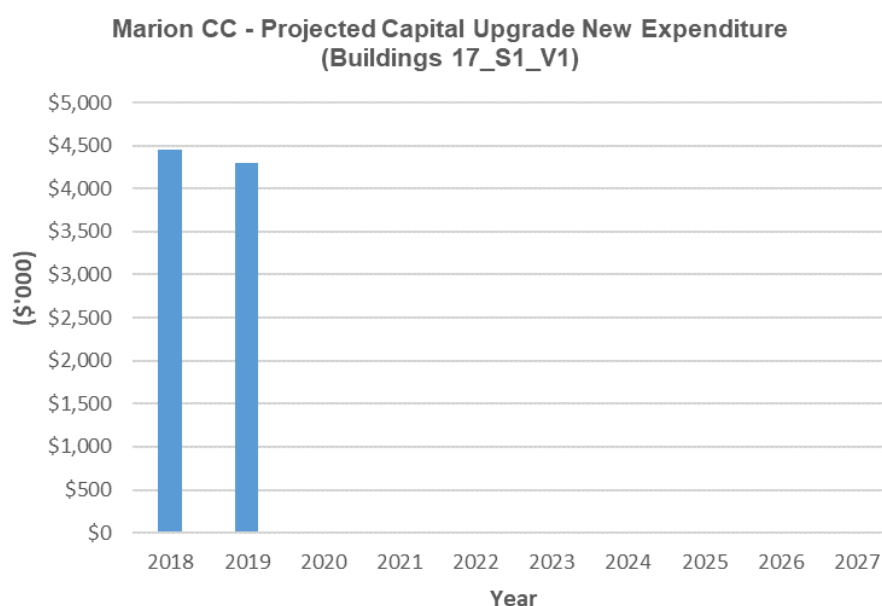
The organisation will plan capital upgrade and new projects to meet level of service objectives by:

- Planning and scheduling capital upgrade and new projects to deliver the defined level of service in the most efficient manner,
- Undertake project scoping for all capital upgrade/new projects to identify:
 - the service delivery 'deficiency', present risk and required timeline for delivery of the upgrade/new asset,
 - the project objectives to rectify the deficiency including value management for major projects,
 - the range of options, estimated capital and life cycle costs for each options that could address the service deficiency,
 - management of risks associated with alternative options,
 - and evaluate the options against evaluation criteria adopted by Council/Board, and
 - select the best option to be included in capital upgrade/new programs,
- Review current and required skills base and implement training and development to meet required construction and project management needs,
- Review management of capital project management activities to ensure Council is obtaining best value for resources used.

Standards and specifications for new assets and for upgrade/expansion of existing assets are the same as those for renewal shown in Section 5.4.2.

5.5.3 Summary of future upgrade/new assets expenditure

Projected upgrade/new asset expenditures are summarised in Fig 6. The projected upgrade/new capital works program is shown in Appendix C. All amounts are shown in real values.

Fig 6: Projected Capital Upgrade/New Asset Expenditure

The following is a breakdown of the upgrade/new assets expenditure by financial year.

Project	Estimated Cost	Year
Edwardstown Memorial Oval Redevelopment	\$8,000,000	2018/19
Solar upgrades	\$255,000	2018
BMX Building redevelopment	\$375,000	2018
Warradale Tennis Clubrooms upgrade	\$125,000	2018

Expenditure on new assets and services in the organisation's capital works program will be accommodated in the long term financial plan. This is further discussed in Section 6.2.

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, together with estimated annual savings from not having to fund operations and maintenance of the assets. These assets will be further reinvestigated to determine the required levels of service and see what options are available for alternate service delivery, if any. Any revenue gained from asset disposals is accommodated in the organisation's long term financial plan.

Where cashflow projections from asset disposals are not available, these will be developed in future revisions of this asset management plan.

Table 5.6: Assets Identified for Disposal

Asset	Reason for Disposal	Timing	Disposal Expenditure	Operations & Maintenance Annual Savings
\$4,068,222 CRC \$1,418,241 DRC	Redevelopment of Edwardstown Memorial Oval, this represents the existing building infrastructure currently on site	2018/19 year	Covered in replacement of asset	NIL

5.7 Service Consequences and Risks

The organisation has prioritised decisions made in adopting this AM Plan to obtain the optimum benefits from its available resources

5.7.1 What we cannot do

There are some operations and maintenance activities and capital projects that are unable to be undertaken within the next 10 years. These include:

- Projects identified within the draft Community Facilities Strategy 2010

5.7.2 Service consequences

Operations and maintenance activities and capital projects that cannot be undertaken will maintain or create service consequences for users. These include:

- Decline in service levels

5.7.3 Risk consequences

The operations and maintenance activities and capital projects that cannot be undertaken may maintain or create risk consequences for the organisation. These include:

- Increase in maintenance costs
- Decline in compliance with asbestos & DDA access
- Potential for asset failure

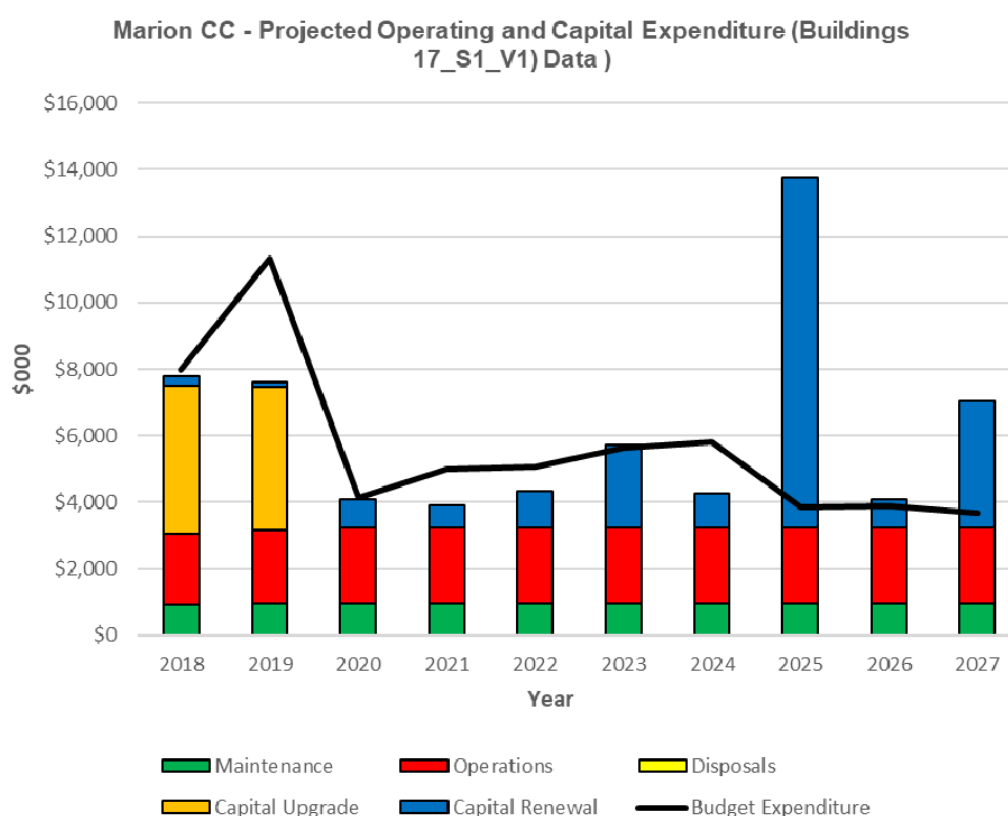
6. FINANCIAL SUMMARY

This section contains the financial requirements resulting from all the information presented in the previous sections of this asset management plan. The financial projections will be improved as further information becomes available on desired levels of service and current and projected future asset performance.

6.1 Financial Statements and Projections

The financial projections are shown in Fig 7 for projected operating (operations and maintenance) and capital expenditure (renewal and upgrade/expansion/new assets). Note that all costs are shown in real 2014/15 values.

Fig 7: Projected Operating and Capital Expenditure



There is generally a shortfall in budgeted funds compared to required funding (over the 10 years) for the reasons below:

- The \$10.5m of renewals estimated to be required in 2015. This should be considered as an amortised expenditure over the full 10 years rather than in a specific year since the data collected was not project specific (refer section 5.1.3).
- Budgeted maintenance / operations funds not being adjusted for an increase in asset stock i.e. Edwardstown Memorial Oval Redevelopment.

6.1.1 Sustainability of service delivery

There are four key indicators for service delivery sustainability that have been considered in the analysis of the services provided by this asset category, these being the asset renewal funding ratio, long term life cycle costs/expenditures and medium term projected/budgeted expenditures over 5 and 10 years of the planning period.

The indicators provided below have been calculated from the results of the modelling. The modelling as performed however will understate the required renewals: see also comments and recommendations in Section 6.4 below.

In the current analysis, nominal required renewal expenditure has been fully met by planned renewal expenditure. The actual required renewal expenditure, however, is likely to be higher by a factor of up to 19: see the discussion in Section 5.1.4 above.

Asset Renewal Funding Ratio

Asset Renewal Funding Ratio ¹⁰	87%
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The Asset Renewal Funding Ratio is the most important indicator and reveals that over the next 10 years, the organisation is forecasting that it will have 87% of the funds required for the renewal and replacement of its assets as identified via the GHD data collection project.

Long term - Life Cycle Cost

Life cycle costs (or whole of life costs) are the average costs that are required to sustain the service levels over the asset life cycle. Life cycle costs include operations and maintenance expenditure and asset consumption (depreciation expense). The life cycle cost for the services covered in this asset management plan is \$6,599,000 per year (average operations and maintenance expenditure plus depreciation expense projected over 10 years).

Life cycle costs can be compared to life cycle expenditure to give an initial indicator of affordability of projected service levels when considered with age profiles. Life cycle expenditure includes operations, maintenance and capital renewal expenditure. Life cycle expenditure will vary depending on the timing of asset renewals. The life cycle expenditure over the 10 year planning period is \$4,766,000 per year (average operations and maintenance plus capital renewal budgeted expenditure in LTFP over 10 years).

A shortfall between life cycle cost and life cycle expenditure is the life cycle gap. The life cycle gap for services covered by this asset management plan is -\$1,833,000 per year (-ve = gap, +ve = surplus).

Life cycle expenditure is 72% of life cycle costs.

Note that these results for the Long Term analysis are the only set of figures not affected by the inaccuracies in estimating the required renewals. This is because the Long Term Analysis uses annual depreciations as a substitute for required renewal expenditure.

The life cycle costs and life cycle expenditure comparison highlights any difference between present outlays and the average cost of providing the service over the long term. If the life cycle expenditure is less than that life cycle cost, it is most likely that outlays will need to be increased or cuts in services made in the future.

Knowing the extent and timing of any required increase in outlays and the service consequences if funding is not available will assist organisations in providing services to their communities in a financially sustainable manner. This is the purpose of the asset management plans and long term financial plan.

Medium term – 10 year financial planning period

This asset management plan identifies the projected operations, maintenance and capital renewal expenditures required to provide an agreed level of service to the community over a 10 year period. This provides input into 10 year financial and funding plans aimed at providing the required services in a sustainable manner.

These projected expenditures may be compared to budgeted expenditures in the 10 year period to identify any funding shortfall. In a core asset management plan, a gap is generally due to increasing asset renewals for ageing assets.

The projected operations, maintenance and capital renewal expenditure required over the 10 year planning period is \$5,391,000 on average per year.

¹⁰ AIFMG, 2009, Financial Sustainability Indicator 8, Sec 2.6, p 2.18

Estimated (budget) operations, maintenance and capital renewal funding is \$4,766,000 on average per year giving a 10 year funding shortfall of -\$625,000 per year. This indicates that Council expects to have 88% of the projected expenditures needed to provide the services documented in the asset management plan.

Short Term – 5 year financial planning period

The projected operations, maintenance and capital renewal expenditure required over the first 5 years of the planning period is \$3,799,000 on average per year.

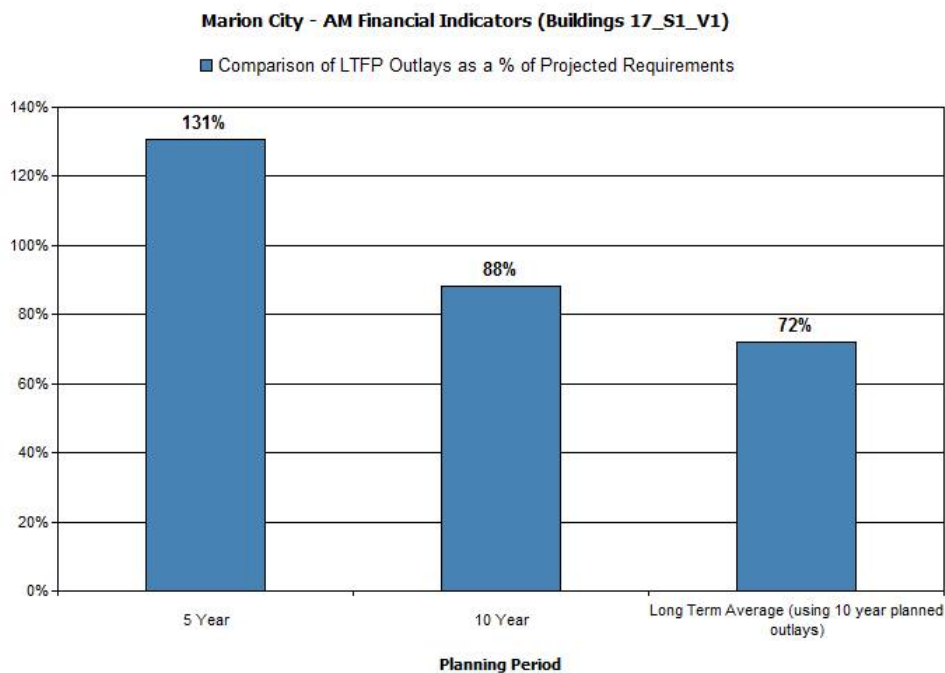
Estimated (budget) operations, maintenance and capital renewal funding is \$4,958,000 on average per year giving a 5 year funding surplus of \$1,159,000. This indicates that Council expects to have 130% of projected expenditures required to provide the services shown in this asset management plan.

Note however this would seem to be an 'artificial' surplus given the constraints of the data and in particular the \$10.5m spike in year 8.

Asset management financial indicators

Figure 7A shows the asset management financial indicators over the 10 year planning period and for the long term life cycle.

Figure 7A: Asset Management Financial Indicators



Providing services from infrastructure in a sustainable manner requires the matching and managing of service levels, risks, projected expenditures and financing to achieve a financial indicator of approximately 1.0 for the first years of the asset management plan and ideally over the 10 year life of the Long Term Financial Plan.

Figure 8 shows the projected asset renewal and replacement expenditure over the 10 years of the AM Plan. The projected asset renewal and replacement expenditure is compared to renewal and replacement expenditure in the capital works program, which is accommodated in the long term financial plan

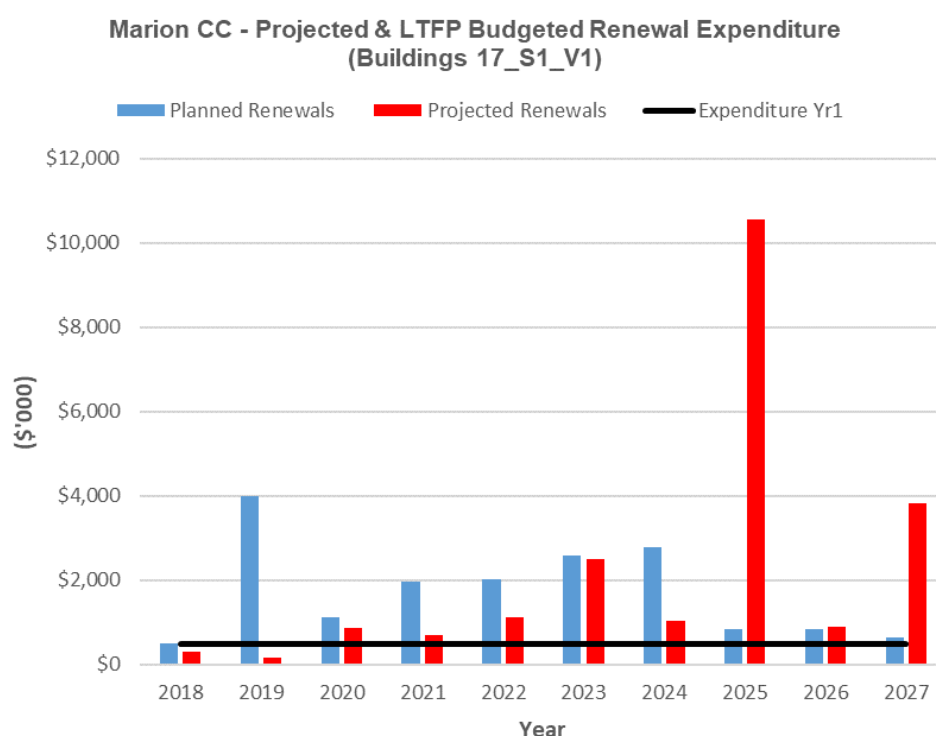
Figure 8: Projected and LTFP Budgeted Renewal Expenditure

Table 6.1.1 shows the shortfall between projected renewal and replacement expenditures and expenditure accommodated in long term financial plan. Budget expenditures accommodated in the long term financial plan or extrapolated from current budgets are shown in Appendix D.

Table 6.1.1: Projected and LTFP Budgeted Renewals and Financing Shortfall

Year	Projected Renewals (\$000)	LTFP Renewal Budget (\$000)	Renewal Financing Shortfall (\$000) (-ve Gap, +ve Surplus)	Cumulative Shortfall (\$000) (-ve Gap, +ve Surplus)
2018	\$288	\$483	\$194	\$194
2019	\$154	\$3,990	\$3,836	\$4,031
2020	\$868	\$1,118	\$249	\$4,280
2021	\$687	\$1,961	\$1,274	\$5,554
2022	\$1,127	\$2,028	\$901	\$6,454
2023	\$2,496	\$2,586	\$90	\$6,544
2024	\$1,040	\$2,770	\$1,730	\$8,274
2025	\$10,554	\$824	-\$9,730	-\$1,455
2026	\$877	\$842	-\$35	-\$1,491
2027	\$3,823	\$640	-\$3,183	-\$4,674

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 long term financial plan.

A gap between projected asset renewal/replacement expenditure and amounts accommodated in the LTFP indicates that further work is required on reviewing service levels in the AM Plan (including possibly revising the LTFP) before finalising the asset management plan to manage required service levels and funding to eliminate any funding gap.

The actual gap will be evaluated in future revisions of this Asset Management Plan when modelling can be based on revised asset data.

We will manage the 'gap' by developing this asset management plan to provide guidance on future service levels and resources required to provide these services, and review future services, service levels and costs with the community.

6.1.2 Projected expenditures for long term financial plan

Table 6.1.2 shows the projected expenditures for the 10 year long term financial plan.

Expenditure projections are in 2016/17 real values.

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)
2018	\$2,130.47	\$911.36	\$288.15	\$4,455.00	\$0.00
2019	\$2,208.34	\$944.67	\$153.60	\$4,300.00	\$0.00
2020	\$2,258.72	\$966.22	\$868.13	\$0.00	\$0.00
2021	\$2,258.72	\$966.22	\$687.37	\$0.00	\$0.00
2022	\$2,258.72	\$966.22	\$1,127.08	\$0.00	\$0.00
2023	\$2,258.72	\$966.22	\$2,495.93	\$0.00	\$0.00
2024	\$2,258.72	\$966.22	\$1,039.82	\$0.00	\$0.00
2025	\$2,258.72	\$966.22	\$10,553.79	\$0.00	\$0.00
2026	\$2,258.72	\$966.22	\$877.24	\$0.00	\$0.00
2027	\$2,258.72	\$966.22	\$3,823.12	\$0.00	\$0.00

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 considered in a review of the organisation's 10 year long term financial plan.

6.3 Valuation Forecasts

Asset values are forecast to increase as additional assets are added to the asset stock from construction and acquisition by the organisation and from assets constructed by land developers and others and donated to the organisation. Figure 9 shows the projected replacement cost asset values over the planning period in real values.

Figure 9: Projected Asset Values

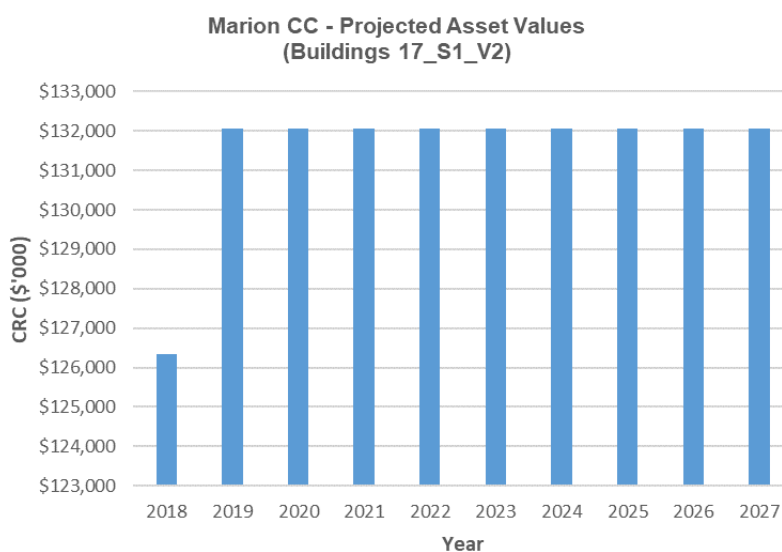
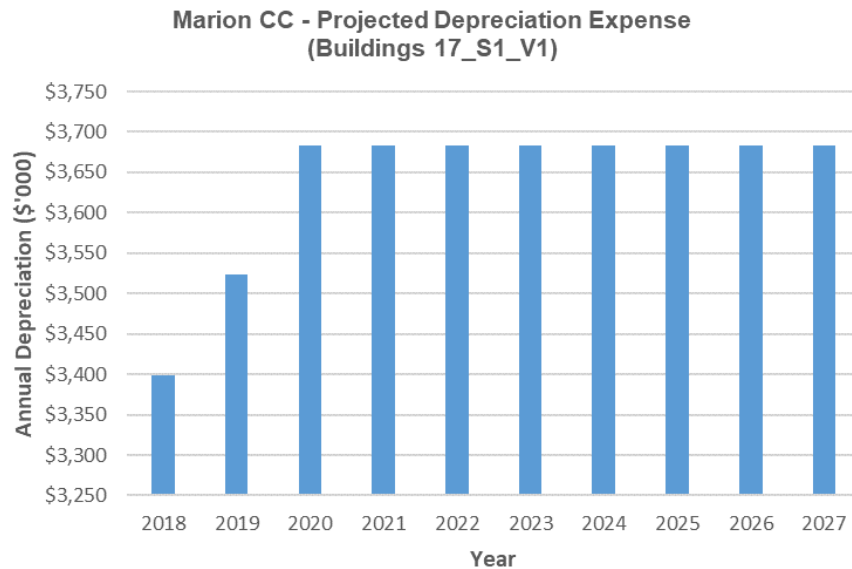


Figure 9 above shows that the Current Replacement Cost of the building assets will increase over time as new works and upgrades are undertaken (note the scale on the Y axis).

Depreciation expense values are forecast in line with the increased asset values as shown in Figure 10.

Figure 10: Projected Depreciation Expense



The depreciated replacement cost will vary over the forecast period depending on the rates of addition of new assets, disposal of old assets and consumption and renewal of existing assets. Forecast of the assets' depreciated replacement cost is shown in Figure 11. The depreciated replacement cost of contributed and new assets is shown in the darker colour and in the lighter colour for existing assets.

Figure 11: Projected Depreciated Replacement Cost

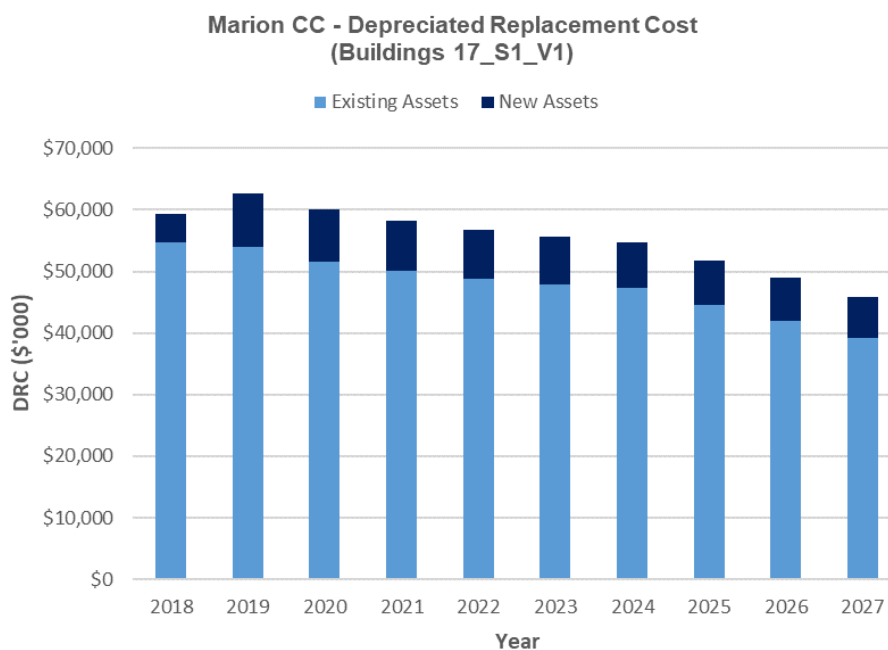


Figure 11 above shows the eroding effect of the planned renewal funding on the Depreciated Replacement Cost. The planned renewals are based on a desktop assessment rather than modelling of the asset deteriorations, and are inadequate to reverse the expected consumption. See also comments and recommendations in Section 6.4 below.

6.4 Key Assumptions made in Financial Forecasts

This section details the key assumptions made in presenting the information contained in this asset management plan 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 asset management plan and risks that these may change are shown in Table 6.4.

Table 6.4: Key Assumptions made in AM Plan and Risks of Change

Key Assumptions	Risks of Change to Assumptions
The data collection which was focussed on renewal of coarse component groups at broad based estimated costs is comprehensive and adequate.	The renewals identified from the recent condition survey are unable to be used for project related works planning or budgeting over the short to medium term
The data collection makes adequate allowance for DDA and Asbestos actions	It is understood that no allowance has been made for DDA and asbestos actions in the condition audit, furthermore it appears that Councils DDA and Asbestos action plan is out of date.

An entry has been placed in the improvement plan in Section 7.2 below for addressing the approach to determining renewals, together with actions relating to asbestos and DDA..

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 scale¹¹ 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 Table 6.5.1.

Table 6.5.1: Data Confidence Assessment for Data used in AM Plan

Data	Confidence Assessment	Comment
Demand drivers	C Uncertain	The recommendations of Councils draft facility review plan have not been allowed for in the development of this plan
Growth projections	B: reliable	The assumption of 0% growth is close to the actual situation.
Operations expenditures	B: reliable	

¹¹ IPWEA, 2011, IIMM, Table 2.4.6, p 2|59.

Maintenance expenditures	B: reliable	
Projected Renewal exps. - Asset values	C: uncertain	See comments in 6.4 above.
- Asset residual values	NA	
- Asset useful lives	NA	See comments in 6.4 above.
- Condition modelling	NA	See comments in 6.4 above.
- Network renewals	NA	See comments in 6.4 above.
- Defect repairs	C: uncertain	Condition audit did not concentrate on defects
Upgrade/New expenditures	C: uncertain	Based on preliminary cost estimates, but only including what is apparent over the next 2 years
Disposal expenditures	B: reliable	

Over all data sources, the data confidence is assessed as moderate confidence level for data used in the preparation of this AM Plan, particularly because of the method of assessing renewals. See also comments and recommendations in Section 7.2 below.

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.

Building Assets are comprehensively revalued every 3 years and also have annual “desktop” valuations in the years between comprehensive 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.

Materiality Levels are;

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.

Required changes to accounting financial systems arising from this AM Plan

Reviews and improvements to asset management systems are an ongoing and part of the organisation process towards best practice. Improvements are implemented as required.

7.2.1 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.

An assessment has been undertaken on the organisations Asset Systems and Tools. This review determined that Authority is not meeting the current requirements of Council and will not be able to meet the future requirements of Council.

Asset registers

The Buildings Asset Dataset includes a list of buildings with their current replacement costs, broken down into components for valuation purposes only. The renewals are currently managed through a list of identified issues during a desktop assessment in 2010 rather than being derived from a modelling of required renewals based on component lives and conditions.

Linkage from asset management to financial system

The Buildings Asset Dataset includes:

- Calculations of new assets (donated and Council built)
- Deletion of assets when disposed
- Updating and amending asset register as required.

This information is submitted to the External Valuer for inclusion in the annual valuations of buildings assets.

Accountabilities for asset management system and data maintenance

The Asset Systems Team will provide support to the organisation to obtain, manage, analyse, maintain and present data in a way that ensures effective decision making.

Responsibility for Asset Management Plans, Renewal, Replacement and Upgrade / New will reside with the Asset Owners.

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 improvement plan generated from this asset management plan is shown in Table 8.2.

Table 7.2: Improvement Plan

Task No	Task	Responsibility	Resources Required	Timeline
1 Sect 2.5	Review community engagement methodology used for Strategic Plan to design an approach suitable to Asset Management, where the focus is on levels of service.	Innovation & strategy	Estimated 3 weeks	By February 2018
2 Sect 3.5	Prepare proactive Operations and Maintenance Management Plan for infrastructure. The plan to include service levels, inspection frequency, maintenance activities and response times.	City Property	To be determined	2018
3	Condition audit of buildings: Review existing condition data with a view to creating a more relevant data set that can be used Including roof audit and gutters together with service levels	City Property	\$150k	2019
4	Integrate asset and financial systems	Innovation & strategy	To be determined.	2019
5	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.	City Property	Internal	Annual program
6	Complete Draft Community Facilities Strategy, together with implementation costing and refer to Council for endorsement	City Property	Internal – 3 months	2019
7	Implement recommendations of Community Facilities Strategy	City Property	Ongoing	2018
8	Update DDA & Asbestos registers (asbestos action plan) together with action plans	City Property	External contractors	2018
9	Implement annual internal building inspection process, including automating data capture & response	City Property	Internal & new AMS	2018
10	Implement annual structural inspections by external engineer and improve process	City Property	\$20k, external	2018
11	Ensure that appropriate contracts are in place & contractors monitored	City Property	Internal	2018
12	Undertake service delivery review of property maintenance	City Property	Internal + \$10k (external)	Oct 2017
13	Inspect leaseholders equipment to ensure compliance	City Property	Internal	June 2018
14	Implement program of testing RCD's & thermal mapping of switchboards	City Property	\$100k	2018
15	Investigate appropriate fire protection measures	City Property	Internal resources + \$5k	2018
16	Undertake condition assessment of carparks, tennis courts / netball courts and develop renewal program. Incorporate this in the next version of the Building AMP	City Property	\$350k pa (renewal)	2018
17	Expand air conditioner condition register to include leased buildings	City Property	\$15k	2018
18	Heritage architect and engineer to investigate Heritage Coach House in Warriparinga Wetlands	City Property	\$25k	2017

7.3 Monitoring and Review Procedures

This asset management plan will be reviewed 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 AM Plan will be updated annually 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 long term financial plan.

The AM Plan has a life of 4 years (Council election cycle) and is due for complete revision and updating within 2 years of each Council election.

7.4 Performance Measures

The effectiveness of the asset management plan can be measured in the following ways:

- The degree to which the required projected expenditures identified in this asset management plan 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 asset management plan,
- 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,
- The Asset Renewal Funding Ratio achieving the target of 1.0.

8. REFERENCES

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9. APPENDICES

Appendix A Maintenance Response Levels of Service

Appendix B Projected 10 year Capital Renewal and Replacement Works Program

Appendix C Projected 10 year Capital Upgrade/New Works Program

Appendix D Budgeted Expenditures Accommodated in LTFP

Appendix E Abbreviations

Appendix F Glossary

DRAFT

Appendix A Maintenance Response Levels of Service

To be developed.

DRAFT

Appendix B Projected 10 year Capital Renewal and Replacement Works Program

To be confirmed.

DRAFT

Appendix C Projected Upgrade/Exp/New 10 year Capital Works Program

Marion City
Projected Capital Upgrade/New Works Program - Buildings 17_S1_V1

(\$000)

Year	Item	Description	Estimate
2018	1	Solar Options for Marion.Building Additions.Contractors - Other	\$255
	2	BMX Track Development.Building Additions.Contractors - Other	\$375
	3	Edwardstown Sports Club Redevelopment.Building Additions.Contractors - Other	\$3,700
	4	Warradale Tennis Club Clubroom works.Building Additions.Contractors - Other	\$125
	5		
2018		Total	\$4,455

(\$000)

Year	Item	Description	Estimate
2019	1	Edwardstown Sports Club Redevelopment.Building Additions.Contractors - Other	\$4,300
	2		
2019		Total	\$4,300

Appendix D Budgeted Expenditures Accommodated in LTFP

NAMS.PLUS3 Asset Management			Marion City							
© Copyright. All rights reserved. The Institute of Public Works Engineering Australasia										
Buildings 17_S1_V1			Asset Management Plan							
First year of expenditure projections			2018 (financial yr ending)							
<div> <div> Buildings 17 Asset values at start of planning period Current replacement cost Depreciable amount Depreciated replacement cost Annual depreciation expense </div> <div> \$121,877 (000) \$121,877 (000) \$57,727 (000) \$3,399 (000) </div> </div> <div> Calc CRC from Asset Register \$21,914 (000) This is a check for you. </div> <div> Operations and Maintenance Costs for New Assets Additional operations costs Additional maintenance Additional depreciation Planned renewal budget (information only) </div> <div> % of asset value 1.75% 0.75% 2.79% </div>										
Planned Expenditures from LTFP 20 Year Expenditure Projections Note: Enter all values in current 2018 values										
Financial year ending	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Expenditure Outlays included in Long Term Financial Plan (in current \$ values)										
Operations Operations budget Management budget AM systems budget Total operations										
	\$2,130	\$2,130	\$2,130	\$2,130	\$2,130	\$2,130	\$2,130	\$2,130	\$2,130	\$2,130
Maintenance Reactive maintenance budget Planned maintenance budget Specific maintenance items budget Total maintenance										
	\$911	\$911	\$911	\$911	\$911	\$911	\$911	\$911	\$911	\$911
Capital Planned renewal budget Planned upgrade/new budget Non-growth contributed asset value										
	\$483	\$3,990	\$1,118	\$1,961	\$2,028	\$2,586	\$2,770	\$824	\$842	\$640
Asset Disposals Est Cost to dispose of assets Carrying value (DRC) of disposed assets										
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Additional Expenditure Outlays Requirements (e.g from Infrastructure Risk Management Plan)										
Additional Expenditure Outlays required and not included above	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Operations	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Maintenance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Capital Upgrade	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
User Comments #2										
Forecasts for Capital Renewal using Methods 2 & 3 (Form 2A & 2B) & Capital Upgrade (Form 2C)										
Forecast Capital Renewal from Forms 2A & 2B	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Forecast Capital Upgrade from Form 2C	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$4,455	\$4,300	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Appendix E Abbreviations

AAAC	Average annual asset consumption
AM	Asset management
AM Plan	Asset management plan
ARI	Average recurrence interval
ASC	Annual service cost
BOD	Biochemical (biological) oxygen demand
CRC	Current replacement cost
CWMS	Community wastewater management systems
DA	Depreciable amount
DRC	Depreciated replacement cost
EF	Earthworks/formation
IRMP	Infrastructure risk management plan
LCC	Life Cycle cost
LCE	Life cycle expenditure
LTFP	Long term financial plan
MMS	Maintenance management system
PCI	Pavement condition index
RV	Residual value
SoA	State of the Assets
SS	Suspended solids
vph	Vehicles per hour
WDCRD	Written down current replacement cost

Appendix F Glossary

Annual service cost (ASC)

- 1) Reporting actual cost
The annual (accrual) cost of providing a service including operations, maintenance, depreciation, finance/opportunity and disposal costs less revenue.
- 2) For investment analysis and budgeting
An estimate of the cost that would be tendered, per annum, if tenders were called for the supply of a service to a performance specification for a fixed term. The Annual Service Cost includes operations, maintenance, depreciation, finance/opportunity and disposal costs, less revenue.

Asset

A resource controlled by an entity as a result of past events and from which future economic benefits are expected to flow to the entity. Infrastructure assets are a sub-class of property, plant and equipment which are non-current assets with a life greater than 12 months and enable services to be provided.

Asset category

Sub-group of assets within a class hierarchy for financial reporting and management purposes.

Asset class

A group of assets having a similar nature or function in the operations of an entity, and which, for purposes of disclosure, is shown as a single item without supplementary disclosure.

Asset condition assessment

The process of continuous or periodic inspection, assessment, measurement and interpretation of the resultant data to indicate the condition of a specific asset so as to determine the need for some preventative or remedial action.

Asset hierarchy

A framework for segmenting an asset base into appropriate classifications. The asset hierarchy can be based on asset function or asset type or a combination of the two.

Asset management (AM)

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

Asset renewal funding ratio

The ratio of the net present value of asset renewal funding accommodated over a 10 year period in a long term financial plan relative to the net present value of projected capital renewal expenditures identified in an asset management plan for the same period [AIFMG Financial Sustainability Indicator No 8].

Average annual asset consumption (AAAC)*

The amount of an organisation's asset base consumed during a reporting period (generally a year). This may be calculated by dividing the depreciable amount by the useful life (or total future economic benefits/service potential) and totalled for each and every asset OR by dividing the carrying amount (depreciated replacement cost) by the remaining useful life (or remaining future economic benefits/service potential) and totalled for each and every asset in an asset category or class.

Borrowings

A borrowing or loan is a contractual obligation of the borrowing entity to deliver cash or another financial asset to the lending entity over a specified period of time or at a specified point in time, to cover both the initial capital provided and the cost of the interest incurred for providing this capital. A borrowing or loan provides the means for the borrowing entity to finance outlays (typically physical assets) when it has insufficient funds of its own to do so, and for the lending entity to make a financial return, normally in the form of interest revenue, on the funding provided.

Capital expenditure

Relatively large (material) expenditure, which has benefits, expected to last for more than 12 months. Capital expenditure includes renewal, expansion and upgrade. Where capital projects involve a combination of renewal, expansion and/or upgrade expenditures, the total project cost needs to be allocated accordingly.

Capital expenditure - expansion

Expenditure that extends the capacity of an existing asset to provide benefits, at the same standard as is currently enjoyed by existing beneficiaries, to a new group of users. It is

discretionary expenditure, which increases future operations and maintenance costs, because it increases the organisation's asset base, but may be associated with additional revenue from the new user group, eg. extending a drainage or road network, the provision of an oval or park in a new suburb for new residents.

Capital expenditure - new

Expenditure which creates a new asset providing a new service/output that did not exist beforehand. As it increases service potential it may impact revenue and will increase future operations and maintenance expenditure.

Capital expenditure - renewal

Expenditure on an existing asset or on replacing an existing asset, which returns the service capability of the asset up to that which it had originally. It is periodically required expenditure, relatively large (material) in value compared with the value of the components or sub-components of the asset being renewed. As it reinstates existing service potential, it generally has no impact on revenue, but may reduce future operations and maintenance expenditure if completed at the optimum time, eg. resurfacing or resheeting a material part of a road network, replacing a material section of a drainage network with pipes of the same capacity, resurfacing an oval.

Capital expenditure - upgrade

Expenditure, which enhances an existing asset to provide a higher level of service or expenditure that will increase the life of the asset beyond that which it had originally. Upgrade expenditure is discretionary and often does not result in additional revenue unless direct user charges apply. It will increase operations and maintenance expenditure in the future because of the increase in the organisation's asset base, eg. widening the sealed area of an existing road, replacing drainage pipes with pipes of a greater capacity, enlarging a grandstand at a sporting facility.

Capital funding

Funding to pay for capital expenditure.

Capital grants

Monies received generally tied to the specific projects for which they are granted, which are

often upgrade and/or expansion or new investment proposals.

Capital investment expenditure

See capital expenditure definition.

Capitalisation threshold

The value of expenditure on non-current assets above which the expenditure is recognised as capital expenditure and below which the expenditure is charged as an expense in the year of acquisition.

Carrying amount

The amount at which an asset is recognised after deducting any accumulated depreciation / amortisation and accumulated impairment losses thereon.

Class of assets

See asset class definition

Component

Specific parts of an asset having independent physical or functional identity and having specific attributes such as different life expectancy, maintenance regimes, risk or criticality.

Core asset management

Asset management which relies primarily on the use of an asset register, maintenance management systems, job resource management, inventory control, condition assessment, simple risk assessment and defined levels of service, in order to establish alternative treatment options and long-term cashflow predictions. Priorities are usually established on the basis of financial return gained by carrying out the work (rather than detailed risk analysis and optimised decision-making).

Cost of an asset

The amount of cash or cash equivalents paid or the fair value of the consideration given to acquire an asset at the time of its acquisition or construction, including any costs necessary to place the asset into service. This includes one-off design and project management costs.

Critical assets

Assets for which the financial, business or service level consequences of failure are sufficiently severe to justify proactive inspection and

rehabilitation. Critical assets have a lower threshold for action than noncritical assets.

Current replacement cost (CRC)

The cost the entity would incur to acquire the asset on the reporting date. The cost is measured by reference to the lowest cost at which the gross future economic benefits could be obtained in the normal course of business or the minimum it would cost, to replace the existing asset with a technologically modern equivalent new asset (not a second hand one) with the same economic benefits (gross service potential) allowing for any differences in the quantity and quality of output and in operating costs.

Deferred maintenance

The shortfall in rehabilitation work undertaken relative to that required to maintain the service potential of an asset.

Depreciable amount

The cost of an asset, or other amount substituted for its cost, less its residual value.

Depreciated replacement cost (DRC)

The current replacement cost (CRC) of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset.

Depreciation / amortisation

The systematic allocation of the depreciable amount (service potential) of an asset over its useful life.

Economic life

See useful life definition.

Expenditure

The spending of money on goods and services. Expenditure includes recurrent and capital outlays.

Fair value

The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties, in an arms length transaction.

Financing gap

A financing gap exists whenever an entity has insufficient capacity to finance asset renewal and

other expenditure necessary to be able to appropriately maintain the range and level of services its existing asset stock was originally designed and intended to deliver. The service capability of the existing asset stock should be determined assuming no additional operating revenue, productivity improvements, or net financial liabilities above levels currently planned or projected. A current financing gap means service levels have already or are currently falling. A projected financing gap if not addressed will result in a future diminution of existing service levels.

Heritage asset

An asset with historic, artistic, scientific, technological, geographical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture and this purpose is central to the objectives of the entity holding it.

Impairment Loss

The amount by which the carrying amount of an asset exceeds its recoverable amount.

Infrastructure assets

Physical assets that contribute to meeting the needs of organisations or the need for access to major economic and social facilities and services, eg. roads, drainage, footpaths and cycleways. These are typically large, interconnected networks or portfolios of composite assets. The components of these assets may be separately maintained, renewed or replaced individually so that the required level and standard of service from the network of assets is continuously sustained. Generally the components and hence the assets have long lives. They are fixed in place and are often have no separate market value.

Investment property

Property held to earn rentals or for capital appreciation or both, rather than for:

- (a) use in the production or supply of goods or services or for administrative purposes; or
- (b) sale in the ordinary course of business.

Key performance indicator

A qualitative or quantitative measure of a service or activity used to compare actual performance against a standard or other target. Performance indicators commonly relate to statutory limits, safety, responsiveness, cost, comfort, asset

performance, reliability, efficiency, environmental protection and customer satisfaction.

Level of service

The defined service quality for a particular service/activity against which service performance may be measured. Service levels usually relate to quality, quantity, reliability, responsiveness, environmental impact, acceptability and cost.

Life Cycle Cost *

1. **Total LCC** The total cost of an asset throughout its life including planning, design, construction, acquisition, operation, maintenance, rehabilitation and disposal costs.
2. **Average LCC** The life cycle cost (LCC) is average cost to provide the service over the longest asset life cycle. It comprises average operations, maintenance expenditure plus asset consumption expense, represented by depreciation expense projected over 10 years. The Life Cycle Cost does not indicate the funds required to provide the service in a particular year.

Life Cycle Expenditure

The Life Cycle Expenditure (LCE) is the average operations, maintenance and capital renewal expenditure accommodated in the long term financial plan over 10 years. Life Cycle Expenditure may be compared to average Life Cycle Cost to give an initial indicator of affordability of projected service levels when considered with asset age profiles.

Loans / borrowings

See borrowings.

Maintenance

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, eg road patching but excluding rehabilitation or renewal. It is operating expenditure required to ensure that the asset reaches its expected useful life.

- **Planned maintenance**

Repair work that is identified and managed through a maintenance management system (MMS). MMS activities include inspection, assessing the condition against failure/breakdown criteria/experience, prioritising scheduling, actioning the work and reporting what was done to develop a maintenance history and improve maintenance and service delivery performance.

- **Reactive maintenance**

Unplanned repair work that is carried out in response to service requests and management/supervisory directions.

- **Specific maintenance**

Maintenance work to repair components or replace sub-components that needs to be identified as a specific maintenance item in the maintenance budget.

- **Unplanned maintenance**

Corrective work required in the short-term to restore an asset to working condition so it can continue to deliver the required service or to maintain its level of security and integrity.

Maintenance expenditure *

Recurrent expenditure, which is periodically or regularly required as part of the anticipated schedule of works required to ensure that the asset achieves its useful life and provides the required level of service. It is expenditure, which was anticipated in determining the asset's useful life.

Materiality

The notion of materiality guides the margin of error acceptable, the degree of precision required and the extent of the disclosure required when preparing general purpose financial reports. Information is material if its omission, misstatement or non-disclosure has the potential, individually or collectively, to influence the economic decisions of users taken on the basis of the financial report or affect the discharge of accountability by the management or governing body of the entity.

Modern equivalent asset

Assets that replicate what is in existence with the most cost-effective asset performing the same level of service. It is the most cost efficient, currently available asset which will provide the same stream of services as the existing asset is capable of producing. It allows for technology changes and, improvements and efficiencies in production and installation techniques

Net present value (NPV)

The value to the organisation of the cash flows associated with an asset, liability, activity or event calculated using a discount rate to reflect the time value of money. It is the net amount of discounted total cash inflows after deducting the value of the discounted total cash outflows

arising from eg the continued use and subsequent disposal of the asset after deducting the value of the discounted total cash outflows.

Non-revenue generating investments

Investments for the provision of goods and services to sustain or improve services to the community that are not expected to generate any savings or revenue to the Council, eg. parks and playgrounds, footpaths, roads and bridges, libraries, etc.

Operations

Regular activities to provide services such as public health, safety and amenity, eg street sweeping, grass mowing and street lighting.

Operating expenditure

Recurrent expenditure, which is continuously required to provide a service. In common use the term typically includes, eg power, fuel, staff, plant equipment, on-costs and overheads but excludes maintenance and depreciation. Maintenance and depreciation is on the other hand included in operating expenses.

Operating expense

The gross outflow of economic benefits, being cash and non cash items, during the period arising in the course of ordinary activities of an entity when those outflows result in decreases in equity, other than decreases relating to distributions to equity participants.

Operating expenses

Recurrent expenses continuously required to provide a service, including power, fuel, staff, plant equipment, maintenance, depreciation, on-costs and overheads.

Operations, maintenance and renewal financing ratio

Ratio of estimated budget to projected expenditure for operations, maintenance and renewal of assets over a defined time (eg 5, 10 and 15 years).

Operations, maintenance and renewal gap

Difference between budgeted expenditures in a long term financial plan (or estimated future budgets in absence of a long term financial plan) and projected expenditures for operations, maintenance and renewal of assets to achieve/maintain specified service levels, totalled over a defined time (e.g. 5, 10 and 15 years).

Pavement management system (PMS)

A systematic process for measuring and predicting the condition of road pavements and wearing surfaces over time and recommending corrective actions.

PMS Score

A measure of condition of a road segment determined from a Pavement Management System.

Rate of annual asset consumption *

The ratio of annual asset consumption relative to the depreciable amount of the assets. It measures the amount of the consumable parts of assets that are consumed in a period (depreciation) expressed as a percentage of the depreciable amount.

Rate of annual asset renewal *

The ratio of asset renewal and replacement expenditure relative to depreciable amount for a period. It measures whether assets are being replaced at the rate they are wearing out with capital renewal expenditure expressed as a percentage of depreciable amount (capital renewal expenditure/DA).

Rate of annual asset upgrade/new *

A measure of the rate at which assets are being upgraded and expanded per annum with capital upgrade/new expenditure expressed as a percentage of depreciable amount (capital upgrade/expansion expenditure/DA).

Recoverable amount

The higher of an asset's fair value, less costs to sell and its value in use.

Recurrent expenditure

Relatively small (immaterial) expenditure or that which has benefits expected to last less than 12 months. Recurrent expenditure includes operations and maintenance expenditure.

Recurrent funding

Funding to pay for recurrent expenditure.

Rehabilitation

See capital renewal expenditure definition above.

Remaining useful life

The time remaining until an asset ceases to provide the required service level or economic

usefulness. Age plus remaining useful life is useful life.

Renewal

See capital renewal expenditure definition above.

Residual value

The estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Revenue generating investments

Investments for the provision of goods and services to sustain or improve services to the community that are expected to generate some savings or revenue to offset operating costs, eg public halls and theatres, childcare centres, sporting and recreation facilities, tourist information centres, etc.

Risk management

The application of a formal process to the range of possible values relating to key factors associated with a risk in order to determine the resultant ranges of outcomes and their probability of occurrence.

Section or segment

A self-contained part or piece of an infrastructure asset.

Service potential

The total future service capacity of an asset. It is normally determined by reference to the operating capacity and economic life of an asset. A measure of service potential is used in the not-for-profit sector/public sector to value assets, particularly those not producing a cash flow.

Service potential remaining

A measure of the future economic benefits remaining in assets. It may be expressed in dollar values (Fair Value) or as a percentage of total anticipated future economic benefits. It is also a measure of the percentage of the asset's potential to provide services that is still available for use in providing services (Depreciated Replacement Cost/Depreciable Amount).

Specific Maintenance

Replacement of higher value components/sub-components of assets that is undertaken on a

regular cycle including repainting, replacement of air conditioning equipment, etc. This work generally falls below the capital/ maintenance threshold and needs to be identified in a specific maintenance budget allocation.

Strategic Longer-Term Plan

A plan covering the term of office of councillors (4 years minimum) reflecting the needs of the community for the foreseeable future. It brings together the detailed requirements in the Council's longer-term plans such as the asset management plan and the long-term financial plan. The plan is prepared in consultation with the community and details where the Council is at that point in time, where it wants to go, how it is going to get there, mechanisms for monitoring the achievement of the outcomes and how the plan will be resourced.

Sub-component

Smaller individual parts that make up a component part.

Useful life

Either:

- (a) the period over which an asset is expected to be available for use by an entity, or
- (b) the number of production or similar units expected to be obtained from the asset by the entity.

It is estimated or expected time between placing the asset into service and removing it from service, or the estimated period of time over which the future economic benefits embodied in a depreciable asset, are expected to be consumed by the Council.

Value in Use

The present value of future cash flows expected to be derived from an asset or cash generating unit. It is deemed to be depreciated replacement cost (DRC) for those assets whose future economic benefits are not primarily dependent on the asset's ability to generate net cash inflows, where the entity would, if deprived of the asset, replace its remaining future economic benefits.

Source: IPWEA, 2009, AIFMG Glossary

Additional and modified glossary items shown *

**CITY OF MARION
FINANCE & AUDIT COMMITTEE MEETING
12 DECEMBER 2017**

Originating Officer: Deborah Horton, Governance Quality Coordinator

Manager: Kate McKenzie, Manager Corporate Governance

General Manager: Vincent Mifsud, General Manager Corporate Services

Subject: Internal Audit Program 2017/18 Yr 1

Report Reference: FAC121217R7.7

REPORT OBJECTIVES

To provide the Finance & Audit Committee (FAC) with the scoping documents for the projects identified for commencement in 2017/18 financial year and to advise of the status of recommendations of the Internal Audit Program.

EXECUTIVE SUMMARY

The Internal Audit Program for 2017/18 is scheduled as provided below;

Project 2017/18	Start	Scope	Updates	Draft	Final	FAC
Internal Audit Plan 2017-18						FAC101017R7.8
Volunteer Management	Nov '17	OOS*		Feb '18	May '18	
Contractor Management	Nov '17	OOS*		Feb '18	May '18	
Regulatory -Fines and Enforcement	Nov '17	Dec '17	Feb '18	May '18	May '18	
NDIS	Jan '18	OOS*	Feb '18	May '18	Aug '18	
Planning Assessment	Feb '18	Feb '18		May '18	Aug '18	
<i>*Out of session</i>						

This report provides an update regarding the previous program (2015/17) to finalise the reporting progress. However, 'exception' reporting will continue to be provided to the FAC where a recommendation for a particular audit does not meet its desired timeframes and why.

RECOMMENDATIONS

DUE DATES

That the Finance & Audit Committee;

- | | |
|---|-------------|
| 1. Notes this report. | 12 DEC 2017 |
| 2. Provides feedback regarding the scopes attached including; <ul style="list-style-type: none"> • Volunteer Management (Appendix 1) • Contractor Management (Appendix 2) • Regulatory (Appendix 3) • NDIS (Appendix 4) | 12 DEC 2017 |
| 3. Provides feedback on the Corporate Reporting finalised report (Appendix 5) | 12 DEC 2017 |

DISCUSSION

At its meeting on 10 October, the FAC was provided a draft two-year Internal Audit report detailing various projects to be audited informed by an organisational risk register. Provided below is a short summary of each audit's ambit and their intended outcomes;

Volunteer Management (Appendix 1)

As at the 2016/17 financial year, the City of Marion had 367 volunteers contributing 41,489 hours totalling \$1.1m of value. Given the significance of the value and opportunities volunteers give, this audit will focus upon arrangements currently in place to manage and oversee volunteers including;

- Attraction,
- Retention,
- Induction,
- Oversight of volunteer contribution,
- Reporting arrangements.

Contractor Management (Appendix 2)

Focussed upon the management of contractors associated with the delivery of goods and services sourced via procurement, this audit will consider the processes in place to manage compliance with;

- contract obligations,
- supplier performance,
- relationship and risk management.

The tender process is out of scope for this audit.

Regulatory (Appendix 3)

This audit will ensure Council's compliance with its regulatory function in relation to fines and enforcement for expiations issued to the public (including the waiving of fines) to identify gaps and inconsistencies between policy/procedure with actual practice.

A previous audit of Accounts Receivable (for which the parking expiations function contributed to) identified that \$17.2k in fines were waived for the 2015/16 financial year. This review will go beyond parking to include animal management and food management expiations.

NDIS (Appendix 4)

When discussing the Program for the two-year period at its last meeting, the Committee mentioned that;

- the number of residents who can access this fund provides an opportunity worth investigating
- Council needed to confirm its strategy prior to undertaking an audit

The objective of the internal audit is to consider risks and opportunities for the City of Marion to deliver the future NDIS function. It aims to clarify the estimated gap between current supply and future demand and as a consequence what Council may need to do (or not do) to meet demand. It will form several options regarding the NDIS including each options' pros/cons from;

1. Do nothing approach
2. Continue to provide an advocacy role
3. Actively pursue potential customers
4. Pursue small service delivery
5. Pursue full service model delivery

Corporate Reporting (Appendix 5)

The final report attached identified one moderate finding and three low findings. In the main, it is recommended that a strategic reporting framework be created to define how, why and what information will be reported. This will identify issues clearly and essentially allow for better-informed decision-making.

Monitoring Internal Audit Recommendations – overall status by exception

Table two below provides the status of recommendations from the 2015-2017 Internal Audit Program. There are no overdue recommendations that have been assessed as high risk.

Project	Findings	On Track	Overdue	Completed	Not Commenced	Table two – Projects not yet complete status
						Comments
Capital Works Program (2015/16)	8	1		7		The remaining recommendation had an initial due date of September 2016 but is extended to June 2018 to allow more time for implementation given its complexity and integration/implementation across the organisation. This relates to a very broad process improvement for a standardised Project Management system (Rec 5).
Payroll (2015/16)	6			6		All recommendations are now complete. Council will continue to work with Civica to pursue process improvements regarding leave arrangements.
Building Insurance & Asset Valuation (2015/16)	8	1		7		This outstanding recommendation (low risk) relates to further exploration regarding Council's insurance arrangements. A confidential report on the LGA Insurance Scheme was considered at the 14 March 2017 Council meeting. Tender documentation was prepared and went to market at the end of May 2017. AON was appointed to progress an insurance risk profiling exercise for the organisation. This is now in its final stages.
Cash Handling (2015/16)	8			8		All recommendations are now complete.
ICT – Cyber Security Maturity (2016/17)	6	6				Recommendations from this audit have varying due dates between June '17 and June '18, all are on-track.
Accounts Receivable (2016/17)	4	3		1		Three recommendations (all low risk) were reported as overdue in October 2017, and are now due in June '18. This includes implementing additional EFTPOS Machines and reporting improvements with Civica.
Purchase Cards (2016/17)	2			2		All recommendations are now complete.
Property Portfolio Management (2016/17)	7	7				The 7 recommendations (3 moderate and 4 low) are all being progressed.
Policy Review (2016/17)	7	4		3		Three recommendations are now complete (due dates of August, November and 30 December 2017). A remaining 30 December recommendation is on track (two staged process – first stage identifying status of all policies which is complete. The second stage relates to a policy process/cycle requiring ELT and Council approval scheduled for December and January 2018). The remaining three recommendations have a due date of 30 June and are on track for completion.

CONCLUSION

The Internal Audit Program provides assurance to Council (via the Committee) that projects produced by the organisation are operating in an efficient and effective matter.



KPMG ENTERPRISE

City of Marion

Internal audit project scope: Volunteer Management

10 November 2017

Internal Audit Program 2017/18: Volunteer management

In accordance with the 2017/18 Internal Audit Plan for the City of Marion (CoM), an internal audit project focussing on the CoM's management of its volunteer workforce is to be performed. The objective, scope and approach are outlined below.

Objective

The objective of the volunteer management internal audit project is to assess the arrangements in place to manage and oversee volunteers working with the CoM. It will include consideration of volunteer attraction, induction, ongoing management as well as any opportunities to increase the value attained through the volunteer workforce.

Scope of services

The scope of the volunteer management internal audit project will include consideration of the following:

- Overall strategy in relation to volunteers working with the City of Marion
- Policy and procedure framework pertaining to volunteers
- End-to-end process for volunteer management, including attraction, selection/acceptance, induction, volunteering activities and cessation, with a focus on key risks, controls and any gaps.
- Management arrangements in place to oversee volunteers
- Reporting arrangements to be able to readily report on volunteer activities.

Consideration will also be given to the overall value achieved through the use of volunteers by the City of Marion.

Approach

The approach for the volunteer management internal audit project will include:

- Review of relevant strategies, plans, policies and procedures in relation to management of CoM volunteers
- Consultation with key CoM stakeholders in relation to volunteer management, including:
 - CoM Human Resources, Manager – Stephanie Roberts
 - CoM Human Resources, Unit Manager - Rachel Read
 - CoM Volunteer Management Officer – Vanita Schwarz
 - CoM volunteer coordinators (Neighbourhood Centre x 1, Library x 1 and Graffiti x 1) and relevant supervisors
 - Volunteers (up to three to be selected by CoM project sponsor)
- Assessment of volunteer management practices against an internal audit program based on CoM policy and procedure requirements, as well as qualitative input from CoM stakeholders, covering off on the end-to-end process for volunteering with the CoM
- Consideration of management oversight and reporting arrangements
- Consideration of value achieved (and costs associated with volunteering)
- Exit meeting with the internal audit project sponsor and key stakeholders to discuss initial findings and recommendations
- Drafting and finalisation of an internal audit report outlining internal audit findings, recommendations and any performance improvement opportunities
- Presentation of the report to the CoM Finance and Audit Committee.

Timing

The proposed timing for the volunteer management internal audit project, is for the project to commence in mid-November 2017, with a draft report completed for consideration by 31 January 2018.

Resources and Budget

The team members and proposed budget for the volunteer management internal audit project are shown in the following table:

Name	Position	Hourly rate (excl. GST)	Est. hours	Sub-total (excl. GST)
Justin Jamieson	Partner	\$350	3.5	\$1,225
Jared Lawrence	Director	\$295	8	\$2,360
James Rivett	Manager	\$239	24	\$5,736
Anneliese Pedler	Senior Consultant	\$155	68	\$10,540
Total (excl. GST)			103.5	\$19,861

Please note that out-of-pocket expenses in respect to staff travel to the CoM will be on-charged at cost.

Approvals

We are in agreement with the scope document for the internal audit project focussing on CoM's management of volunteers.

CoM Internal Audit Project Sponsor: KPMG Internal Audit Partner:

Name: Name: Justin Jamieson

Signed: Signed:

Date: Date:

Disclaimers

Inherent limitations

The services provided in connection with the engagement comprise an advisory engagement which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standards Board and consequently no opinions or conclusions intended to convey assurance will be expressed. Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the control procedures that are to be subject to the procedures we perform, will not be reviewed in its entirety and, therefore, no opinion or view is to be expressed as to its effectiveness of the greater internal control structure. The procedures to be performed are not designed to detect all weaknesses in control procedures as they are not performed continuously throughout the period and the tests performed on the control procedures are on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

No warranty of completeness, accuracy or reliability can be given in relation to the statements and representations made by, and the information and documentation provided by, City of Marion's Management and personnel. We shall seek to independently verify those sources unless otherwise noted within the report. We are under no obligation in any circumstance to update the report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed with City of Marion. The internal audit findings expressed in the report will be formed on the above basis.

Third party reliance

This scope is solely for the purpose set out above and City of Marion information, and is not to be used for any other purpose or distributed to any other party without KPMG's prior written consent. The internal audit report is to be prepared at the request of the City of Marion Strategic Risk and Internal Audit Group or its delegate in connection with our engagement to perform internal audit services as detailed in the engagement contract. Other than our responsibility to City of Marion, neither KPMG nor any member or employee of KPMG undertakes responsibility arising in any way from reliance placed by a third party, including but not limited to City of Marion's external auditor, on the internal audit report. Any reliance placed is that party's sole responsibility.



KPMG ENTERPRISE

City of Marion

Internal audit project scope: Contractor Management

4 December 2017

Internal Audit Program 2017/18: Contractor management

In accordance with the 2017/18 Internal Audit Plan for the City of Marion (CoM), an internal audit project focussing on CoM's contractor management is to be performed. The objective, scope and approach are outlined below.

Objective

The objective of the contractor management internal audit project is to assess the CoM's overall management framework in place to manage contractors with a view to providing recommendations to strengthen the framework for managing contracts, and managing risk, across the organisation.

The internal audit project will include consideration of processes in place to manage compliance with contract obligations, supplier performance, relationship management, reporting, contract renewal (contract register) and risk management.

Scope of services

The scope of the contractor management internal audit project will include consideration of the CoM's overall management framework for managing contractors, including:

- Policy and procedures in relation to contractor management
- Overall organisation structure, resources, roles and responsibilities in relation to contract management (including skills, experience and training)
- Contractor management and administration systems and processes (including tools and templates)
- Induction and workplace health and safety practices in relation to contractors
- Contractor management including service delivery performance and relationship management, as well as payment of contractors

- Contractor-related risk assessment and management
- Oversight and reporting processes in relation to contractor management.

Scope exclusions:

Please note that the scope of this internal audit is focussed on the CoM's management of contractors associated with delivery of goods and services sourced via procurement and excludes management of contracts associated with leases or licences or in relation to employment contracts.

Approach

The approach for the contractor management internal audit project will include:

- Review of relevant policies and procedures in relation to the CoM's contractor management activities
- Consultation with key CoM stakeholders in relation to contractor management including with procurement representatives and relevant contract/project managers for nominated contracts
- Assessment, based on a sample approach, of contractor management based on nominated contracts (contractors will be selected based on value and risk associated with the services provided to the CoM. We will also work with the CoM project sponsor to agree contracts to be considered as well as randomly sample one contract).
- Assessment of nominated contracts against an internal audit program (based on compliance with CoM policy and procedures and overall contractor management framework elements).
- Assessment of contract renewal processes.



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- Exit meeting with the internal audit project sponsor and key stakeholders to discuss initial findings and recommendations
- Drafting and finalisation of an internal audit report outlining internal audit findings, recommendations and any performance improvement opportunities
- Presentation of the report to the CoM Finance and Audit Committee.

Timing

The proposed timing for the contractor management internal audit project, is for the project to commence in late November 2017, with a draft report completed for consideration in January 2018.

Resources and Budget

The team members and proposed budget for the CoM contractor management internal audit project are shown in the following table:

Name	Position	Hourly rate (excl. GST)	Est. hours	Sub-total (excl. GST)
Justin Jamieson	Partner	\$350	4	\$1,400
Jared Lawrence	Director	\$295	16	\$4,720
James Rivett	Manager	\$239	28	\$6,692
Anneliese Pedler	Senior Consultant	\$155	65	\$10,075
Total (excl. GST)			113	\$22,887

Please note that out-of-pocket expenses in respect to staff travel to the CoM will be on-charged at cost.

Approvals

We are in agreement with the scope document for the internal audit project focussing on CoM's contractor management.

CoM Internal Audit Project Sponsor: KPMG Internal Audit Partner:

Name:

Name: Justin Jamieson

Signed:

Signed:

Date:

Date:

Disclaimers

Inherent limitations

The services provided in connection with the engagement comprise an advisory engagement which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standards Board and consequently no opinions or conclusions intended to convey assurance will be expressed. Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the control procedures that are to be subject to the procedures we perform, will not be reviewed in its entirety and, therefore, no opinion or view is to be expressed as to its effectiveness of the greater internal control structure. The procedures to be performed are not designed to detect all weaknesses in control procedures as they are not performed continuously throughout the period and the tests performed on the control procedures are on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

No warranty of completeness, accuracy or reliability can be given in relation to the statements and representations made by, and the information and documentation provided by, City of Marion's Management and personnel. We shall seek to independently verify those sources unless otherwise noted within the report. We are under no obligation in any circumstance to update the report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed with City of Marion. The internal audit findings expressed in the report will be formed on the above basis.

Third party reliance

This scope is solely for the purpose set out above and City of Marion information, and is not to be used for any other purpose or distributed to any other party without KPMG's prior written consent. The internal audit report is to be prepared at the request of the City of Marion Strategic Risk and Internal Audit Group or its delegate in connection with our engagement to perform internal audit services as detailed in the engagement contract. Other than our responsibility to City of Marion, neither KPMG nor any member or employee of KPMG undertakes responsibility arising in any way from reliance placed by a third party, including but not limited to City of Marion's external auditor, on the internal audit report. Any reliance placed is that party's sole responsibility.



KPMG ENTERPRISE

City of Marion

Internal audit project scope:

Regulatory Fines & Enforcements

1 December 2017

Internal Audit Program 2017/18: Regulatory Fines & Enforcement

In accordance with the 2017/18 Internal Audit Plan for the City of Marion (CoM), an internal audit project focussing on CoM's regulatory fines and enforcements is to be performed. The objective, scope and approach are outlined below.

Objective

The objective of the regulatory fines and enforcement internal audit project is to assess the risks and controls associated with the CoM's overall management and administration of fines and enforcement processes, including fines waiving.

Scope of services

The scope of the regulatory fines and enforcements internal audit project will include consideration of the CoM's overall regulatory framework for managing fines and enforcements, including:

- Policy and procedures in relation to regulatory fines and enforcements
- Overall organisation structure, resources, roles and responsibilities in relation to regulatory fines and enforcements
- Processes for issuing and recording of regulatory fines and enforcements
- Processes for appeals and waiving of regulatory fines and enforcements
- Oversight and reporting processes in relation to regulatory fines and enforcements.

Approach

The approach for the regulatory fines and enforcements internal audit project will include:

- Review of relevant policies and procedures in relation to the CoM's regulatory fines and enforcements
- Consultation with key CoM stakeholders in relation to regulatory fines and enforcements
- Performing walk-throughs and sample testing, where appropriate, to validate our understanding and check the design and operating effectiveness of controls associated with CoM's regulatory fines and enforcements processes
- Exit meeting with the internal audit project sponsor and key stakeholders to discuss initial findings and recommendations
- Drafting and finalisation of an internal audit report outlining internal audit findings, recommendations and any performance improvement opportunities
- Presentation of the report to the CoM Finance and Audit Committee.

Timing

The proposed timing for the regulatory fines and enforcements internal audit project, is for the project to commence in January 2018, with a draft report completed within one month of fieldwork completion.

Resources and Budget

The team members and proposed budget for the CoM regulatory fines and enforcements internal audit project are shown in the following table:

Name	Position	Hourly rate (excl. GST)	Est. hours	Sub-total (excl. GST)
Justin Jamieson	Partner	\$350	2	\$700
Jared Lawrence	Director	\$295	6	\$1,770
James Rivett	Manager	\$239	20	\$4,780
Anneliese Pedler	Senior Consultant	\$155	56	\$8,680
Total (excl. GST)			84	\$15,930

Please note that out-of-pocket expenses in respect to staff travel to the CoM will be on-charged at cost.

Approvals

We are in agreement with the scope document for the internal audit project focussing on CoM's regulatory fines and enforcements.

CoM Internal Audit Project Sponsor: KPMG Internal Audit Partner:

Name: Name: Justin Jamieson

Signed: Signed:

Date: Date:

Disclaimers

Inherent limitations

The services provided in connection with the engagement comprise an advisory engagement which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standards Board and consequently no opinions or conclusions intended to convey assurance will be expressed. Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the control procedures that are to be subject to the procedures we perform, will not be reviewed in its entirety and, therefore, no opinion or view is to be expressed as to its effectiveness of the greater internal control structure. The procedures to be performed are not designed to detect all weaknesses in control procedures as they are not performed continuously throughout the period and the tests performed on the control procedures are on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

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KPMG ENTERPRISE

City of Marion

Internal audit project scope:

National Disability

Insurance Scheme:

Risk and opportunities

7 December 2017

Internal Audit Program 2017/18: National Disability Insurance Scheme

In accordance with the 2017/18 Internal Audit Plan for the City of Marion (CoM), an internal audit project focussing on the National Disability Insurance Scheme (NDIS) and what are the implications, both risk and opportunity focussed, for the CoM. The objective, scope and approach are outlined below.

Objective

The objective of this internal audit projects is to consider both the risks and opportunities in relation to the rollout of the NDIS in South Australia, and across the CoM's jurisdiction. It will include high-level consideration of the role(s) that the CoM could play in the future under the NDIS.

Scope of services

The scope of the NDIS risk and opportunities internal audit project will include the following key activities:

- High-level market analysis of:
 - Current market demand and estimate of future growth for services
 - Market supply based on current service providers
 - Estimated gap between current supply and future demand, and therefore future supply growth required to meet demand
 - NDIS service rates compared to key services
- Consideration of different roles that CoM could play across the range of options from:
 - Do nothing
 - Play an advocacy role

- Play an active role in directing potential consumers to service providers in the market place
- Service delivery – small scale in niche service areas
- Full service model employing multiple service practitioners
- Identification of key NDIS risks and opportunities in relation to market supply/demand and potential options, and high-levels next steps for CoM to consider.

Approach

The approach for the NDIS internal audit project will include:

- Discussions with key CoM stakeholders to understand service delivery strategies and potential options under the NDIS
- Leveraging our market knowledge and tailoring our tools/models to perform the high-level supply and demand analysis, and identify gaps
- Exit meeting with the CoM project sponsor and key stakeholders to discuss initial findings and recommendations
- Drafting and finalisation of an internal audit report
- Presentation of the report to the CoM Finance and Audit Committee.

Timing

The proposed timing for the volunteer management internal audit project, is for the project to commence in late January 2018, with a draft report completed for consideration by 28 February 2018.



DRAFT

Resources and Budget

The team members and proposed budget for the NDIS internal audit project are shown in the following table:

Name	Position	Hourly rate (excl. GST)	Est. hours	Sub-total (excl. GST)
Ben Wallace	Partner*, Management Consulting	\$350	10	\$3,500
Jared Lawrence	Director, Internal Audit	\$295	2	\$590
Liana France	Associate Director* Management Consulting	\$255	56	\$14,280
Anneliese Pedler	Senior Consultant, Internal Audit	\$155	75	\$11,625
Total (excl. GST)			143	\$29,995

Please note that out-of-pocket expenses in respect to staff travel to the CoM will be on-charged at cost.

*Please note that Ben Wallace and Liana France are part of KPMG's Management Consulting practice specialising in Health and Human Services, including leading KPMG's service delivery in respect of the National Disability Insurance Scheme.

Approvals

We are in agreement with the scope document for the internal audit project focussing on the NDIS.

CoM Internal Audit Project Sponsor: KPMG Internal Audit Partner:

Name:

Name: Justin Jamieson

Signed:

Signed:

Date:

Date:

Disclaimers

Inherent limitations

The services provided in connection with the engagement comprise an advisory engagement which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standards Board and consequently no opinions or conclusions intended to convey assurance will be expressed. Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the control procedures that are to be subject to the procedures we perform, will not be reviewed in its entirety and, therefore, no opinion or view is to be expressed as to its effectiveness of the greater internal control structure. The procedures to be performed are not designed to detect all weaknesses in control procedures as they are not performed continuously throughout the period and the tests performed on the control procedures are on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

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Third party reliance

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Corporate Performance Reporting Internal Audit Report

City of Marion

October 2017



Inherent Limitations

This report has been prepared as outlined in the Executive Summary of this report. The services provided in connection with the engagement comprise an advisory engagement which is not subject to Australian Auditing Standards or Australian Standards on Review or Assurance Engagements, and consequently no opinions or conclusions intended to convey assurance will be expressed. Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the control procedures that have been subject to the procedures we performed operate, has not been reviewed in its entirety and, therefore, no opinion or view is expressed as to its effectiveness of the greater internal control structure. The procedures performed were not designed to detect all weaknesses in control procedures as they are not performed continuously throughout the period and the tests performed on the control procedures are on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, City of Marion's management and personnel. We have not sought to independently verify those sources unless otherwise noted within the report. We are under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed with City of Marion. The internal audit findings expressed in this report have been formed on the above basis.

Third Party Reliance

This report is solely for the purpose set out in the Executive Summary of this report and for City of Marion's information, and is not to be used for any other purpose or distributed to any other party without KPMG's prior written consent. This internal audit report has been prepared at the request of the City of Marion Audit Committee or its delegate in connection with our engagement to perform internal audit services as detailed in the contract. Other than our responsibility to City of Marion, neither KPMG nor any member or employee of KPMG undertakes responsibility arising in any way from reliance placed by a third party, including but not limited to City of Marion's external auditor, on this internal audit status report. Any reliance placed is that party's sole responsibility.

Electronic Distribution of Report

This KPMG report was produced solely for the use and benefit of City of Marion and cannot be relied on or distributed, in whole or in part, in any format by any other party. The report is dated October 2017 and KPMG accepts no liability for and has not undertaken work in respect of any event subsequent to that date which may affect the report. Any redistribution of this report requires the prior written approval of KPMG and in any event is to be the complete and unaltered version of the report and accompanied only by such other materials as KPMG may agree. Responsibility for the security of any electronic distribution of this report remains the responsibility of City of Marion and KPMG accepts no liability if the report is or has been altered in any way by any person.

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	Page 16 Internal Audit Findings	Page 22 Appendix 1: Staff Consultation
		Page 23 Appendix 2: Classification of Findings



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In accordance with the 2015-17 Internal Audit Plan of the City of Marion (“CoM”), an internal audit focusing on corporate performance reporting has been performed. The key aspects of the internal audit are detailed below.

Objective

This internal audit focused CoM’s corporate performance reporting arrangements including how they align with the key strategies and how they cascade through the organisation as well as through to the individual. The internal audit also considered the purpose and use of the reports, escalation of issues and accountabilities.

Scope

The scope of the corporate performance reporting internal audit project included consideration of the following:

- Corporate performance reporting’s focus on a balanced set of measures and alignment to CoM’s strategic objectives and organisational KPIs
- Linkages between monthly corporate performance reports, triannual budget reviews, quarterly corporate performance reports and annual report requirements
- Presentation of concise information of a legislated versus non-legislated nature and the focus on key issues, risks and opportunities
- Consideration of the accuracy, timeliness and completeness of inputs within the reporting
- Efficiency of production, including processes of data collation, analysis and timeframes for preparation of information
- Comparison of CoM’s corporate performance reporting in the context of better practice principles.

Approach

The approach for the corporate performance reporting internal audit project included the following key phases/activities:

- Interviews with key process owners and stakeholders within the corporate performance reporting processes, including members of the Executive Leadership Team, Senior Leadership Team, Finance, Governance, Strategy & Innovation and Performance & Improvement functions.
- Review of frameworks, corporate performance reporting documentation, policies and procedures in place as well as systems/recording of information, reporting and governance structures.

Summary of Findings

The number of findings identified during the course of this internal audit project are shown in the table below. A full list of the findings identified and the recommendations made are included in this report. Classification of internal audit findings are detailed in Appendix 2 to this report.

These findings and recommendations were discussed with CoM Management responsible for the management of corporate reporting. Management has accepted the findings and has agreed action plans, responsibilities and timeframes to address the recommendations.

	Critical	High	Moderate	Low	PIO
Number of internal audit findings	-	-	1	3	-

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Internal audit findings

The following table lists internal audit findings identified through the course of the corporate performance reporting internal audit project.

	Ref	Description	Issue Owner	Target Date
1 Moderate Finding	F1	Strategic Reporting Framework	Quality Governance Coordinator	March 2018
3 Low Findings	F2	Greater emphasis is required in relation to reporting against plans/budgets, and variance and exception reporting	Quality Governance Coordinator	March 2018
	F3	Data integrity	Quality Governance Coordinator	June 2018
	F4	Review and refining of the Monthly Corporate Performance Report	Quality Governance Coordinator	June 2018

Table of Contents	Executive Summary	Background	Internal Audit Findings	Performance Improvements	A1: Staff Consultation	A2: Classification of Findings
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Council Governance and Structure

Council’s decision making process is undertaken through General Council meetings, advisory or through delegated authority to staff.

Corporate performance reporting forms the key information source upon which Council and its delegated authorities base their decision making on.

The structure of Council and its Committees is outlined below. CoM’s organisational structure, which produce the corporate performance reporting and enact Council decisions, is outlined on the following page.

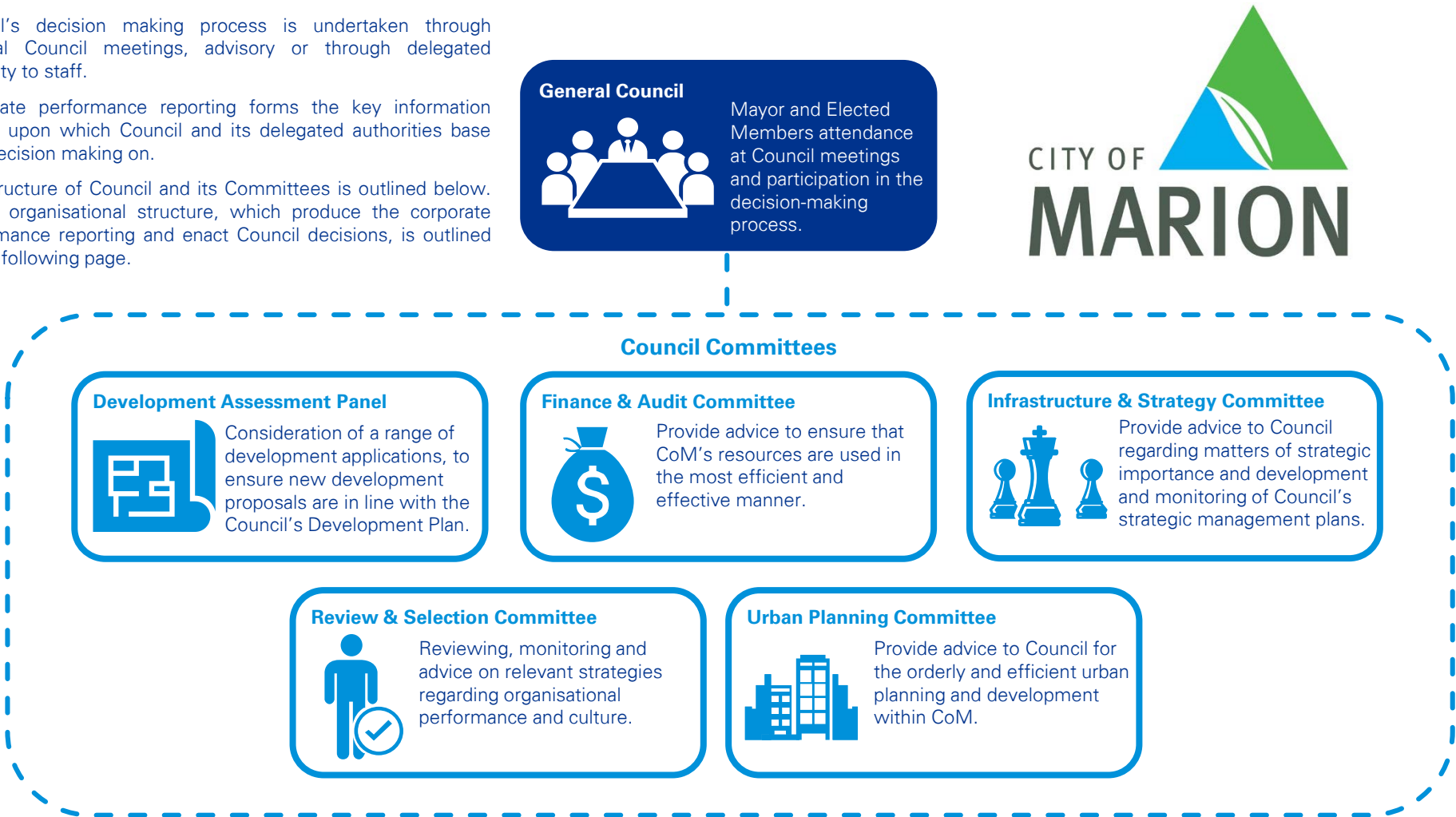


Table of Contents	Executive Summary	Background	Internal Audit Findings	Performance Improvements	A1: Staff Consultation	A2: Classification of Findings
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Organisational Structure

CoM’s organisational structure is outlined to the right, with the two leadership levels highlighted and detailed below.

Executive Leadership Team (ELT)

The ELT comprises the Chief Executive Officer and the three General Managers

Senior Leader Team (SLT)

The SLT comprises the third level managers from each of the organisational sub-units.

Corporate performance reporting is driven by the various organisational units (e.g. Finance for the monthly finance report and WHS for the monthly WHS report) and headed up by the Corporate Reporting Function, within the Corporate Governance Unit. Centralised reporting, such as the monthly Corporate Report, is prepared by the Corporate Reporting Function with input from various areas across the organisation.

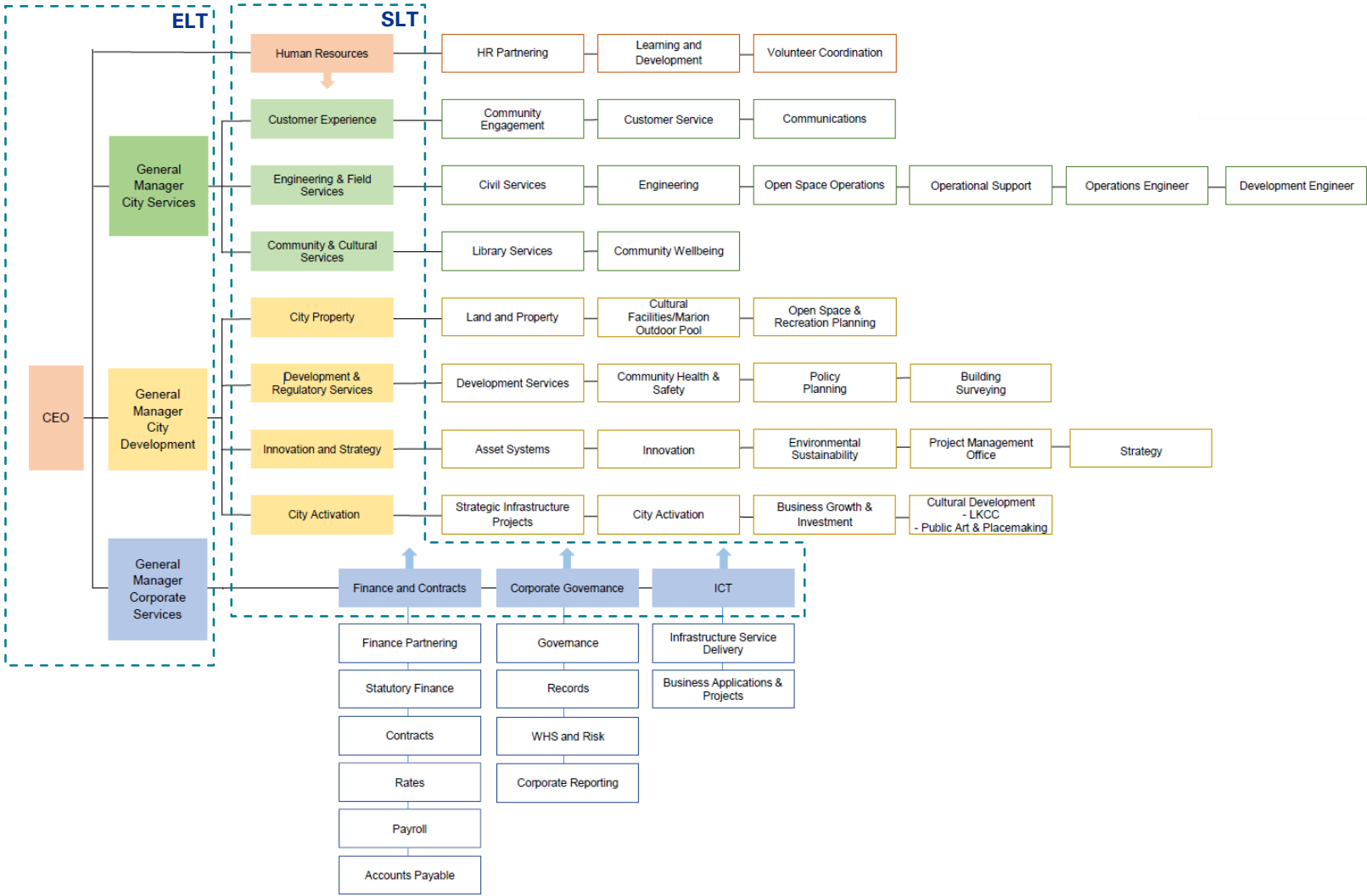


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Corporate Reporting Cycle

The reporting cycle of planning, budgeting, monitoring, review and reporting enables organisations to understand their operations and enact timely decision-making. Corporate performance reporting allows for monitoring against the organisational plans and understanding of the drivers for variances.

Planning

CoM’s strategic direction is articulated through the following documents:

- Community Vision – Towards 2040: Outlines the shared vision of the city for the next 25 years
- CoM Strategic Plan 2017-2027: Roadmap of what is going to be achieved and how this will be delivered
- CoM Business Plan 2016 – 2019: Council projects and programs to be delivered in the three year timeframe

Budgeting

Following the setting of the various elements of CoM’s strategic direction, the annual budget setting process defines the allocation of resources to the various functions, programs and projects across the Council.

Monitoring and review


Regular monitoring and review of performance, including collation of data and results in the course of day to day operations is vital to enable results to be summarised and reported on.

Reporting

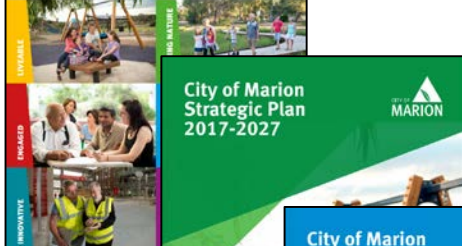
Corporate performance reporting of results against plan and budget is then prepared to enable efficient and effective decision making. Provision of this information to key stakeholders on a regular basis is vital to enable timely decisions.



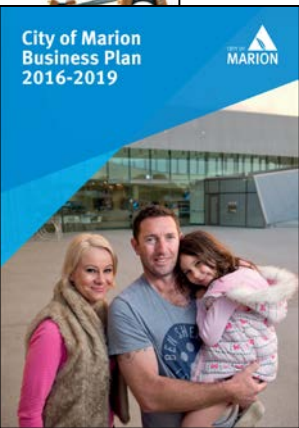
CoM’s Strategic Direction



Community Vision – Towards 2040



CoM Strategic Plan 2017-2027



CoM Business Plan 2016-2019

Monthly Corporate Report



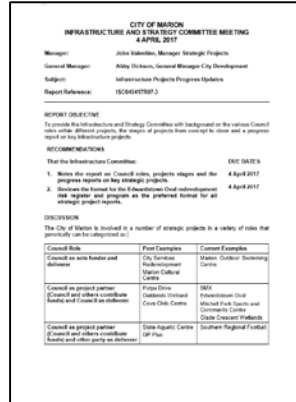
Work Plan Report



Annual Report



Infrastructure Projects Progress Updates



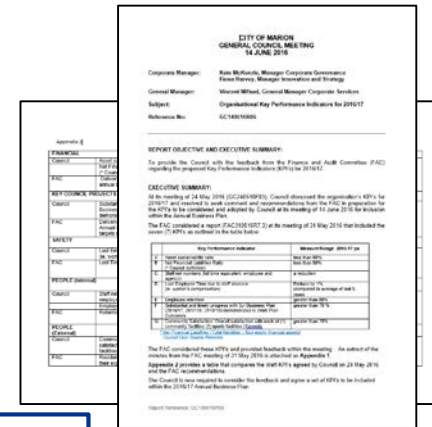
WHS Monthly Report



People & Culture Monitoring Report



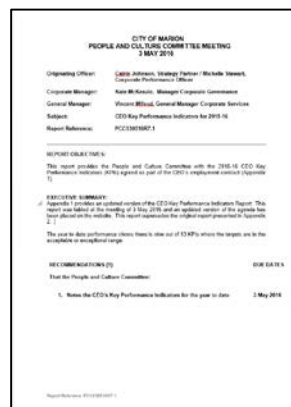
Organisational KPI Report



Current Corporate Performance Reporting

A number of the key corporate performance reports currently prepared by CoM are displayed on this page. Summaries of these various reports are included on pages 11 to 15.

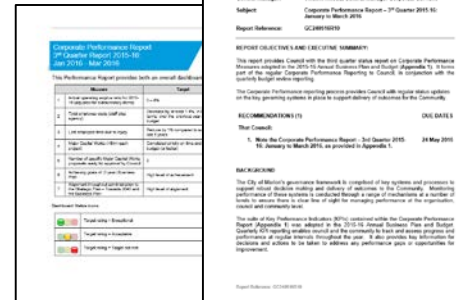
CEO KPI Report



Monthly Finance Report



Qtr Corporate Performance Report



Quarterly Budget Reviews



Table of Contents	Executive Summary	Background	Internal Audit Findings	Performance Improvements	A1: Staff Consultation	A2: Classification of Findings
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Systems Hierarchy

There are a wide variety of systems utilised across CoM by the various organisational units, with some of the key systems outlined to the right and detailed below:

Authority

Civia’s Authority is CoM primary corporate enterprise information system, utilised across a wide variety of the organisation’s functions. For example, Authority is the primary finance system used by CoM.

Authority – Asset Module

The asset management module of Authority is used for the management of CoM’s assets. This has the advantage of being integrated with the Authority finance information and can also be utilised for other information such as customer requests.

Microsoft Excel

A number of organisational units use Microsoft Excel as their primary system for recording and tracking of information.

Microsoft Excel, in addition with Microsoft Word, are also the key systems used in the preparation of CoM’s corporate performance reporting. There is significant manual handling and duplication between systems and multiple Excel spreadsheets.

OpenOffice

CoM uses Microsoft OpenOffice for its customer events management system, for the recording of interactions with customer.

Skytrust

CoM is introducing Skytrust as its system for tracking of workplace health and safety requirements including compliance activities and hazard management incidents.

Implications for Corporate Performance Reporting

The wide variety of systems makes for added complexity in CoM’s reporting, as the various systems are not interfaced or linked. This therefore requires the extraction of data and manual manipulation/consolidation to form the reporting.



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Monthly Corporate Performance Report

Overview

The CoM’s Monthly Corporate Performance Report is prepared by Governance Quality Coordinator, who compiles the report for the ELT based on manual request of information from across the business.

Reporting frequency

The report is provided to the ELT on a monthly basis.

Key items reported against

The report comprises three key sections which include:

- 1. Critical KPIs
- 2. Routine KPIs
- 3. Website KPIs and Community Consultation









There are 64 different KPIs reported in the Monthly Corporate Performance report.

A wide variety of areas of the organisation are reported on in the report, including:

- Council resolutions: City Development, Corporate Services, City Services and HR
- Customer events: Whole organisation, by divisions, events closed by City Development/Corporate Services/City Services
- Employee leave (annual, long service, sick), flexi time and rostered days off
- Lost time injuries duration and frequency
- Number of reports to council
- Customer Service Centre call and visitor statistics
- CoM website and social media activity

Dashboard status icons

A dashboard is used to rank each KPI on a scale for its target status and a trend status, in reference to a benchmark. The benchmarks are a combination of percentages, absolute values, or no applicable value allocated to a KPI due to the data not currently being available. The colour coding for the status of the KPIs is as follows:

Target Status - Performance against Target	
	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 (within 10% variance of target) 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
	No target set Collection and analysis of baseline data is underway or target setting is inappropriate
Trend Status - Performance compared to previous month's result during this financial year	
	Improving Performance has improved or maximised (i.e. is at 100%)
	Stable No change in performance
	Declining Performance has declined
	New / no previous data New measure - baseline being established during the year, or start of new financial year

KPMG Commentary

It is recommended that the Monthly Corporate Performance Report is reviewed and refined to report on key areas of the business. Refer to Finding 4 for the full detailed recommendations in relation to the Monthly Corporate Performance Report.

Table of Contents	Executive Summary	Background	Internal Audit Findings	Performance Improvements	A1: Staff Consultation	A2: Classification of Findings
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CEO Key Performance Indicators Report

Overview

The CEO Key Performance Indicators (KPIs) report evaluates 10 KPI’s plus 13 additional projects the organisation. It is prepared by the Governance Quality Coordinator and reviewed by the Manager Human Resources, Manager Corporate Governance, General Manager Corporate Services and CEO.

Reporting frequency

The report is provided to the Review and Selection Committee (formerly known as the People and Culture Committee), with the CEO’s KPIs agreed as part of the CEO’s employment contract.

Key items reported against

An example of the 13 additional projects reported on for 2016-17 were as follows:

1. Commencing community land revocation on at least 4 parcels of land
2. Substantial completion of Hallett Cove Foreshore project
3. Fully expending \$500,000 Streetscape budget by 30 June 2017
4. Development of a concept plan for railway terrace
5. 90% of Council Resolutions completed by the due date.
6. At least 12 Major Service Reviews completed in the 12 Months from November to November.
7. Best endeavours to negotiate public use of Glenthorne.
8. Improved format and clarity of reports coming to General Council.
9. Report results of tennis and netball review to council by the end of April 2017 for budget allocation
10. Marion Outdoor Pool Masterplan costed and brought to council for decision

11. IT improvements allowing EM’s to blog in relevant categories and easily search for historical reports
12. Demonstrated increased savings from Council Solutions and / or Council collaborations.
13. Business case (cost benefit) for Council’s LGA membership completed by the end of February 2017.

It has been resolved to seek to align the Corporate KPIs with the CEO’s, when the 2016-2017 end of year CEO performance review has been concluded in November 2017.

Dashboard status icons

Each KPI is ranked with dashboard status (as shown below) using a traffic light system of red, amber, green representing exceptional, acceptable or target not met. Blue is used to represent ‘target not set’. Each quarter’s report tracks each quarter’s performance as well as the year-to-date result for the KPI. There is a background section of narrative for each KPI as narrative provided to detail current month and year to date’s performance.

KPMG commentary

The CEO KPIs are separate to the Organisational KPIs, although there is some duplication across the categories. This is a mandatory report, due to the contractual terms for the CEO as part of the employment contract.





	Target rating = Exceptional
	Target rating = Acceptable
	Target rating = Target not met
	No target set

Table of Contents	Executive Summary	Background	Internal Audit Findings	Performance Improvements	A1: Staff Consultation	A2: Classification of Findings
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Organisational Key Performance Indicators Report

Overview

The Organisational KPIs report reports on six Corporate Performance Measures which form part of the regular reporting to council, in conjunction with the quarterly budget review reporting. It is prepared by the Governance Quality Coordinator and reviewed by the Manager Corporate Governance and GM Corporate Services.

Reporting frequency

The Corporate Performance Report (Organisational KPIs) report is provided to General Council on a quarterly basis.

Key items reported against

KPIs 2016-17 were:

- A. Delivery within 5% parameters of agreed annual budget
- B. Delivery of agree projects identified in the Annual Business Plan and the first year targets in the 3-year plan
- C. Lost time injury frequency rate (LTIFR)
- D. Staff net numbers (Full Time Equivalent (FTE), employee and agency
- E. Retention of key staff
- F. Community satisfaction. Overall Satisfaction of each (1) community facilities, (2) sports facilities and (3) events.

Dashboard status icons

Each KPI is ranked with dashboard status icons (consistent with dashboard used for the CEO KPI report – refer to previous page). There is a background section of narrative for each KPI which provides context to what is being measures as well as narrative provided to detail current month and year to date’s performance.

KPMG commentary

The Organisational KPIs have some cross over with the CEO KPIs, although their separation from the KPIs included in the monthly Corporate Performance Report creates a misalignment on what KPIs are important to the organisation.

Quarterly Budget Reviews

Overview

The Budget Reviews are reported to General Council to provide a revised forecast of the original budget. It is prepared by the Unit Manager Finance Partnering and reviewed by the Manager Finance and Contracts and the General Manager Corporate Services.

Reporting frequency

The Budget Review is provided to General Council on a quarterly basis.

Key items reported against

- Framework
- Cash result
- Operating result
- Capital budget
- Borrowings
- Reserves
- Investment income
- Employee costs
- Contractual services
- Corporate KPIs – Performance against Council’s adopted budget.

KPMG commentary

The budget reviews include quantitative data, with additional qualitative commentary and explanations provided for the variances within the report and the underlying causal factors. The report provides the audience with analysis to enable decision making as a result of the information.

Additional Corporate Performance Reporting

In addition to the core corporate performance reports outlined on the previous pages, there are a variety of other reports prepared across the various organizational units, including the following reports:

Report	Overview	Reporting Frequency	Report Audience	Key Items Reported against	KPMG Commentary
Finance report	Presented to provide Elected Members with key financial information to assist in monitoring Council's financial performance.	Monthly	General Council	Major projects, comprising: <ul style="list-style-type: none"> Projects approved with a Section 48 Prudential Report. Whole of life >\$4m. Project life >12 months. 	The report provides only a small amount of information to justify separate reporting.
WHS Performance Report	To provide Council assurance of the strategies to meet its legal WHS Act (2012) obligations and monitor its WHS related KPI.	Monthly	General Council	<ul style="list-style-type: none"> WHS audit results Lost Time Injuries WHS Management Strategy 	The report promotes the 'Think Safe Live Well' program vision and "Zero harm with enhanced wellbeing" strategies of CoM.
Risk Working Group	Reporting provided (agendas, minutes etc.) by the Risk Working Group to the ELT.	Bi-monthly	ELT	<ul style="list-style-type: none"> WHS Management Systems Review 	The Group focuses on corporate risks, internal audit, business continuity planning and emergency management.
Lost Time Injuries (LTI) (informal reporting)	Informal reporting provided by the Unit Manager Risk to the ELT – noted as part of the minutes.	Fortnightly	ELT	<ul style="list-style-type: none"> LTIs WHS Incidents Wellbeing Other items, as applicable 	CoM may consider if this information should be formalised as part of a report or not by seeking the ELT's input on how this is being done.

Additional Corporate Performance Reporting (continued)

In addition to the core corporate performance reports outlined on the previous pages, there are a variety of other reports prepared across the various organizational units, including the following reports:

Report	Overview	Reporting Frequency	Report Audience	Key Items Reported against	KPMG Commentary
Elected Members Report	Produced to align with Section 4.19/4.20 of the Audit Committee Terms of Reference.	Each F&AC meeting (approx. 4 per year)	Finance and Audit Committee	<ul style="list-style-type: none"> All Council decisions made relevant to the Audit Committee's Terms of Reference. 	Reporting is in line with the Terms of Reference for the Finance and Audit Committee.
People & Culture Monitoring Report	Received by the Review and Selection Committee in the form of the CEO KPIs and Council receives in the form of the Organisational KPIs.	Each Review & Selection Committee meeting (approx. 3 per year)	Review & Selection Committee	<ul style="list-style-type: none"> FTE Employee turnover and retention Leave liabilities LTI frequency rate 	The information summarises information included in a number of other reports e.g. Corporate Performance Report.
Infrastructure Projects Progress Update	Outlines the Council's role in various projects, stages of projects and progress reporting.	Approx. Monthly	Infrastructure and Strategy Committee	<ul style="list-style-type: none"> Project risk registers and programs (as applicable) Project progress reports Work Area Plans Summary Report 	The report provides vital status reporting across the wide range of infrastructure and strategic projects,
Annual Report	Document of accountability to show CoM's performance for the past financial year.	Annual	External stakeholders	<ul style="list-style-type: none"> Progress against the Community Plan – Towards 2040 Financial Statements 	The annual report is prepared to provide the community and stakeholders with a summary of CoM's performance.

Table of Contents	Executive Summary	Background	Internal Audit Findings	Performance Improvements	A1: Staff Consultation	A2: Classification of Findings
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Finding 1 – Strategic Reporting Framework

Moderate

Finding(s)	Recommendation(s)	Agreed Management Action(s):
<p>The CoM’s corporate reporting arrangements are not operating at their optimum. Based on our review of reports, and feedback from stakeholders across the organisation, the CoM corporate reporting challenges include:</p> <ul style="list-style-type: none">Manual handling of reporting data which is cut and paste and manipulated differently for different reports creates duplicated effort by staff.Multiple and constant requests from across the organisation for reporting information. People are constantly being requested to produce reports which are then handed over the fence and there is no visibility in relation to what is done with the information.Lack of clearly defined roles, responsibilities and accountabilities in relation to reports. In particular, there was an observation that the way in which reporting is currently performed, there is lack of accountability for reports (and more importantly) for subsequent management and decision-making.There are too many reports, and reports do not readily relate to one another with many reports containing the same or similar information (or worse, inconsistent information).Significant time and resources are expended in relation to reporting across the organisation, much of which is spent on unproductive tasks.Existing corporate reports appear to have evolved over time, and are currently based more on historic reasons rather than on what the organisation needs to function effectively. <p>KPMG notes there are also additional management groups and committees not captured under the banner of corporate reporting, such as the WHS committee, ICT Steering Committee and the Project Control Group.</p>	<p>It is recommended that the CoM develops a ‘strategic reporting framework’ which describes the key principals in relation to reporting, including covering off on why report in the first instance, what is reported, who is accountable, when/how often reports are produced, etc. It should be noted that reporting needs to be considered as part of the overall planning, budgeting, reporting and overall business performance management processes. That is, reporting should directly relate to the CoM’s strategic planning and objectives, budgeting and work areas plans, not be seen as a standalone activity.</p> <p>The strategic reporting framework should cover all key aspect of reporting including:</p> <ul style="list-style-type: none">Aligned with strategic plans and long-term financial planCEO KPIs and Organisational KPIsAnnual business plan and planning framework (i.e. work area plans)Governance structures – Council (Council, Infrastructure and Strategy Committee, Review and Selection Committee, Finance and Audit Committee, Urban Planning Committee, Development Assessment Panel)Governance structures - Administration (e.g. Executive Leadership Team (ELT), Senior Leadership Team (SLT), Leadership Team (LT), Risk Working Group)Organisation structure/functional reporting requirements –City Services, City Development and Corporate Services and Human Resources (and cascaded down to the functional teams/units)Consideration of additional management groups and committees and their reporting requirements.	<p>Agreed that a Strategic Corporate Reporting framework is fundamental.</p> <p>The framework will need to be developed in consultation ELT and other senior staff.</p> <p>Responsibility:</p> <p>Quality Governance Coordinator</p> <p>Target date:</p> <p>March 2018</p>

Finding 2 – Greater emphasis is required in relation to reporting against plans/budgets, and variance and exception reporting

Low

Finding(s)

Current corporate performance reporting is not centred around the reporting of results against plans/budgets, often with a lack of focus or absence of variances and/or reporting by exception.

Based on review of the corporate performance reporting prepared, there was often a lack of narrative for the analysis and explanation of variances being reported. Other data is also reported within the current corporate performance reporting without reference to a specific plan/budget/benchmark making any meaningful analysis difficult.

This issue is partially the result of a segregation in the source of the data, the preparation of the data and the preparer of the overall report being produced. Staff providing data are often not aware of the specific reason for the data requested, nor the final destination of where and how the data will be reported.

An increased focus on reporting of variances and exceptions will assist in the reduction of volume of data reported and increase the quality of data provided for analysis and decision-making.

Recommendation(s)

It is recommended that corporate performance reporting is reviewed and revised (refer to Finding 1 – Strategic Reporting Framework) with a focus on the reporting of results against plans/budgets, with a key focus on variance and exception reporting.

Agreed Management Action(s):

Monthly performance reporting is in place for the following;

1. Work Area Plans (WAPS) – (new tool as managed by Strategy & Innovation)
2. WHS (from 1 July 2017)
3. Budgeting variance

Accountability for the review and auctioning of these reports lies with each SLT Manager and their respective General Managers with commentary and analysis being provided for variances and current status updates.

This reporting should be acknowledged/addressed in the framework documentation (Finding 1).

Responsibility: Quality Governance Coordinator

Target date: March 2018

Finding 3 – Data integrity

Low

Finding(s)

There are issues in relation to the integrity of data across CoM's corporate performance reporting, which are caused by the following factors:

1. No 'single source of truth'

There are different measures currently used based on the same source data for different reporting purposes. There is 'no single source of truth' or agreement on what should be reported on for each area/subject.

2. Timeliness

There is often a time lag between when the initial event occurring, data being collated and reporting of this data through to the relevant audience. This is often due to the volume of reporting currently being produced.

3. Systems

A wide variety of systems are used to obtain data for CoM's corporate reporting, including Authority, the Customer Events system, end-user computing (spreadsheets) etc. There are no linkages between these systems.

4. Manual manipulation of data

The data extracted from the various systems, as noted above, will often require manual manipulation to create the figures required for current reporting requirements. Additional handling and manipulation increases the risk of errors in the data reported.

Recommendation(s)

Recommendations:

1. A review is undertaken to agree on a 'single source of truth' for each measure to be reported on across CoM. By removing the duplication of reporting measures, it will enable increased integrity, transparency and validity of corporate performance reporting.
2. Through the implementation of the recommended 'Strategic Reporting Framework' (refer Finding 1), the time taken to produce reporting should be assessed. The assessment and revision of CoM's agreed corporate performance reporting should focus on prioritising the timeliness in which reporting can be produced.
3. CoM investigate the ability to optimise the use of the systems, through development of purpose-built reporting (e.g. from Authority), to reduce the level of manual manipulation of data.
4. Through the optimisation of systems, and agreement a 'single source of truth' for each reported area/item, CoM should focus on reducing the level of manual manipulation of data used for corporate performance reporting.

Agreed Management Action(s):

1. Agreed. This will be addressed within the Framework (Finding 1).
2. Agreed.
3. Agreed.
4. Agreed.

Responsibility: Quality Governance Coordinator

Target date: June 2018

Finding 4 – Review and refining of the Monthly Corporate Performance Report

Low

Finding(s)

A number of significant issues were observed in relation to the Monthly Corporate Performance Report including the following:

- The report combines many different KPIs from different parts of CoM operations which makes the report difficult to read and understand. For example, of the total of 64 individual KPIs including in the monthly report, different areas include finance-related measures, customer events, Council matters, development applications training, work health safety, leave, customer service centre, capital budget, properties, digital and social media.
- The number of KPIs (64) is too many in a single report
- Many of the KPIs do not have targets (or budget), so there is no reference to whether CoM is performing well or otherwise against the targets.
- There is a mixture of absolute and percentages which adds complexity to interpreting the report
- The trend analysis doesn't reference what period the trend is against (e.g. previous month, previous month prior year)
- The report numbering does not align between the critical KPI's reported in table form and the corresponding graphical representation which makes it difficult to match up.

(continued next page)

Recommendation(s)

It is recommended that the Monthly Corporate Performance Report is reviewed and refined to report on key areas of the business. Essentially, this internal audit report recommends that the Monthly Corporate Performance Report is no longer produced, and instead it is replaced by a more deliberate, logical and complete set of KPIs.

This recommendation includes, but is not limited to:

- Agreeing key reports
- Customer and community (including digital / social media)
- Council related KPIs
- People and Culture (including WHS)
- Finance

It is recommended that these reports are produced directly by functional areas as standalone reports. There does not appear to be any benefits in grouping together unrelated KPIs into a single report via a centralised coordinator position, which appears to contribute to double handling and manual processes.

(continued next page)

Agreed Management Action(s):

Agreed. This will be addressed as a result of the development and implementation of a strategic corporate reporting framework.

Finding 5 – Review and refining of the Monthly Corporate Performance Report (continued)

Low

Finding(s)

- The rational between categorisation of critical KPIs and routine KPIs appears to be problematic from a lay person's perspective. For example, the number one critical KPI reported in the monthly corporate report is overdue debtors. Overdue debtors is less than \$100k in total for the organization (30 June 2016). Conversely, in the routine KPIs report section, one of the KPIs related to percent capital budget variance which was reported as greater than 55% (July 2016) which is in the millions of dollars.
- There are no actions or commentary where KPIs are not meeting targets.
- A general observation is that the report does not appear to be aligned with what is important in relation to the key drivers of the organisation. It appears to be mix of unrelated, disparate KPIs bundled together under the title of the CoM Monthly Corporate Performance Report.

Recommendation(s)

It is recommended that the CoM considers separating out the Website KPIs and Community Consultation report and re-considers the overall context, purpose, audience, data and decision-making in relation to the website. This data is currently reported monthly. KPMG considers that this report may reside as more of an annual report process on Social Media.

Reporting on website and community consultation should be focused on risks and opportunities, not simply on data in terms of the number of website "hits", number of Facebook "likes" etc. The CoM presence on the internet and social media should be closely monitored by the relevant personnel within the CoM who are responsible for its online activity.

It is recommended that relevant personnel monitor digital and social media activity, and report based on both (i) exceptions to approved plans and targets and (ii) social media risk

Agreed Management Action(s):

(refer previous page).

Responsibility: Quality Governance Coordinator

Target date: June 2018

Table of Contents	Executive Summary	Background	Internal Audit Findings	Performance Improvements	A1: Staff Consultation	A2: Classification of Findings
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There were no Performance Improvement Observations identified as part of the internal audit.

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The table below summarises City of Marion personnel who were involved in discussion and contributed to the findings detailed in this Internal Audit Report.



Name		Title	
Adrian Skull	Chief Executive Office	John Valentine	Manager Strategic Projects
Tony Lines	General Manager City Services	Deborah Horton	Quality Governance Coordinator
Abby Dickson	General Manager City Development	Sherie Walczak	A/Manager Governance and Records
Vincent Mifsud	General Manager Corporate Services	David Harman	Unit Manager Statutory Finance and Payroll
Mathew Allen	Manager Engineering & Field Services	Rachel Read	Human Resources Partner
Ray Barnwell	Manager Finance and Contracts	Helen Dabek	Support Human Resources
Carol Hampton	Manager City Property	Georgie Johnson	Project Support Officer
Fiona Harvey	Manager Strategy and Innovation	Melissa Nottle-Justice	Business Improvement Officer
Jaimie Thwaites	Manager Corporate Governance		

Table of Contents	Executive Summary	Background	Internal Audit Findings	Performance Improvements	A1: Staff Consultation	A2: Classification of Findings
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The following framework for internal audit ratings has been developed and agreed with City of Marion's Management for prioritising internal audit findings according to their relative significance depending on their impact to the process. The individual internal audit findings contained in reports will be discussed and rated with City of Marion's Management.

Rating	Definition	Examples of business impact	Action(s) required
Extreme/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 reputation. • Going concern of the business becomes an issue. • Decrease in the public's confidence in the Council. • Serious decline in service/product delivery, value and/or quality recognised by stakeholders. • 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 Council Audit Committee via the Presiding Member • Requires immediate notification to City of Marion's Chief Executive Officer. • Requires immediate action planning/remediation actions
High	Issue represents a control weakness, which could have or is having major adverse effect on the ability to achieve process objectives.	<ul style="list-style-type: none"> • Major impact on operations or functions. • Serious diminution in reputation. • Probable decrease in the public's confidence in the Council. • Major decline in service/product delivery, value and/or quality recognised by stakeholders • 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 immediate City of Marion's General Manager notification. • Requires prompt management action planning/remediation actions (i.e. 30 days)

Appendix 2 – Classification of Findings (continued)

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Executive Summary

Background

Internal Audit Findings

Performance Improvements

A1: Staff Consultation

A2: Classification of Findings

Rating	Definition	Examples of business impact	Action(s) required
Moderate	Issue represents a control weakness, which could have or is having a moderate adverse effect on the ability to achieve process objectives	<ul style="list-style-type: none"> Moderate impact on operations or functions. Reputation will be affected in the short-term. Possible decrease in the public's confidence in the Council. Moderate decline in service/product delivery, value and/or quality recognised by stakeholders. 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 City of Marion's General Manager and/or Senior Manager attention. Requires short-term management action.
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 reputation. Should not decrease the public's confidence in the Council. Minimal decline in service/product delivery, value and/or quality recognised by stakeholders. 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"> Timeframe for action is subject to competing priorities and cost/benefit (i.e. 90 days).

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CITY OF MARION
FINANCE AND AUDIT COMMITTEE
12 DECEMBER 2017

Originating Officer: Cass Gannon, Performance and Innovation Leader
Manager: Fiona Harvey, Manager Innovation and Strategy
General Manager: Abby Dickson, General Manager City Development
Subject: Service Review Program 2017/18 - Update
Report Reference: FAC121217R7.8

REPORT OBJECTIVES

To provide the Finance and Audit Committee with a progress update on the overall status of the Service Review Program for the 2017/18 financial year.

EXECUTIVE SUMMARY

The Service Review Program 2017/18 is progressing as planned, with seven reviews completed to date. The tracking on the progress of all reviews can be viewed in Appendix 1.

RECOMMENDATIONS

DUE DATES

That the Finance and Audit Committee;

1. Notes this report and the Service Review Program 2017/18 - Update - Appendix 1 **12 Dec 2017**

BACKGROUND

Council considered the '2016 – 19 Business Plan' (GC270916R03) endorsing that for the 2017/18 financial year; *'Council undertake an evaluation and review of at least 12 services to ensure they continue to provide maximum value to our community now and in the future'*.

ANALYSIS

The completion of both Open Space Transformation Phase 1 and Public Place Litter service reviews (both being presented to the Finance and Audit Committee at this meeting, via separate reports), results in seven reviews completed to date for the 2017/18 financial year.

The Customer Service review is well underway, with the following activities progressing:

- Data gathering (from multiple disparate sources), consolidation and analysis
- Consultation with customers via online and automated telephone survey
- Reviewing of internal operations and processes
- In initial stages of benchmarking with two other Councils (one interstate)

Both the Community Safety Inspectorate and Open Space Transformation Phase 2 service reviews are scheduled to commence in January 2018. The scopes for both reviews have been finalised (being presented to the Finance and Audit Committee at this meeting, via separate report).

CONCLUSION

The Service Review Program for the 2017/18 financial year is progressing as planned, with seven reviews completed to date.

Report Reference: FAC1212177.8



Service Review Program 2017/18 Update

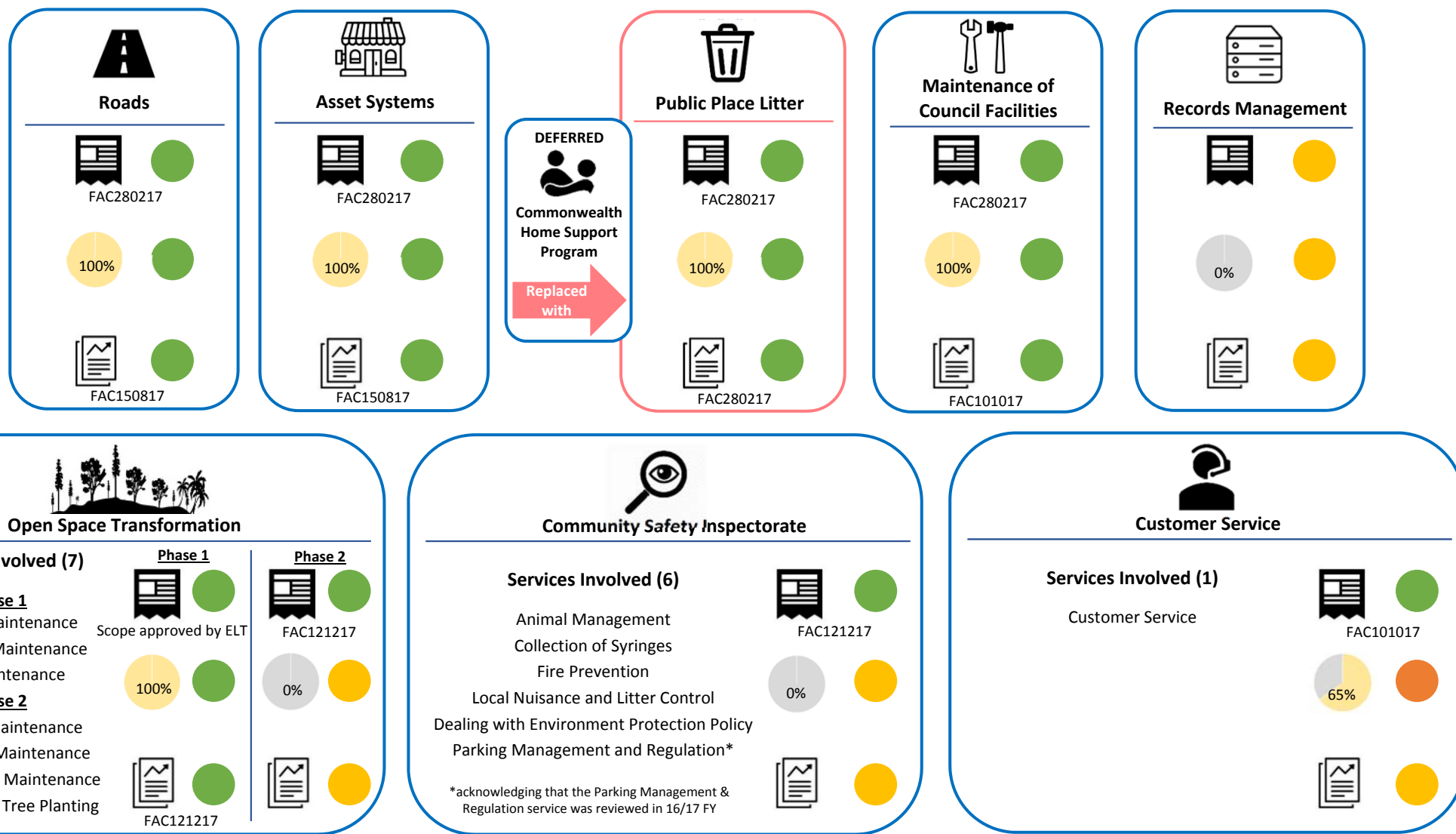
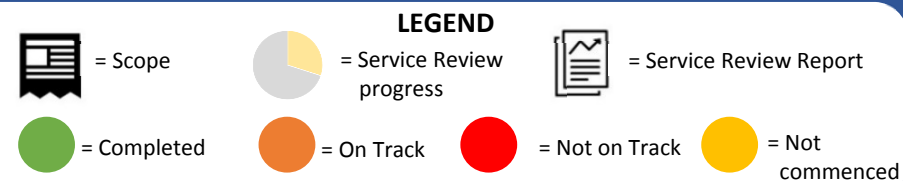
Appendix 1

How are we progressing overall
with service reviews?

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19
Total
service reviews



How are we progressing per service review?



**CITY OF MARION
FINANCE & AUDIT COMMITTEE MEETING
12 DECEMBER 2017**

Originating Officer: Cass Gannon, Performance and Innovation Leader

Manager: Fiona Harvey, Manager Innovation and Strategy

General Manager: Abby Dickson, General Manager City Development

Subject: Service Review – Scopes

Report Reference: FAC121217R7.9

REPORT OBJECTIVES

To provide the Finance and Audit Committee with the Service Review scope for both Community Safety Inspectorate and Open Space Transformation Phase 2 for their review and feedback.

EXECUTIVE SUMMARY

The Performance and Innovation Team have worked with the relevant Managers of the services and the Executive Leadership Team to develop the scopes.

RECOMMENDATIONS

DUE DATES

That the Finance & Audit Committee;

- | | |
|--|--------------------|
| 1. Provide feedback on the Service Review – Scope – Community Safety Inspectorate (Appendix 1) | 12 Dec 2017 |
| 2. Provide feedback on the Service Review – Scope – Open Space Transformation Phase 2 (Appendix 2) | 12 Dec 2017 |

BACKGROUND

Council considered the '2016 – 19 Business Plan' (GC270916R03) endorsing that for the 2017/18 financial year; *'Council undertake an evaluation and review of at least 12 services to ensure they continue to provide maximum value to our community now and in the future'*.

ANALYSIS

The completion of the Community Safety Inspectorate and Open Space Transformation Phase 2 service reviews will result in the review of ten individual services by May 2018.

Both service reviews are scheduled to commence in January 2018, with reports provided to the May 2018 meeting of the Finance and Audit Committee. The areas of focus for each service review will be on the following (note a level of standardisation in approach):

Community Safety Inspectorate

This service review will encompass six services, all managed by the Community Safety Inspectorate Team including Animal Management, Collection of Syringes, Fire Prevention, Local Nuisance and Litter Control, Dealing with Environment Protection Policy and Parking Management and Regulation¹.

The focus of the service review will be to:

- Review and understand the current level of service
- Review current delivery against statutory obligations (in conjunction with the Internal Audit – Regulatory Fines and Enforcements)
- Investigate opportunities across the team (including business support) to improve service levels, productivity, quality, value, risk management and customer experience
- Identify opportunities to implement program, productivity and quality systems, tools and processes
- Define meaningful and sustainable metrics for the inspectorate function
- Explore technology and mobile based solutions for work capture, increased efficiencies and reporting
- Explore the opportunity to utilise call centre resources to address customer needs at first point of contact and support generic work rather than referring jobs to specialist roles (note - link with Customer Service – Service Review)
- Consult with Elected Members on the desired focus and service levels
- Investigate councils Australia wide for innovative service delivery models and approaches that can be adapted for use in our own inspectorate function

Open Space Transformation Phase 2

This service review will encompass four services, all managed by the Open Space Operations Team including Irrigation Maintenance, Playground Maintenance, Sensitive Sites Maintenance and Annual Street Tree Planting.

The focus of the service review will be to:

- Investigate opportunities to improve service levels, productivity, quality, value, risk management and customer experience
- Identify opportunities to implement program, productivity and quality systems, tools and processes
- Define meaningful and achievable metrics for the open space function
- Review the use of contracted services, with a view to reduce use where work is able to be performed in the team
- Explore technology and mobile based solutions for work capture, increased efficiencies and reporting

CONCLUSION

The Service Review scope for both Community Safety Inspectorate and Open Space Transformation Phase 2 have been provided for the Finance and Audit Committee's review and feedback.

¹ Acknowledging that the Parking Management & Regulation service was reviewed in 16/17 FY

Appendix 1 - Service Review Scope

Community Safety Inspectorate

Service Details

Service Review Name:	Community Safety Inspectorate
Services Involved:	<ul style="list-style-type: none"> • Animal Management • Collection of Syringes • Fire Prevention • Local Nuisance and Litter Control • Dealing with Environment Protection (Air Quality) Policy • Parking Management & Regulation including dealing with abandoned vehicles (acknowledging that this service was reviewed in 16/17FY)
Senior Leadership Team Member:	Jason Cattonar, Manager Development and Regulatory Services
Executive Leadership Team Member:	Abby Dickson, General Manager City Development
Date:	November 2017

The Community Safety Team provides a broad service for community safety, through enforcement, compliance and education relating to a variety of legislation and Council's six by-laws. The major activities undertaken by the Community Safety Team includes, but is not limited to:

Animal Management: Dog and cat management, birds, poultry and other animals

Collection of Syringes: Collection and safe disposal of syringes and needle sharps

Fire Prevention: Inspection of vacant land under annual fire prevention program; and the investigation of complaints regarding both vacant land and established properties where grass and vegetation may pose a fire hazard

Local Nuisance and Litter Control: Dealing with illegally dumped litter in some circumstances; dealing with "nuisance" including noise, odour, smoke, dust, animals; dealing with unsightly premises; and granting permission for certain activities under this Act including certain matters involving events, and construction

Dealing with Environment Protection (Air Quality) Policy: Dealing with backyard burning

Parking Management and Regulation: Monitoring and enforcement of parking under Private Parking Areas Act and Australian Road Rules

Council's By-Laws: Administering Council's 6 By-Laws, which encompasses the activities listed above

Service Description:

Service Review Scope

Areas of Focus

- Review and understand the current level of service
- Review current delivery against statutory obligations (in conjunction with the Internal Audit - Regulatory Fines and Enforcements)
- Investigate opportunities across the team (including business support) to improve service levels, productivity, quality, value, risk management and customer experience
- Identify opportunities to implement program, productivity and quality systems, tools and processes
- Define meaningful and sustainable metrics for the inspectorate function
- Explore technology and mobile based solutions for work capture, increased efficiencies and reporting
- Explore the opportunity to utilise call centre resources to address customer needs at first point of contact and support generic work rather than referring jobs to specialist roles (note - link with Customer Service – Service Review)
- Consult with Elected Members on the desired focus and levels of the service
- Investigate Councils Australia wide for innovative service delivery models and approaches that can be adapted for use in our own inspectorate function

Appendix 1 - Service Review Scope

Community Safety Inspectorate

Deliverables

- Service Review report with meaningful recommendations
- Implementation plan for recommendations
- The establishment of measurable key metrics to support management in decision making

Constraints

- Availability of key stakeholders
- Ability to access and implement appropriate data and systems
- Ease of benchmarking due to differences across councils

Key Stakeholders**Internal**

- General Manager City Development
- Manager Development and Regulatory Services
- Unit Manager Community Health and Safety
- Community Safety Team
- Unit Manager Customer Service
- Information and Communication Technology Team
- Human Resources
- Elected Members
- Executive Leadership Team
- Finance and Audit Committee
- Other internal teams as needed

External

- Union
- Customers
- Open Office (Customer Event Management System)
- Civica (Authority Enterprise Software)
- Dog and Cat Management Board
- KPMG (Internal Auditors)

Timeframe**Item**

Plan and undertake service review
 Present report and recommendations to Executive Leadership Team
 Present report and recommendations to Finance and Audit Committee

Timeframe

January 2018 to March 2018
 April 2018
 May 2018

Scope Approval**Senior Leader – Scope Meeting**

Jason Cattonar, Manager Development and Regulatory Services

Date: 8/11/17**Executive Leader – Scope Meeting**

Fiona Harvey, Acting General Manager City Development

Date: 8/11/17**Executive Leadership Team – ELT Meeting****Date:** 13/11/17**Scope Feedback from Finance & Audit Committee****Finance & Audit Committee****Date:** 12/12/17**Feedback from Finance & Audit Committee****Feedback Outcomes**

Appendix 2 - Service Review Scope

Open Space Transformation – Phase 2

Service Details

Service Review Name: Open Space Transformation – Phase 2

Services Involved:

- Irrigation Maintenance
- Playground Maintenance
- Sensitive Sites Maintenance
- Annual Street Tree Planting

Senior Leadership Team Member: Mathew Allen, Manager Engineering and Field Services

Executive Leadership Team Member: Tony Lines, General Manager City Services

Date: November 2017

Service Description:

Irrigation Maintenance: Ensures fit for purpose irrigation systems that facilitate green open space

Playground Maintenance: Provides safe and fit for purpose playspaces and park furniture

Sensitive Sites Maintenance: Protects and enhances the native vegetation, revegetation and other assets across the city and coastal environments

Annual Street Tree Planting: Realises the annual street tree planting program to enhance and maintain streetscapes and water tankers

Service Review Scope

Areas of Focus

- Investigate opportunities to improve service levels, productivity, quality, value, risk management and customer experience
- Identify opportunities to implement program, productivity and quality systems, tools and processes
- Define meaningful and achievable metrics for the open space function
- Review the use of contracted services, with a view to reduce use where work is able to be performed in the team
- Explore technology and mobile based solutions for work capture, increased efficiencies and reporting

Deliverables

- Service Review report with meaningful recommendations
- Implementation plan for recommendations
- Ability to measure key metrics to support management in decision making

Constraints

- Availability of key stakeholders
- Ability to access and implement appropriate data and systems

Key Stakeholders

Internal

- General Manager City Services
- Manager Engineering and Field Services
- Unit Manager Open Space
- Open Space Team
- Information and Communication Technology Team
- Customer Service Team
- Human Resources
- Executive Leadership Team
- Finance and Audit Committee

External

- Union
- Customers
- RAMM (Road Asset Maintenance Management System)
- Open Office (Customer Request Management System)

Appendix 2 - Service Review Scope

Open Space Transformation – Phase 2

Timeframe

Item	Timeframe
Plan and undertake service review	January 2018 to March 2018
Present report and recommendations to Executive Leadership Team	April 2018
Present report and recommendations to Finance and Audit Committee	May 2018

Scope Approval

Senior Leader – Scope Meeting **Date:** 8/11/17

Mathew Allen, Manager Engineering and Field Services

Executive Leader – Scope Meeting **Date:** 8/11/17

Tony Lines, General Manager City Services

Executive Leadership Team – ELT Meeting **Date:** 13/11/17

Scope Feedback from Finance & Audit Committee

Finance & Audit Committee **Date:** 12/12/17

Feedback from Finance & Audit Committee**Feedback Outcomes**

**CITY OF MARION
FINANCE & AUDIT COMMITTEE MEETING
12 DECEMBER 2017**

Originating Officer: Colin Heath, Unit Manager Contracts

Manager: Ray Barnwell, Manager Finance

General Manager: Vincent Mifsud, General Manager Corporate Services

Subject: Service Review - Update - Public Place Litter

Report Reference: FAC121217R7.10

REPORT OBJECTIVES

To provide the Finance and Audit Committee with an update on the service review for Public Place Litter.

EXECUTIVE SUMMARY

The service review for Public Place Litter has now been finalised and the implementation of the recommendations from the review has commenced.

RECOMMENDATIONS

DUE DATES

That the Finance & Audit Committee;

1. Notes this report

12 Dec 2017

BACKGROUND

Council considered the '2016 – 19 Business Plan' (GC270916R03) endorsing that for the 2017/18 financial year; '*Council undertake an evaluation and review of at least 12 services to ensure they continue to provide maximum value to our community now and in the future*'. One of the 12 services identified for review in was the Public Place Litter Service.

At its meeting on 28 February 2017, the Finance & Audit Committee was presented with a draft service review report containing service level options for the City of Marion Public Litter Service.

Since this time, extensive consultation has occurred with impacted staff, their representatives (AWU) and the Executive Leadership Team.

The service review has now been finalised and the implementation of the recommendations from the review have commenced.

ANALYSIS

The project team has undertaken a review of the existing Public Place Litter Service to assist Council to validate the efficiency and effectiveness of the service currently provided to our community, and assess best practice delivery models. The ultimate aim is to improve public value to the community.

The final approved recommendations from the review were:

1. Council take up the optional Street Litter Collection service offered under the existing Solo contract as soon as possible, and dispose of the existing litter compaction vehicle to maximise disposal value to Council.

Status Update: *Discussions have been held with Solo, and the service is anticipated to be transitioned to them by the end of December 2017.*

2. Council undertake a critical review of current bins, with a view to optimising the public place litter bin service by:

- Ensuring we have the correct bin size, and consider increasing the frequency of servicing for key sites with high usage (e.g. dog parks, parks with BBQ's)
- Where bins are underutilised (or the use is inappropriate) consider removal of the bin
- Critically assess the needs of facilities in line with existing lease arrangements, and optimise the method of delivery of the service (e.g. bins vs skips).

Status Update: *Following transition of the service, Council will explore recommendations to optimise bin numbers and locations.*

3. Wherever possible, as existing leases are renewed, City Property renegotiate leases to ensure responsibility for cost of waste disposal remains with lessors.

Status Update: *Ongoing.*

Indicative savings of contracting the service out is in the order of \$55k per annum, a reduction of an estimated 42% compared to 2016/17 forecast costs. In addition, we will not need to purchase a new Litter Truck (saving of approximately \$220k one off capital purchase in 2017/18).

CONCLUSION

The service review for Public Place Litter has now been finalised and the implementation of the recommendations from the review has commenced.

**CITY OF MARION
FINANCE & AUDIT COMMITTEE MEETING
12 DECEMBER 2017**

CONFIDENTIAL REPORT

Originating Officer: Mathew Allen, Manager Engineering and Field Services

General Manager: Tony Lines, General Manager City Services

Subject: Service Review – Report – Open Space Transformation Phase 1

Report Reference: FAC121217F01

If the Finance and Audit Committee so determines, this matter may be considered in confidence under Section 90(2) and (3)(a) of the *Local Government Act 1999* on the grounds that the report contains information the disclosure of which would involve the unreasonable disclosure of information concerning the personal affairs of any person (living or dead);



Adrian Skull
Chief Executive Officer

RECOMMENDATION:

1. That pursuant to Section 90(2) and (3)(a) of the *Local Government Act 1999*, the Finance and Audit Committee orders that all persons present, with the exception of the following persons: Adrian Skull, Tony Lines, Vincent Mifsud, Abby Dickson, Kate McKenzie, Mathew Allen, Brett Jaggard, Cassandra Gannon, Mel Nottle-Justice and Karen Brewster be excluded from the meeting as the Committee receives and considers information relating to the *Service Review – Report – Open Space Transformation Phase 1*, upon the basis that the Committee is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential given the information, relates to personnel matters.

**CITY OF MARION
FINANCE & AUDIT COMMITTEE MEETING
12 DECEMBER 2017**

CONFIDENTIAL REPORT

Originating Officer: Malcolm Eagles, City Activation

Manager: Donna Griffiths, Acting Manager City Activation

General Manager: Abby Dickson, General Manager City Development

Subject: BMX Project – Update Report

Reference No: FAC121217F02

If the Finance and Audit Committee so determines, this matter may be considered in confidence under Section 90(3)(b)(i)(ii) of the *Local Government Act 1999* on the grounds that the report contains information that;

- (i) could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting, or proposing to conduct, business, or to prejudice the commercial position of the council and,
- (ii) would, on balance, be contrary to the public interest.



Adrian Skull
Chief Executive Officer

RECOMMENDATION

1. That pursuant to Section 90(2) and (3)(b)(i)(ii) of the *Local Government Act 1999*, the Finance and Audit Committee orders that all persons present, with the exception of the following persons: Adrian Skull, Chief Executive Officer; Vincent Mifsud, General Manager Corporate Services; Abby Dickson, General Manager City Development; Tony Lines, General Manager City Services; Kate McKenzie, Manager Corporate Governance; Donna Griffiths, Acting Manager City Activation; Ray Barnwell, Manager Finance and Contracts; Malcolm Eagles, Strategic Projects Officer; Councillor Janet Byram, City of Marion; Phil Freeman, Office of Recreation and Sport; Brian Delaney, Office of Recreation and Sport; Geoff Norris, City of Onkaparinga be excluded from the meeting as the Council receives and considers information relating to Section 48 Prudential Report – BMX Confidential, upon the basis that the Finance and Audit Committee is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential given the information could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting, or proposing to conduct, business, or to prejudice the commercial position of the council and would on balance, be contrary to the public interest.