His Worship the Mayor
Councillors
CITY OF MARION

# NOTICE OF FINANCE AND AUDIT COMMITTEE MEETING

Council Chamber, Council Administration Centre
245 Sturt Road, Sturt

Tuesday, 11 December 2018 09:30 AM

The CEO hereby gives Notice pursuant to the provisions under Section 83 of the Local Government Act 1999 that a Finance and Audit Committee meeting will be held.

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 Centre on Sturt Road, Sturt.

Adrian Skull
Chief Executive Officer

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## OPEN MEETING

## KAURNA ACKNOWLEDGEMENT

We acknowledge the Kaurna people, the traditional custodians of this land and pay our respects to their elders past and present.

## ELECTED MEMBERS DECLARATION (if any)

## CONFIRMATION OF MINUTES

**Confirmation of the minutes for the Finance and Audit Committee Meeting held on 2 October 2018**

| **Originating Officer** | Governance Officer - Victoria Moritz |
|---|---|
| **Corporate Manager** | Manager Corporate Governance - Kate McKenzie |
| **Report Reference:** | FAC181211 |

## RECOMMENDATION:

That the minutes arising from the Finance and Audit Committee Meeting held on 2 October 2018 be taken as read and confirmed.

## ATTACHMENTS:

| # | Attachment | Type |
|---|---|---|
| 1 | FAC1181002 - Minutes - 2 October 2018 | PDF File |

**MINUTES OF THE FINANCE AND AUDIT COMMITTEE MEETING**

**HELD AT THE ADMINISTRATION CENTRE**

**245 STURT ROAD, STURT**

**ON 2 OCTOBER 2018**
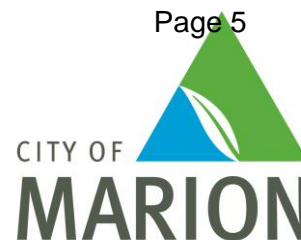
**PRESENT**

Mr. Greg Connor (Chair), Ms Emma Hinchey and Councillor Telfer

**In Attendance**

| | |
|---|---|
| Mr. Adrian Skull | Chief Executive Officer |
| Mr. Vincent Mifsud | General Manager Corporate Services |
| Ms. Abby Dickson | General Manager City Development |
| Ms Kate McKenzie | Manager Corporate Governance |
| Mr. Ray Barnwell | Manager Finance and Contracts |
| Mr. David Harman | Unit Manager Statutory Finance and Payroll |
| Ms. Karen Peake | Acting Unit Manager Risk |
| Ms. Cass Gannon | Performance and Innovation Leader |
| Ms. Penny Wood | Deloitte Touche Tomatsu |
| Mr. Justin Jamison | KMPG |
| Mr. James Rivett | KMPG |

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 had a conflict of interest regarding any item of the agenda. No conflicts of interests were declared.

4. **CONFIRMATION OF MINUTES**

   **9.33 am Confirmation of the Minutes for the Finance and Audit Committee Meeting held 21 August 2018**

   **Moved Councillor Telfer, Seconded Ms Hinchey** that the minutes of the Finance and Audit Committee (the Committee) meeting held on 21 August 2018 are confirmed as a true and correct record of proceedings.

                                                                              **Carried Unanimously**

5. **BUSINESS ARISING**

   **9.34 am Business Arising Statement**
   **Report Reference: FAC1181002R01**

   The Committee noted the Business Arising Statement and the progress of actions.  All items listed in the up-coming scheduled were listed on the agenda.

6. **CONFIDENTIAL ITEM**

   Nil

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*These Minutes are subject to adoption at the Council Meeting to be held on 9 October 2018*

## 7. REPORTS FOR DISCUSSION

### 9.35 am Elected Member Report
### Report Reference: FAC181002R02

Councillor Telfer indicated that Council has essentially completed its work for the term and the caretaker period has commenced.

The Committee noted the report and made some further enquiries regarding the Icerinks project. It was noted that this proposal was received by the Council via an unsolicited proposal and Council progressed with an Expression of Interest (EOI) to ensure fairness and equity. Through the EOI, three proposals were received and Icerinks have now been short listed and requested to present a full business case to Council early in 2019.

The Committee also queried whether the purchase of the property at Bakewell Crescent, Marino was part of a predetermined strategy and suggested that Council should have a strategy in place prior to the purchase of assets and be clear what the purpose of such an acquisition is.

### 9.43 am Annual Financial Statements for the year ended 30 June 2018
### Report Reference FAC181002R03

Committee commenced the review of the financial statements by acknowledging the improvement of the reporting in the past few years including its format and layout. The Committee also noted the strong financial position of the Council.

The Manager Finance provided an overview of the report highlighting the following points:

- The accounts show the on-going strong financial performance of the Council reporting an Operating Surplus in 2017/18 of $10.9m down on the $11.7m reported last year but greater than the $5.008m surplus forecast in the original adopted budget.

- The Auditors have completed the audit with no findings with regards to the financial statements and have indicated they expect to issue an unmodified audit opinion in relation to both the financial statements and the effectiveness of our internal controls. They have also provided some recommendations to strengthen the internal controls.

- Page 37 to 39 of the agenda includes an analytical review against prior year actuals and also against original adopted budget with commentary to explain the variations.

- A full comprehensive valuation has been completed in 2017/18 for both our Infrastructure Assets and Land and Buildings. Council's Infrastructure, Property, Plant and Equipment (IPP&E) decreased by $3.1m or 0.3% compared to the previous year. Council has split the independent valuations into two parts with APV completing the Infrastructure valuations and JLL (recent acquirer of Maloney's Field Services) completing Land and Buildings valuation.

- The value of land has also decreased by $8m which predominately relates the re-classification of land at the Marion Golf Course from residential to Hills facing.

- The operating surplus ratio is 12% which is 1% lower than the previous year, however it is still higher than the required target and the 5.8% forecast in the adopted budget.

- The net financial liabilities ratio is in the negative which shows Council's Financial Assets exceed its Financial Liabilities. This is based on substantial holding of cash and other financial assets allocated for unexpended grants and funding of major capital projects, including the multi-year Edwardstown Oval redevelopment currently under way.

- Council also received a cash distribution from its regional subsidiary, Southern Region Waste Resource Authority (SRWRA) of $765k.

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*Tuesday 2 October 2018 – Reference Number FAC181002*

In addition to this, the Manager Finance provided an in-depth summary of the income, expenses, assets and liability variations highlighted on page 37 to 39 of the agenda. The Committee noted the summary provided and made the following points:

- That employee costs were down by approximately $740k on original budget and this was due to vacancies (particular from the restructure from the previous financial year). It was noted that there were no retrenchment costs in the 17/18 financial year.

- Carryovers (excluding grants) reduced from $3.2m to $3m. It was noted that some works carryovers occurred very early in the new financial year. For example, a street sweeper valued at $313k arrived on the 12th July 2018 and works on the Club Marion carpark ($252k) were completed in the first week of July, delayed by two weeks due to inclement weather. The Committee commented that the carryovers are improving and this was the third year in a row that they had decreased.

- The Committee agreed that the organisation should be aiming for zero carryovers however there will always be circumstances where works are carried over due to circumstances beyond the control of the Council. The Committee suggested that information on carryovers should be provided to the new council as part of their induction and that the budget process should acknowledge the likelihood of carryovers and include a contingency for works straddling financial years.

**ACTION: Information regarding carryovers be included within the Induction of the new Council.**

Ms Penny Woods (Deloitte Touche Tohmatsu) provided an overview of their report noting that the scope of their work was completed in accordance with the Australian Auditing Standards, the *Local Government Act 1999* and the *Local Governance Financial management) Regulations 2011*.

The Committee noted the audit was complete with the only outstanding process being the exchange of management letters and the signing of the statements. Ms Woods confirmed that no findings were made with regards to the financial statements and that there were no significant deficiencies to disclose. They expect to issue an unmodified audit opinion.

It was noted that there was no change to accounting standards, however an interpretive change had occurred regarding residual values and many Councils are now componentising assets.

Ms Woods highlighted that the areas of focus within the audit were:

- Infrastructure, Property, Plant and Equipment,

- Rates Revenue and Grant Income, and

- Expenditure.

The Committee noted:

- The variation to the valuations and that some changes were based on asset condition from physical inspections. This may have occurred due to the change in valuers.

- All grant funding that must be recognized has been recognized in the financial statements.

- The internal control review included substantive testing on expenditure which confirmed the adequacy of the controls in place. There were no issues noted through this testing.

- Deloitte used their internal specialist to test the IPP&E valuation process.

- Deloitte tested the management override of journal entries and no issues were identified.

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Ms Woods indicated that Deloitte Touche Tohmatsu were also engaged to test the internal controls. They have performed control assessment on a rotation basis for each of the six risk categories being assets, liabilities, expenses, revenue, strategic financial planning and external services. The Auditors did not detect any significant deficiencies in internal controls however five (5) findings for improvement were noted. These related to implementation of a policy for grants attraction, documenting the policy for issuing of grants to the community, creating an audit trail for the debtor master file, ensuring there is a formal process in place for management sign off on the Register of Allowance and Benefits and changes to the creditor master file are reviewed and supported with documented evidence.

The Committee requested that management progress the issue with the debtor master file with Civica and suggested that it is unreasonable that the system cannot track any change and provide an audit trail. The Committee noted that although there are other controls in place, this does impact as a potential fraud risk to the organisation.

It was noted that Management have met with the executive team of Civica and are actively reviewing this system for future needs / requirements.

The Committee noted that the finding on the Register of Allowances and Benefits has already been resolved.

The Committee noted the financial statements from both Council subsidiaries being SRWRA and Council Solutions. The Committee noted the positive operations of SRWRA and that it is more than just a landfill operation. The subsidiary is looking at better ways to continually improve the life of the business. The Committee also noted that it is estimated that Council Solutions has saved the City of Marion in the vicinity of $900k. Concerns were raised that the Councils Solutions may have over complicated the structure for the subsidiary as it is now a $1m business. It was noted that there are changes to improve the performance of the organisation occurring and there is currently an interim CEO in place.

In summary, the Committee noted the end of financial year accounts for 17/18 and made the following points:

- The financial statements presented are solid.

- The asset consumption ratio is lower than target indicating that in outer years of the Long Term Financial Plan there may be an additional funding requirement to maintain and/or replace assets. Council has focused on its major community facilities and it may be that additional work is required on the smaller facilities to increase this ratio.

**ACTION: Could further information be provided through the business arising statement on the following:**

- **How the aggregate thresholds have been determined for the different assets categories identified within Note 6.2 to the accounts on pages 49 and 50 of the agenda?**

- **In Note 11. Reconciliation to the Statement of Cash Flows, what was the cause of the unreversed prior year increases under Change in Net Current Assets (for Receivables and Trade and Other Payables) on page 67 of the agenda?**

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

1. Recommends to Council that the audited Annual Financial Statements for the year ended 30 June 2018, as included at Attachments 3-5, be adopted (noting changes within the report)

2. Notes Deloitte Touche Tohmatsu's management letter, as included at Attachment 6.

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3. Notes the comparative analysis to prior year Audited Financial Statements and original adopted budget (Analytical Review), as included at Attachment 2.

**Carried Unanimously**

### 11.18 am Independence of Council's Auditor
### Report Reference FAC181002R04

**Moved Councillor Telfer, Seconded Ms Hinchey** 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 2017/18 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 2017/18 financial year.

3. Endorses the Chairperson 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 2017/18 financial year.

**Carried Unanimously**

### 11.18 am Independence of Council's Auditor
### Report Reference FAC181002R04

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

2. Notes the statement provided by Council's Auditor attesting to their independence in accordance with the Local Government (Financial Management) Regulations 2011 for the 2017/18 financial year.

3. 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 2017/18 financial year.

4. Endorses the Chairperson 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 2017/18 financial year.

**Carried Unanimously**

### 11.19am Meeting with the External Auditors in Confidence (without management present)
### Report Reference FAC180818R07

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

1. Pursuant to Section 90(2) and (3)(g) of the *Local Government Act 1999,* orders that all persons present, be excluded from the meeting, with the exception of Penny Wood from Deloitte Touche Tohmatsu, as the Finance and Audit Committee meets with Council's External Auditors, on the basis that the Finance and Audit Committee is

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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**

### 11.32 am Internal Audit Program 2018/19 Scoping Documents
### Report Reference FAC181002R11

Mr Justin Jamison and James Rivett from KPMG entered the meeting. Mr Jamison provided an overview of both scope documents as follows:

**Customer Experience**
The scope for this audit is to assess the risk and controls associated with the whole organisation's customer experience. The Service Review previously completed in 2017/18 focused on the Customer Services team only. Key focus areas will be policy and procedure, roles and responsibilities, service requests and complaints and benchmarking against ISO 10002 Customer Satisfaction and Complaint Handling. The Committee endorsed the scope and requested the auditors to ensure the work completed in the service review was used to inform the audit but not repeated.

**Tendering**
The scope for this audit is to assess how tender practices are applied through the City of Marion. The audit will test other procurements to see if a tender should have been used but wasn't and the reasons as to why.

The Committee noted the scope and suggested that it may be useful to speak with both successful and unsuccessful tenderers to understand their experience.

The Committee noted that Mr Jarred Lawrence has resigned from KPMG and the Committee queried what the staffing arrangements will be moving forward. Mr Jamison advised that this is currently being worked through and this can be presented to the December meeting.

**ACTION – that KMPG provide further information on the staff structure at the December 2018 meeting.**

11.38 am Mr Jamison and Rivett from KPMG left the meeting

### 11.38am Corporate Reporting Policy and Framework
### Report Reference FAC181002R05

The Committee noted that further work was required on the Policy and that the final version had not been presented. The Committee agreed to represent this report in December. The Committee also requested that the report include how this framework will benefit the Committee and organisation, what is its key theme and what it will look like when in operation? The Committee noted that the background in the Framework could also be amended and that greater transparency and clarity was required in regards to responsibilities and accountability.

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**11.40am Finance and Audit Committee Annual Report to Council 2017/18**
**Report Reference FAC181002R06**

The Committee thanked the staff for the report and made no amendments.

**Moved Council Telfer, Seconded Ms Hinchey** that the Finance and Audit Committee:

1.   Endorses the Annual Report to Council for 2017/18 provided at Appendix 1 to this report
    and recommends it be presented to the General Council meeting on 9 October 2018.

**Carried Unanimously**

**11.41am Insurance and Claims Management 2017-18 Annual Report**
**Report Reference FAC181002R08**

The Acting Unit Manager Risk provided an overview of the report noting the three categories
of motor vehicle, property and public liability / professional indemnity.

The Committee noted the report and made the following comments:
*   Incident reporting is a good indicator of what is happening.  Ensure that the reduced
    incident reporting does not diminish the data required to manage the business.
    Management noted that:
*   ELT have introduced quarterly reporting on the claims statistics.  Employees with
    repeat issues are monitored and performance is discussed.
*   Theft of copper pipe continues to be an issue.  Management are progressing with an
    audit of sites to reduce the risk.
*   The event cancellation policy was enacted in relation to the 'Concert at the Cove'
    event due to adverse weather conditions.

**11.53am Service Review Program and Recommendations – Progress Update**
**Report Reference FAC1181002R09**

The Performance and Innovation Leader provided an overview of the report and commented
that the program is on track.  It was noted that the Living Kaurna Cultural Centre
recommendations are off track which is beyond the control of Council.  Council is currently
waiting for a response from Kaurna which is impacting on the delay of these
recommendations.  The current risk is around the recommended future management model
not progressing, meaning that Council would need to rethink its strategy in this area.

The Committee also queried the implementation of the Asset Management review.  It was
noted that some of the original due dates were ambitious.  The team is currently progressing
with data cleansing prior to a new system being implemented.  It was noted that a staff
member from the City of Charles Sturt has been seconded to assist with the
recommendations.  It was noted that the Assets Team are feeling positive but the
implementation will take longer than originally anticipated.

**11.57am  Results of the Bi-Annual Performance and Effectiveness Review of the**
**Finance and Audit Committee**
**Report Reference FAC181002R10**

The Committee noted the report and the good results.  The Committee agreed that further
work on the size of the agenda, report quality and a review of the risk appetite would be
beneficial in 2019.  The Committee noted that the Risk Management Framework is due for

review in 2019.  The Committee agreed that a workshop with Council and the Committee in August 2019 on risk tolerance would be a positive step.

## 8. REPORTS FOR NOTING

### 12.02pm Internal Audit Program – Implementation of Recommendations
### Report Reference FAC181002R12

The Committee noted the implementation of recommendations for the Capital Works internal audit highlighting that the implementation of the Project Management Framework had still not progressed.  It was noted that the Project Management Software was being implemented but the documentation was not yet completed.  The Committee cautioned that there was a risk that Council would simply implement the software without the strategy of what the business requires.  It was noted that this work has been progressing concurrently and a further report could be brought to the next meeting in December 2018.

**ACTION – a report on the progress of the project management framework be presented to the December 2018 meeting.**

The Committee also requested that a summary of the recommendations be included within the comments to ensure that the implementation of recommendations reflect the original finding.

### 12.11pm Debtors Report
### Report Reference FAC181002R13

The Committee noted the report and noted that the Rate debtors had increased.  The Committee queried what could be progressed to reduce this number.

It was noted that a report should be brought to Council with some further profiling of those long outstanding rates debtors that have arrears of greater than three years, which currently totals $603k. It was noted that Council should consider the sale of property to recover longstanding rates debts (particular those that are commercial).

The Committee recommended that some focus is required to reduce these figures.

**ACTION: that Administration investigate the sale of commercial properties with rates outstanding and that further analysis be completed to understand the nature of these debtors to Council.**

### 12.16pm  Investment Performance 2017/18
### Report Reference FAC181002R14

The Committee noted the report and the favourable results reported.  The Committee made the following points:

- The Council earned $1.1m of interest on its investments in 2017/18

- The performance is above the Reserve Bank benchmark.

- The LGFA is guaranteed by the State Government.

- The Council do test the market ensuring competitive rates are received from the LGFA.

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## 9. WORKSHOP / PRESENTATION ITEMS

Nil

## 10. ANY OTHER BUSINESS

The Committee thanked Councillor Telfer for her work, diligence and commitment to the Committee and wished her well in the up-coming elections.

## 11. MEETING CLOSURE

The meeting was declared closed at 12.23 pm

## 12. NEXT MEETING

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

**Time:    9.30am**
**Date:    11 December 2018**
**Venue:  Council Chamber, Administration Building**

**......................................**
**CHAIRPERSON**

           /          /

## BUSINESS ARISING

### Business Arising Statement

| | |
|---|---|
| **Originating Officer** | Manager Corporate Governance - Kate McKenzie |
| **Corporate Manager** | Manager Corporate Governance - Kate McKenzie |
| **General Manager** | General Manager Corporate Services - Vincent Mifsud |
| **Report Reference** | FAC181211R01 |

### REPORT OBJECTIVE

The purpose of this report is to Review the Business Arising from previous meetings of the Finance and Audit Committee Meetings.

### RECOMMENDATION

**That the Finance and Audit Committee:**

> **1. Note the Business Arising Statement.**

### Attachment

| # | Attachment | Type |
|---|---|---|
| 1 | Appendix 1 - Business arising statement | PDF File |

**CITY OF MARION**

**BUSINESS ARISING FROM FINANCE AND AUDIT COMMITTEE MEETINGS**

**AS AT 6 DECEMBER 2018**

|  | Date of Meeting | Item | Responsible | Due Date | Status | Completed / Revised Due Date |
|---|---|---|---|---|---|---|
| 1. | 29 May 2018 | **Internal Audit**<br>That the Workplace Emergency Management Internal Audit is combined with the Business Continuity Management Audit and a new audit is scoped from Council's high risk profile. | K McKenzie | October 2018<br><br>Revised due date December 2018 | This scope is included within the agenda | December 2018 |
| 2. | August 2018 | **Unsolicited Proposals Policy**<br>In the next review of the Finance and Audit Committee Terms of Reference, ensure that the requirements within the Unsolicited Proposal Policy are reflected | K McKenzie | December 2018<br><br>Revised due date: May 2019 | Council adopted the FAC Terms of Reference at its first meeting after the election. Unfortunately, this section was missed. The FAC Terms of Reference have been scheduled for review by the Committee in May 2019. The TOR will be presented to the FAC early next year for a more fulsome review and any recommended amendments can be progressed after this. | |
| 3. | August 2018 | **Compliance Policy and Framework**<br>**Report Reference FAC180821R02**<br>That an update report on the implementation of the Compliance Framework be provided to the December 2018 FAC Meeting. | K McKenzie | December 2018 | Progress has commenced with the compliance risk assessments to identify the high risk compliance areas across the organisation. To date, HR, Corporate Governance, Finance and Development Services are in progress. This work is scheduled to progress between January to June 2019. | |
| 4. | August 2018 | **Internal Audit Program**<br>**Report Reference FAC180821R03**<br>Development Assessment Planning<br>A one page report be bought to FAC meeting in December 2018 on the implementation of recommendations for this internal audit. | J Cattonar | December 2018 | A number of recommendations have progressed however since this review has been completed, the Manager Development and Regulatory Services has resigned. Recruitment for the position in underway however the role has yet to be filled. The General Manager City Development will make the recommendations a priority for the new manager when appointed | |

| 5. | August 2018 | **Work Health & Safety - Annual Performance Report 2018** **Report Reference FAC180821R10** Benchmarking of Council's hazard and near miss data to be presented at the Committee meeting in December 2018. | S Walzcak | December 2018 Resvised date – Feb 2019 | The LGA is now collecting this data on behalf of those councils who are using skytrust, however this is only a new initiative and not all councils are using this section of skytrust. Further time is required to obtain this information from other Councils. Further information will be presented in February 2019 | |
|---|---|---|---|---|---|---|
| 6. | October 2018 | **Annual Financial Statements for the year ended 30 June 2018** Information regarding carryovers be included within the Induction of the new Council. | R Barnwell | March 2019 | Various induction sessions are being held with Elected Members over the course of the next 12 months. The carryover process and detail will be provided as part of the financial management training that will be provided | |
| 7. | October 2018 | **Annual Financial Statements for the year ended 30 June 2018** Could further information be provided through the business arising statement on the following: • How the aggregate thresholds have been determined for the different assets categories identified within Note 6.2 to the accounts on pages 49 and 50 of the agenda? • In Note 11. Reconciliation to the Statement of Cash Flows, what was the cause of the unreversed prior year increases under Change in Net Current Assets (for Receivables and Trade and Other Payables) on page 67 of the agenda? | R Barnwell | December 2018 | A review by BDO in 2015 on Councils Asset Accounting identified that componentisation of assets in some areas was not adequate in relation to the requirements of Accounting Standards. Following this review, Council proceeded to componentise assets such as Play Equipment, Sports Playing Surfaces, Sports Floodlights etc. At the time of the review we also analysed what was still reasonable to remain at a Group/Aggregated Asset. The items appearing within Note 6.2 are items that were deemed to be significant at an aggregated value although the individual amounts are not material. The aggregated threshold note disclosure provides information as to what extent or value we have in the Balance Sheet for these particular asset classes. Trade and Other Payables were high at end of 2016/17 due to significant catch-up works on the road reseal program (delays were experienced during the year, with ongoing reporting on this via Council's monthly finance report). This did not fall back in 2017/18 due to ongoing works on the Edwardstown Oval Redevelopment and council's Streetscaping program. | |

City of Marion
Finance & Audit Committee Action Arising Statement as at 11 December 2018

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | | This had a flow on impact on Receivables as GST recovery (amounts owing from the ATO) increased in direct correlation to Trade and Other Payables | |
| 8. | October 2018 | **Internal Audit Program 2018/19 Scoping Documents**<br>That KMPG provide further information on the staff structure at the December 2018 meeting. | K McKenzie | December 2018 | Justin Jamison will provide an update at the meeting. | December 2018 |

City of Marion
Finance & Audit Committee Action Arising Statement as at 11 December 2018

| 9. | October 2018 | **Corporate Reporting Policy and Framework** <br> The Committee requested some further work and the item be represented in December | K McKenzie | December 2019 <br><br> Revised due date February 2019 | The Executive Management Team have not reviewed the latest amendments and therefore the report will be presented to FAC in February 2019 | |

\* Completed items to be removed are shaded

| 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** | **21 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 |
| Organisational Key Performance Indicators 2018/19 | Review and Recommendation to Council |

**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 |
| 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 |
| Update on Property Internal Audit Review | Information Report |
| Corporate Reporting Internal Audit Update | Information Report |
| Annual Report – Business Continuity Program | Information Report |

**TUESDAY, 21 August 2018 (Joint Workshop with Council)**

| Topic | Action |
| --- | --- |
| Elected Member Report | Communication Report |
| Annual Review of WHS Program | Review and Feedback |
| Draft Compliance Policy and Framework | Review and Feedback |
| Meeting with Internal auditors in camera | Seeking feedback from Auditors |
| Internal Audit Program – Scopes, Reviews and Monitoring | Review and Feedback |
| Update on Internal Audit – Volunteer Management | Information report |
| Service Review Program – Scopes, Reviews and Monitoring | Review and Feedback |
| Outcome of Australian Service Excellence Standards Audit | Information Report |
| FAC Performance Review | Review and Feedback |
| Joint Workshop with Council | Service Reviews |

**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 |
| Valuations of Buildings and Assets | Review and Feedback |
| 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 |

# CONFIDENTIAL ITEMS

## Cover Report - Expression of Interest - 262 Sturt Road, Marion - Outline of Business Case Process

| | |
|---|---|
| **Originating Officer** | Project Manager Strategic Projects - Carla Zub |
| **Corporate Manager** | Manager City Activation - Greg Salmon |
| **General Manager** | General Manager City Development - Abby Dickson |
| **Report Reference** | GC181211F01 |

## RECOMMENDATION

**That:**

**Pursuant to Section 90(2) and (3)(b) of the *Local Government Act 1999,* the Council orders that all persons present, with the exception of the following persons: Adrian Skull, Chief Executive Officer; Vincent Mifusd, General Manager Corporate Services, Abby Dickson, General Manager City Development; Tony Lines, General Manager City Services; Kate McKenzie, Manager Corporate Governance, James O'Hanlon, Unit Manager Sport and Recreation, Carla Zub, Project Manager Strategic Projects and Greg Salmon, Manager City Activationbe excluded from the meeting as the Council receives and considers information relating to the report *Expression of Interest - 262 Sturt Road - Progress Report and Next Stage* 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 on the grounds that the report contains information of a commercial nature and would on balance, be contrary to the public interest.**

## Expression of Interest - 262 Sturt Road, Marion - Outline of Business Case Process

**CONFIDENTIAL**

**Reason For Passing This Resolution:**

**Local Government Act (SA) 1999 S 90 (2) 3(b) (i) and (ii)**: information the disclosure of which (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.

## REPORTS FOR DISCUSSION

### Terms of Reference and Overview of Skills

| | |
|---|---|
| **Originating Officer** | Governance Officer - Victoria Moritz |
| **Corporate Manager** | Manager Corporate Governance - Kate McKenzie |
| **General Manager** | General Manager Corporate Services - Vincent Mifsud |
| **Report Reference** | FAC181211R02 |

## REPORT OBJECTIVE

To note the Committee Terms of Reference and provide an opportunity for each of the members to give an overview of their skills.

## RECOMMENDATION

**That the Finance and Audit Committee:**

**1. Notes the Terms of Reference identified at Appendix 1 to the report.**

**2. Notes the overview of skills provided by each of the Committee Members.**

**3. Notes that a a more comprehensive review of the Committees Terms of Reference is sheduled for May 2019.**

## DISCUSSION

The City of Marion's Finance and Audit Committee (FAC) adds value and improves the Council's operations by providing an independent, systematic and disciplined approach to evaluating and improving the effectiveness of risk management, internal control, financial management and governance processes.

Pursuant to section 126 of the Act, the Council must establish an Audit Committee. The functions of an audit committee prescribed by the Act include:

- reviewing annual financial statements to ensure that they present fairly the state of affairs of the council;

- proposing, and providing information relevant to, a review of the council's strategic management plans or annual business plan;

- proposing, and reviewing, the exercise of powers under section 130A of the Act (efficiency and economy reviews);

- liaising with the council's auditor;

- if the council has exempted a subsidiary from the requirement to have an audit committee, the functions that would, apart from the exemption, have been performed by the subsidiary's audit committee;

- reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the council on a regular basis.

The structure of the committee comprises of five members, two Elected Members (who are not the Mayor) and three expert independent members.

Ideally, the Elected Member representative will have experience in business, legal, audit or financial management / reporting knowledge and experience.

Appointment of the Elected Member representative will be made by Council for a term of 12 months. Council may resolve to re-appoint an Elected Member representative for consecutive terms.

The current independent members are:

- Mr Greg Connor (Chairperson) – current term expires November 2019

- Ms Natalie Johnston – current term expires November 2020

- Ms Emma Hinchey – current term expires November 2021

Each Committee member is invited to give an overview of their own skills and experience relevant to the Committee's objectives (as defined in the Terms of Reference).

## Attachment

| # | Attachment | Type |
|---|---|---|
| 1 | Appendix 1 - Finance-and-Audit-Committee-Terms-of-Reference at Nov 18 | PDF File |

## FINANCE AND AUDIT COMMITTEE TERMS OF REFERENCE

**1.   ESTABLISHMENT**

1.1   The Finance and Audit Committee is a formally constituted Committee of Council pursuant to *Section 41 and 126 of the Local Government Act 1999* and is responsible to Council.  It operates as an independent and objective advisory Committee to Council and does not have any delegated decision making or authority to implement actions in areas over which the Chief Executive Officer.

**2.   OBJECTIVES**

2.1   The primary objective of the Finance and Audit Committee is to add value through the provision of advice to ensure that the resources of the City of Marion are being used efficiently and effectively. It will assist Council accomplish its objectives by contributing to a systematic and disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

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

2.2.1   Oversight of relevant activities to facilitate achieving the City of Marion's objectives in an efficient and orderly manner.

2.2.2   Enhancing the credibility and objectivity of internal and external financial reporting.

2.2.3   Effective management of risk and the protection of Council assets.

2.2.4   Compliance with laws and regulations as well as use of best practice guidelines.

2.2.5   The effectiveness of the service reviews function and maintaining a reliable system of internal control.

2.2.6   The provision of an effective means of communication between the external auditor, service reviews provider, management and Council.

2.2.7   The City of Marion's ethical development.

**3.   MEMBERSHIP**

3.1   The Finance and Audit Committee will comprise five members:
   (i)      Two Elected Members (who are not the Mayor)
   (ii)     Three external expert members.

   <u>Elected Member Representative</u>

3.2   Ideally, the Elected Members on this Committee will have experience in business, legal, audit or financial management / reporting knowledge and experience.

3.3   Appointment of the Elected Members to this Committee will be made by Council on a rotational basis, as resolved from time to time.  Council may resolve to re-appoint the Elected Members on this Committee for consecutive terms.

3.4   No additional allowance will be paid to the Elected Member representative over and above the allowance already received by the Elected Member.

3.2     If required, training and development will be sourced and provided to the Elected Member Representatives on matters/subjects within the Finance and Audit Committee Terms of Referenced

3.3     The Elected Member representatives will raise matters (within the scope of the Finance and Audit Committee Terms of Reference) with the Committee, on behalf of Council and act as a conduit of information between Council and the Committee, and the Committee and Council

3.4     The Elected Members representatives will provide a verbal report to Council on the key matters and recommendations within the Committee meeting, when the minutes and / or Committee recommendation reports, are presented to Council for adoption.

3.5     The Elected Member representative will provide a report to the Committee on any Council decisions or discussions that are relevant to the Committee's Terms of Reference.

External Expert Members

3.6     External expert members will have senior business, legal, audit knowledge and experience, and be conversant with the local government environment.

3.7     At least one external expert member will have expertise and knowledge in financial management/reporting.

3.8     The Council will determine the process for appointing an expert member.

3.9     Appointment of external representatives will be made by Council for a term to be determined by Council.  To ensure succession planning for the Committee, the terms of appointment should be arranged on a rotational basis and continuity of membership despite changes to Council's elected representatives. Council may resolve to re-appoint an external expert member for consecutive terms.

3.10    If Council proposes to remove an expert member from the Committee, it must give written notice to the expert member of its intention to do so and provide that expert member with the opportunity to be heard at a Council meeting which is open to the public, if that expert member so requests.

3.11    Remuneration will be paid to each expert member of the Committee to be set by Council from time to time.  At a minimum, the remuneration paid to expert member will be reviewed within 12 months from the date of a Council (periodic) election.  The basis will be a set fee per meeting, with an additional amount paid to the Chairperson.

## 4.      BASIS FOR OPERATION

4.1     The Committee's role is to report to Council and provide appropriate advice and recommendations on matters relevant to the Committee's Terms of Reference in order to facilitate decision-making by Council in relation to the discharge of its responsibilities.

4.2     The City of Marion considers that the ability of the Finance and Audit Committee to operate in a manner that adds value and also maintain independent judgement is vital.  As such, the City of Marion has based the Committee's Terms of Reference on the ASX Principles of Good Corporate Governance and the Australian Standard AS 8000-2003 Good Governance Principles.

4.3     Council or the Chief Executive may refer any matter to the Finance and Audit Committee within its Terms of Reference.

4.4     The Chairperson of the Committee shall be appointed from the external representatives of the Committee by the Finance and Audit Committee.  In the absence of the appointed Chairperson from a meeting, the meeting will appoint an acting Chairperson from the external members present.

4.5     A quorum shall be three members – 1 Elected Member and 2 expert members.

4.6     The Finance and Audit Committee, through the Chief Executive Officer, may seek information or obtain expert advice on matters of concern within the scope of its responsibilities.

4.7     The Chief Executive Officer will attend all meetings on an ex-officio basis, except when the Committee chooses otherwise.  Other Elected Members or staff may be invited to attend at the discretion of the Committee to advise and provide information when required.

4.8     The Finance and Audit Committee will review its performance on a bi-annual basis to ensure the continual improvement to its performance.

4.9     Representatives of the external auditor will be invited to attend meetings at the discretion of the Committee, but must attend meetings at which there will be consideration of the annual financial report and results of the external audit.

4.10   The Finance and Audit Committee will meet with both the external auditor and internal auditor without management present at least once a year.

4.11   The Chief Executive Officer will ensure appropriate support is provided to Committee.

Meetings

4.12   The Committee shall meet at least quarterly.

4.13   The time and place for the conduct of meetings will be determined by the Committee provided that all meetings will be held in a public environment within a City of Marion building.

4.14   The Committee will consider and determine its own meeting practice, processes and procedures within the parameters of the Local Government Act 1999 and the Local Government (Procedures at Meetings) Regulations 2000.

4.15   An annual schedule of meetings will be developed and agreed to by the Committee members.  This schedule of meetings will include at least one joint workshop with the Council and the Committee.

4.16   Additional meetings shall be convened at the discretion of the Chairperson, or at the written request of Council or any member of the Committee, service review provider or external auditor.

Reporting

4.17   A copy of all agenda and reports forwarded to the Finance and Audit Committee will also be forwarded to Elected Members for information prior to the conduct of the Finance and Audit Committee meeting.

4.18   The minutes of each Finance and Audit Committee Meeting, shall be forwarded (as soon as practicable after the meeting) to a General Council meeting.

4.19   Where the Finance and Audit Committee makes a recommendation to Council on a matter within the scope of its Terms of Reference, the matter will be listed as a separate agenda item for consideration by Council at the next General Council meeting that is not being held on the same day as the Audit Committee meeting.   An Elected Member Representative on the Committee will inform the Council during the Council meeting of the recommendation and any provide any relevant context.

4.20   Where the Council makes a decision relevant to the Committee's Terms of Reference, an Elected Member Representative will report the decision to the Committee at the next Committee meeting and provide any relevant context.

4.21 The Committee shall report annually to the Council summarising the activities of the Committee during the previous year.

Authority

4.22 The Committee is authorised to seek any information it requires from any employee of the Council (after advising the CEO) in order to perform its duties.

4.23 The Committee is authorised, at the Council's expense, (after consultation with the CEO) to obtain outside legal or other professional advice on any matter within its terms of reference

## 5. FUNCTIONS:

The primary functions of the Finance and Audit Committee is to add value through the provision of advice to ensure that the resources of the City of Marion are used efficiently and effectively. It will assist Council to accomplish its objectives by contributing to a systematic and disciplined approach to evaluating and improving the effectiveness of financial management, risk management, internal controls, and governance processes through the following activities:

5.1 **External Audit**

5.1.1 Review and recommend for endorsement by Council the engagement of the City of Marion's external auditor. The review should look to satisfy Council that the provider of external audit services can demonstrate adequate independence from the operations of the City of Marion.

5.1.2 Critically analyse and follow up any external audit report that raises significant issues relating to risk management, accounting, internal controls, financial reporting and other accountability or governance issues. Review management's response to, and actions taken as a result of, issues raised.

5.1.3 Liaise with the City of Marion's external auditor including discussion on:

5.1.4 The scope and planning of annual audits.

5.1.5 Any issues arising from audits, including any management letter issued by the auditor and the resolution of such matters.

5.1.6 Recommend to Council, if considered appropriate, that the external auditor, or some other person suitably qualified in the circumstances, examine and report on any matter related to financial management, or the efficiency and economy with which the City of Marion manages or uses its resources to achieve its objectives, that would not otherwise be addressed or included as part of the annual audit (under Div. 4 of Part 3 of Ch. 8 of the Act).

5.2 **Internal Audit and Service Reviews**

5.2.1 Review and recommend for endorsement by Council the engagement of the City of Marion's internal audit provider. The review should look to satisfy Council that the provider of the services can demonstrate adequate independence from the operations of the City of Marion.

5.2.2 Review, and provide information relevant to, the scope of the internal audit and service review program, including whether the program systematically addresses:

- Internal controls over significant risk, including non-financial management control systems.

- Internal controls over revenue, expenditure, assets and liability processes.

- The efficiency, effectiveness and economy of significant Council programs and activities.

- Compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements,

- Whether employees have sufficient competencies (facilitated by up to date training) to enable them to fulfil their roles.

- A review of the City of Marion's strategic management plans and annual business plans to ensure appropriate allocation of resources necessary to achieve the objectives of the plans.

5.2.3 Critically analyse and follow up any internal audit or service reviews report that raises significant issues and review management's response to, and actions taken as a result of issues raised.

5.2.4 Review the appropriateness of special assignments undertaken by the internal audit and service reviews provider at the request of the Chief Executive.

5.2.5 Review the level of resources allocated to service review and the scope of its services and authority.

5.2.6 Facilitate liaison between the internal audit/service review provider, and external auditor to promote compatibility, to the extent appropriate, between their programs.

## 5.3 Service Reviews

5.3.1 Review and provide advice on service reviews, and in particular:

a) the scope of the review before it is commenced

b) input into the questions to be asked and the data to be collected and analysed

c) comment on all draft service review reports before the final report is presented to Council.

## 5.4 Financial Reporting and Prudential Requirements

5.4.1 Review Council's annual financial statements to ensure that they present fairly the state of affairs of the City of Marion, including focus on:

- Accounting policies and practices and any changes to them.

- The process used in making significant accounting estimates.

- Significant adjustments to the financial report (if any) arising from the audit process.

- Compliance with accounting standards and other reporting requirements.

- Significant variances from prior years.

5.4.2 Provide comment on the assumptions underpinning Council's Strategic Management Plans (Strategic Plan, Annual Business Plan, Budget and Long Term Financial Plan), the consistency between plans, and the adequacy of Council's plans in the context of maintaining financial sustainability.

5.4.3 Recommend adoption of the annual financial statements to Council. Review any significant changes that may arise subsequent to any such recommendation but before the financial report is signed.

5.4.4 Review the recommendations of business cases developed by Management in association with significant activities or major projects. Such reviews should have

regard to the requirements of Section 41 of the Local Government Act 1999 which relates to prudential requirements for certain activities.

**5.5  Internal Controls and Risk Management Systems**

5.5.1   Review the City of Marion's annual Risk Profile and monitor the risk exposure of Council.  Review risk management processes and management information systems.

5.5.2   Review the adequacy of the accounting, internal control, reporting and other resource and financial management systems and practices of the City of Marion on a regular basis.

**5.6      Other**

5.6.1   Where Council has exempted a subsidiary from the requirement to have an audit committee, undertake the functions that would have been performed by the subsidiary's audit committee.

5.6.2   Monitor ethical standards and conflicts of interest by determining whether the systems of control are adequate.

5.6.3   Address issues brought to the attention of the Committee, including responding to requests from Council or the Chief Executive for advice that are within the parameters of this Terms of Reference.

5.6.4   Make recommendations to the Council to amend these Terms of Reference if the Committee forms the opinion that such amendments are necessary to improve its performance.

5.6.5   Review the Committee's performance on a bi-annual basis using performance indicators developed for that purpose.


Adopted by Council:          27 November 2018

Next Review:                    November 2022

Previous Version:            1 November 2016
                                    22 September 2015 – separate policy and terms of reference
                                    (GC250915R07)
                                    25 November 2014 (GC251114R06)
                                    27 September 2011 (GC270911R09)
                                    9 December 2008 (GC091208R18)
                                    28 November 2006 (GC281106R05)

Owner:                          Manager Corporate Governance

Applicable Legislation:      Local Government Act 199

Other related References:    City of Marion Risk Management Policy (GC120313R01)
                                    Australian Standard AS 8000-2003 Good Governance Principles

## Elected Members Report

| | |
|---|---|
| **Originating Officer** | Quality Governance Coordinator - Deborah Horton |
| **Corporate Manager** | Manager Corporate Governance - Kate McKenzie |
| **General Manager** | General Manager Corporate Services - Vincent Mifsud |
| **Report Reference** | FAC181211R03 |

## 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 2 October 2018, Council has held two (2) General Council meetings on 9 October and 27 November 2018.

## RECOMMENDATION

That the Finance and Audit Committee;

1. **Note this report.**

## GENERAL ANALYSIS

At these two (2) meetings, the Council made the following decisions that relate to the Finance and Audit Committee Terms of Reference in chronological order:

## DISCUSSION

**9 October 2018**

Finance and Audit Committee Annual Report 2017/18

The Finance and Audit Committee Annual Report 2017/18 was noted.

Independently Audited Annual Financial Statements 2017/18

The Council adopted the City of Marion's, the Southern Region Waste Resource Authority (SRWRA) and Council Solutions independently audited Annual Financial Statements for the year ended the 30 June 2017/18.

City of Marion response to the Natural Resource Management Reform

Following the election of the new state government in March this year, the Minister for Environment and Water the Hon David Speirs MP wrote to Council outlining his policy commitment to reform natural resources management. The proposed reforms were described in a discussion paper with the central theme being about empowering landowners and the community to be directly responsible for management of natural resources.

Council endorsed a response based upon outcomes of past experiences when working with the NRM Board including past Council positions on natural resources management. In particular the submission stongly recommended that the State Government collect the NRM levy via the Emergency Services Levy billing system and not Local Government.

Waste Management Proposal

Council authorised the progression of a s48 Report in order to progress significant work that has been undertaken on the Waste Management Project.

In summary, previously in September 2017 (GC260917R09) the City of Marion joined with the Cities of Charles Sturt, Port Adelaide Enfield and Adelaide City Council (the Participating Councils) to progress a collaborative approach to the procurement of Waste Management Services, led by Council Solutions.

An application seeking authorisation was submitted to the Australian Competition and Consumer Commission(ACCC) for three separate Waste Services Packages, being Kerbside Waste Collection, Waste Processing Services and Waste Ancillary Collection Services.The ACCC has now released positive draft determinations for all three waste service packages enabling the project to approach the market and progress to request for tenders for all three services through an open tender process.

A section 48 report will be provided to the Finance and Audit Committee in due course.

Investment Performance

Council noted that it earned $1,111,470 of interest on its investments in 2017/18 at an average rate of return of 2.37%, a favourable outcome compared to the benchmark indicator (average Reserve Bank cash rate) of 1.50%.

Additionally, in relation to Bank Bill Swap Rates (BBSW), the Finance and Audit Committee had previously commented that when reviewing the 2014/15 Investment Report, that it would also be useful to benchmark against commercial rates being offered. To this end, for the 2017/18 financial year, the 90 Day BBSW was 1.82%. Council's annual rate of return of 2.37% is also favourable compared to the BBSW indicator, the third consecutive year that this has been achieved.

**27 November 2018**

First Budget Review 2018/19

The completion of the first Budget Review has identified a favourable Cash adjustment of $0.011m. After adjusting for expenditure allocated through Council Resolutions in 2018/19 of $0.097m, the net movement is an unfavourable cash adjustment of $0.086m.

Deducting this from the Original Budget Cash Surplus of $0.668m leaves a revised full year cash surplus forecast of $0.582m.

An independent audit of the financial statements for the year ended 30th June 2018 was completed and noted with cash savings of $2.973m identified. These savings have been quarantined in the Asset Sustainability Reserve for future purposes as resolved by Council.

Results of the 2018 Local Government Elections

The nomination period opened on Tuesday 4 September 2018 and closed at 12 noon, 18 September 2018. During the nomination period, a total of 33 candidate nominations were received, with elections in each of the six wards and the Mayoral position. Voting in the election concluded at 5pm on Friday 9 November 2018, with the scrutiny and counting of votes conducted on Saturday 10 and Sunday 11 November 2018. Provisional declarations were made on the 10th and 11th of November 2018 by the Local Deputy Returning

Officer and the final declaration was made by the Returning Officer on the 16 November 2018.

The following candidates were elected for the City of Marion (4 new members and 9 re-elected);

Mayor Kris Hanna
Coastal Ward: Ian Crossland and Tim Gard
Mullawirra Ward: Jason Veliskou and Kendra Clancy
Southern Hills Ward: Maggie Duncan and Matthew Shilling
Warracowie Ward: Nathan Prior and Bruce Hull
Warriparinga Ward: Luke Hutchinson and Raelene Telfer
Woodlands Ward: Tim Pfeiffer and Joseph Masika

Re-establishment of the Finance and Audit Committee (the Committee) and Membership

Due to the Local Government Elections, the City of Marion Audit Committee was re-established. Councillors Gard and Clancy have been endorsed as members of the Committee concluding 27 November 2019.

Coastal Climate Change Adaptation Planning

Council endorsed the Coastal Climate Change Adaptation Study for use during key stakeholder consultation - noting that this study highlights priorities for climate change adaptation along the City of Marion coastline, however does not identify the role of the City of Marion in delivering these actions.

A report regarding the results of consultation including further information on the role of the City of Marion in delivering actions is expected to be presented back to Council early 2019.

## Service Review Program and Recommendations - Progress Update

| | |
|---|---|
| **Originating Officer** | Performance & Innovation Leader - Cass Gannon |
| **Corporate Manager** | Manager Innovation and Strategy - Fiona Harvey |
| **General Manager** | General Manager City Development - Abby Dickson |
| **Report Reference** | FAC181211R04 |

## REPORT OBJECTIVE

To provide the Finance and Audit Committee with a progress update on:

- The overall status of the Service Review program for the 2018/19 financial year
- The implementation of the Service Review Program recommendations as at 23 November 2018

## EXECUTIVE SUMMARY

At the 26 June 2018 meeting of General Council, Council adopted the Service Review Program for 2018/19 to deliver the review of nine services (three less than the City of Marion 2016-2019 Business Plan target).

Commencing in 2016, the Service Review Program has reviewed 29 services including Hard Waste and the Living Kaurna Cultural Centre, both of which were undertaken prior to the start of the formal Service Review Program.

## RECOMMENDATION

**That the Finance and Audit Committee:**

    **1. Note and provide comment on the following:**

      **1.1  This report**
      **1.2  Appendix 1 - Service Review Program 2018/19 - Progress Update**
      **1.3  Appendix 2 - Service Review Recommendations - Progress Update**

## GENERAL ANALYSIS

**Service Review Program**
The Service Review Program for the 2018/19 financial year is progressing as planned. The reduction in the number of service reviews for the year has allowed for a redirection of the resources from the Performance and Innovation Team to support the implementation of 21 existing open actions from previously completed service reviews.

Tracking on the progress of all reviews, along with the 21 actions supported by the Performance and Innovation Team, can be viewed in Appendix 1.

**Implementation of recommendations**
Since the last report to the Finance and Audit Committee (FAC181002) and as of 23 November 2018, highlights of the implementation of Service Review recommendations have included:

- The Drainage and Roads Service Reviews have been closed out with all recommendations completed, notably that kerb and water table unit rates have been reduced by 38% compared to the original rate

- The Customer Satisfaction tool has been built and will be piloted in December
- The administration building foyer design has been finalised and the tender for construction will commence at the end of November
- The Landscape Maintenance program has been merged and is now complete

The progress of implementation of recommendations from the Service Review Program is outlined in Appendix 2.

**Liveable:** Contributes to the CoM Business Plan 2016-19 'liveable' goal to provide access to housing choice and services for a growing and diverse population

**Innovation:** Contributes to CoM Business Plan 2016-19 'innovative' goal to have a community that harnesses creativity, research and collaboration to pursue innovative ideas

## Attachment

| # | Attachment | Type |
|---|---|---|
| 1 | FAC181211 - Service Review Program and Recommendations - Progress Update - Appendix 1 | PDF File |
| 2 | FAC 181211- Service Review Program and Recommendations - Progress Update - Appendix 2 | PDF File |

**City of MARION**

**Service Review Program 2018/19 Progress Update (FAC181211)**

**Appendix 1**

**9** Total service reviews

**6** Completed

**-** On track

**-** Not on track

**3** Not commenced

33%

67%
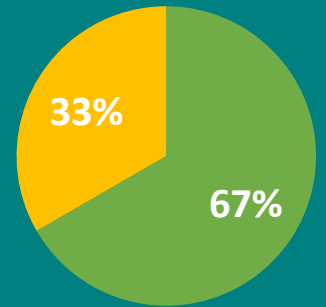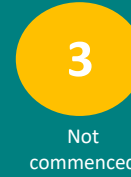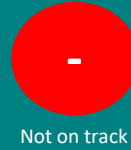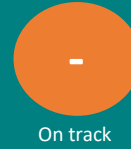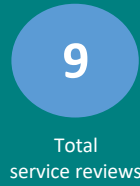
How are we progressing per service review?

= Scope
= Service Review progress
= Service Review Report
= Completed
= On Track
= Not on Track
= Not commenced

### Open Space Transformation Phase 2

**Services Involved (5)**

FAC171212

100%

FAC180821

Irrigation
Playgrounds/furniture and other
Biodiversity and Remnant Vegetation
Tree Planting and Watering
Walkways

### Records Management

FAC180227

100%

FAC180821
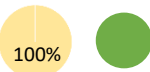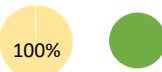
### Information and Communication Technology

**Services Involved (3)**

FAC181211

0%

Projects and Business Support
Infrastructure
Helpdesk Services

How are the Performance and Innovation Team progressing with supporting the implementation of identified open actions?

**21** Total actions P&I to support

**5** Completed

**16** On track

24%

76%
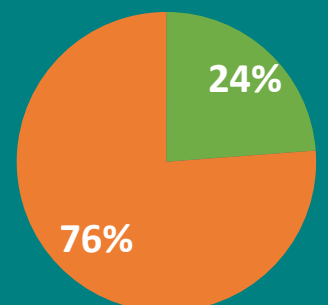
# All Service Review Recommendations - Progress Update (Appendix 2)

**(Status as at 23/11/2018 based on tracking against original completion dates)**

CITY OF
MARION

Implementation of all SR Recommendation
Status by Actions (Mar 16 - Nov 18)
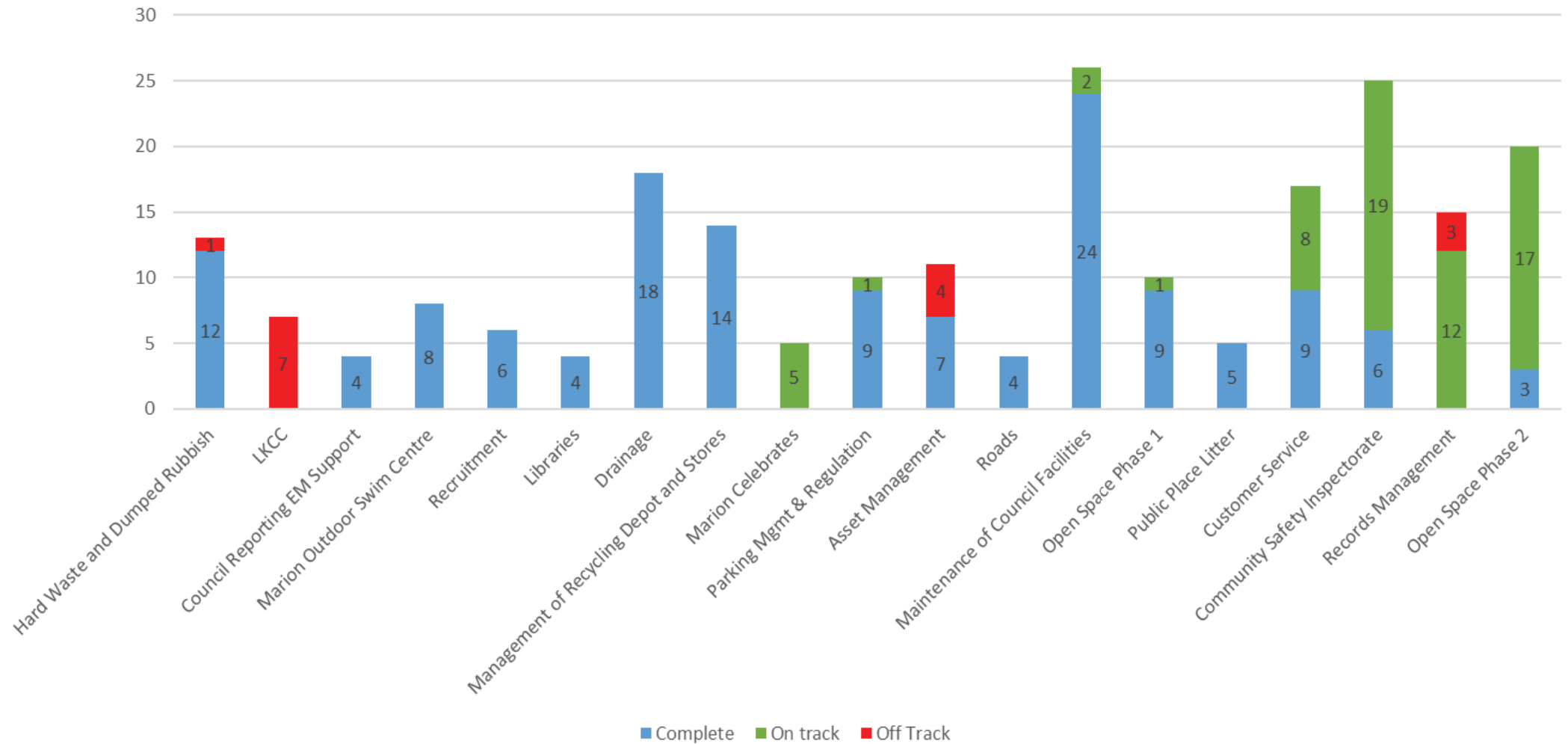


■ Complete  ■ On track  ■ Off Track

# Open Service Reviews - Recommendations - Progress Update
## (Status as at 23/11/2018 based on tracking against original completion dates)

**Key**
- ● Complete
- ● On Track
- ● Watch Closely
- ● Off Track

| Division | Department | Service Review | Date Reported to FAC | Original Completion Date | Recomm. | Total # of Actions | On Track Actions | Off Track Actions | Actions Complete | % of Actions Complete | Comments |
|---|---|---|---|---|---|---|---|---|---|---|---|
| City Development | City Activation | Living Kaurna Cultural Centre | May-16 | Dec-17, Dec-21 | 7 | 7 | | 7 | | 0% | The LKCC Steering Group has been advised by the Kaurna's legal representative that Kaurna Yerta Aboriginal Corporation (KYAC) are reconsidering options regarding the proposed agreement given the new governance structures established for Kaurna and the large body of work they are attending to as a result of the Native Title Determination. A proposal from KYAC is expected to be submitted to council early in 2019 regarding a way forward. |
| | Development and Regulatory Services | Parking Management and Regulation | May-17 | Dec-18 | 1 | 10 | 1 | | 9 | 90% | KPI set for all schools to be monitored during school terms. Formal KPIs for the monitoring of bike lanes will be developed after Council has determined future service delivery standards. |
| | Innovation and Strategy | Asset Management | Aug-17 | Jun-18 | 4 | 11 | | 4 | 7 | 64% | Program required revising after the project was fully scoped and realistic time frames were developed. The Asset Hierarchy has been developed and will set the foundation for the new Asset Management ICT system. Generic processes across the asset lifecycle being mapped and endorsed by key leaders. |
| | City Property | Maintenance of Council Facilities | Oct-17 | Nov-18 | 8 | 26 | 2 | | 24 | 92% | A site coordinator for the Administration building has been assigned. A metrics template has been established for reporting and monitoring and will be automated as part of the Metrics that Matter project. |
| | Development and Regulatory Services | Community Safety Inspectorate | May-18 | Jul-19 | 7 | 25 | 19 | | 6 | 24% | Consultation with staff, HR and the Union has been completed regarding a new service delivery model, with a new draft roster developed. Patrols of school zones, bike lanes, parking are ongoing. Discussions regarding establishing key metrics have taken place with draft template anticipated in December 2018. |
| **Division Total** | | | | | **27** | **79** | **22** | **11** | **46** | **58%** | |

# Open Service Reviews - Recommendations - Progress Update
(Status as at 23/11/2018 based on tracking against original completion dates)

**Key**
● Complete    ● Watch Closely
● On Track    ● Off Track

CITY OF MARION

| Division | Department | Service Review | Date Reported to FAC | Original Completion Date | Recomm. | Total # of Actions | On Track Actions | Off Track Actions | Actions Complete | % of Actions Complete | Comments |
|---|---|---|---|---|---|---|---|---|---|---|---|
| City Services | Engineering and Field Services | Hard Waste | Mar-16 | Mar-17 | 13 | 13 | | 1 | 12 | 92% | An Expression of Interest (EOI) has been released to Tenders SA. An assessment of EOIs is expected to be complete by the end of December 2018. |
| | Community and Cultural Services | Marion Celebrates | May-17 | Feb-19 | 1 | 5 | 5 | | 0 | 0% | Planning well underway including but not limited to traffic management and road closures, communication and promotion of the event, securing sponsorship, extended opening hours of venues in vicinity. Adelaide Night Market event coordinator to manage stall holders. Agreement with artists and performers confirmed. |
| | Engineering and Field Services | Drainage | May-17 | Jun-18 | 7 | 18 | | | 18 | 100% | The report has been drafted for ELTs consideration for the meeting scheduled 17 December 2018. |
| | Engineering and Field Services | Roads | Aug-17 | Jun-18 | 4 | 4 | | | 4 | 100% | Unit rates have reduced by 38% compared to the original kerb and water table unit rate. |
| | Engineering and Field Services | Open Space Phase 1 | Dec-17 | Jun-22 | 2 | 10 | 1 | | 9 | 90% | The Landscape maintenance program has now been merged and is complete. Work on the optimisation of the mowing round is progressing and is expected to be complete by mid December 2018. |
| | Engineering and Field Services | Open Space Phase 2 | Aug-18 | Jun-22 | 63 | 20 | 17 | | 3 | 15% | A decision has been made to defer implementation of Open Space Phase 2 to Q1 2019. While Phase 1 has resulted in clear benefits and has demonstrated the mobility and metrics solution can work, cultural change within the team is still a work in progress. Further effort on resolving these issues will occur prior to proceeding with implementation of Phase 2. |
| | Customer Experience | Customer Service | Feb-18 | Mar-20 | 17 | 17 | 8 | | 9 | 53% | Customer Satisfaction tool built with the pilot to be rolled out in December to the Planning Team. Digital channel uptake has been strengthened, including the use of Live Chat and online lodgement forms for Development Services. The admin foyer design has been finalised and the construction tender will commence at the end of November. Full build is expected by the end of April. |
| **Division Total** | | | | | **107** | **87** | **31** | **1** | **55** | **63%** | |

# Open Service Reviews - Recommendations - Progress Update
### (Status as at 23/11/2018 based on tracking against original completion dates)

| Division | Department | Service Review | Date Reported to FAC | Original Completion Date | Recomm. | Total # of Actions | On Track Actions | Off Track Actions | Actions Complete | % of Actions Complete | Comments |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Corporate Services | Corporate Governance | Records Management | Aug-18 | Dec-19 | 15 | 15 | 12 | 3 | | 0% | The draft Records Management Framework has been received.  Currently working through this with the intent for the 3 off track items to be completed by the end of February 2018. |
| **Division Total** | | | | | **15** | **15** | **12** | **3** | | **0%** | |

**Completed Service Reviews**
**(March 2016 – November 2018)**
- Inventory Management Recycling Depot (Recycling, Depot and Stores)
- Libraries
- Marion Outdoor Swim Centre
- Public Place Litter
- Recruitment
- Council Reporting and Elected Member Support

*\*\*\*A Service Review is considered Off Track when an action has not been completed by the original completion date*

## Ombudsman Report 2017/18

| | |
|---|---|
| **Originating Officer** | Quality Governance Coordinator - Deborah Horton |
| **Corporate Manager** | Manager Corporate Governance - Kate McKenzie |
| **General Manager** | General Manager Corporate Services - Vincent Mifsud |
| **Report Reference** | FAC181211R05 |

## REPORT OBJECTIVE

To provide information on complaints received by the City of Marion community to the South Australian Ombudsman (the Ombudsman) during the 2017/18 financial year.

This report historically reconciles information from the Ombudsman's office (via two six monthly reports) with the Ombudsman's Annual Report providing additional Local Government statistics and key trends. At the time of writing this report, the Ombudsman's Annual Report was not available (it will be made available early 2019 after presentation to Parliament) and therefore a further report may be required in the new year.

## EXECUTIVE SUMMARY

The Ombudsman's office received a total of 26 complaints relating to the City of Marion in 2017/18, these include;

Eighteen (18) complainants were referred back to the City of Marion.
Five (5) complaints were refused to be investigated by the Ombudsman,
One (1) investigation was found not to be in breach of the Ombudsman Act 1972 (SA),
One (1) Resolved by alternate agency,
One (1) Resolved by City of Marion.

In addition to complaints to the Ombudsman's office above, four (4) requests were received direct to the City of Marion by four (4) individual complainants, to conduct a review of a council decision, the details of which are provided within. These are referred to and known as 'section 270 Reviews' as the right is provided via this clause of the *Local Government Act 1999* (SA).

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

**That the Audit Committee note this report and Appendix 1.**

## GENERAL ANALYSIS

**ANALYSIS:**

The following details have been extracted from information within the reports received from the Ombudsman's Office (six monthly reports). The readers attention is drawn to the following;

- 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.

- In some instances, this contact may be the first time that Council has 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 26 complaints pertaining to the City of Marion in 2017/18 (Appendix 1 diagram shows a comparison of complaints made over the past three financial years).

Of the 26 complaints;

- 18 were referred back to the City of Marion,
- five (5) were declined to be investigated,
- one (1) investigation was found not to be in breach of section 25 of the Ombudsman Act,
- one (1) complaint (expiation notice) was referenced as "alternate remedy with another body'.
- one (1) was resolved by the City of Marion.

Further information is provided below;

Eighteen (18) complaints were referred back to the City of Marion involving the following (see summary in Appendix two);

- Parking - Unreasonable expiation (five)
- Development /Building - unreasonable delay/ failure to comply / incorrect information (six)
- Trees/footpaths - unreasonable refusal to remove/clean (two)
- Refusal to relocate bin collecting (one)
- Unreasonable conduct of staff member (one)
- Unreasonable threat made to Council officer (one)
- Failure to act on barking dog complaint (one)
- Notice of Motion - provided confidential matters at a designated informal gathering (one)

Five (5) complaints were declined to be investigated relating to;

- Development/building (three)

   The City of Marion is aware of only one of these complaints being made to the Ombudsman which involved a complaint about a carport structure built along a boundary. The carport structure was built in accordance with the relevant legislation (see further details Appendix 2).

- Parking - Unreasonable expiation (one)

   The City of Marion was unaware the complaint was made to the Ombudsman. According to Council records, the expiation in question was paid in full.

- Trees/footpaths (one)
   The City of Marion was unaware the complaint was made to the Ombudsman.

One (1) complaint was found to be unsubstantiated involving the Mayor in relation to the Elected Member Code of Conduct.

Although not included in the Ombudsman's office six monthly reports (but expected to be included in the

Ombudsman's Annual report), an investigation was concluded by the Ombudsman in July 2017. This investigation made the finding that the City of Marion CEO breached the Code of Conduct for Council Employees and therefore committed misconduct in public administration. The matter related to the waiving of a parking fine for an elderly resident.  The Ombudsman recommended that all staff be reminded of Council procedures.

**S270 Reports (reviews of a council decision)**

The City of Marion received four (4) requests (50% decrease from 2016/17) to conduct an internal review of a Council decision. All four complainants also contacted the Ombudsman's office concurrently;

- One (1) on Street Parking Complaint (August 2017)

This complaint related to restrictions of on-street parking in a residential street.  The review recommended that permit parking be implemented as a 6 months trial.  This has occurred and the trial has been extended.

- One (1) Barking Dog Complaint (February 2018)

This complaint was reopened and reinvestigated. The outcome of which was finalised to the complainants satisfaction (see further details Appendix Two).

- Development Approval (March 2018)

The complainant raised concerns regarding a carport built along a boundary fence. The complainant was provided an explanation of the *Development Act 1993* (SA) and Councils process. The complainant pursued this further with the Ombudsman's Office whom advised the complainant that their enquiry/complaint would not be investigated further as such were unnecessary and unjustifiable.

- One (1) Development - retaining wall/fence (initial contact made June 2018 - however the written request was made 5 July 2018)

This complaint referred to the length and finish of a retaining wall which was deemed a civil matter in accordance with the *Development Act 1993* (SA) and *Fencing Act 1975* (SA) and was concluded July 2018.

A request for a review of a decision from 2016/17 financial year was concluded in 2017/18 which involved complaints regarding feral bees nesting on a cliff face on private property. The outcome of this investigation concluded that Council had no jurisdiction in the matter and was a civil dispute between neighbours.

**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.

## Attachment

| # | Attachment | Type |
|---|---|---|
| 1 | Appendix 1 and 2 for FAC111218 | PDF File |

**Appendix 1**

## SA Ombudsman Investigations - City of Marion

2 Remainder below refers to;
1 x complaint resolved with Agency co-operation
1 x complaint resolved by Alternative Agency. This related to a parking expiation (see explanation provided in Appendix 2)

| | Total Complaints | Ombudsman declined to investigate | Investigated with s25 finding | Referred back to agency | Remainder |
|---|---|---|---|---|---|
| 2017/18 | 26 | 5 | 1 | 18 | 2 |
| 2016/17 | 25 | 6 | 1 | 15 | 3 |
| 2015/16 | 24 | 5 | 0 | 12 | 7 |

2017/18    2016/17    2015/16
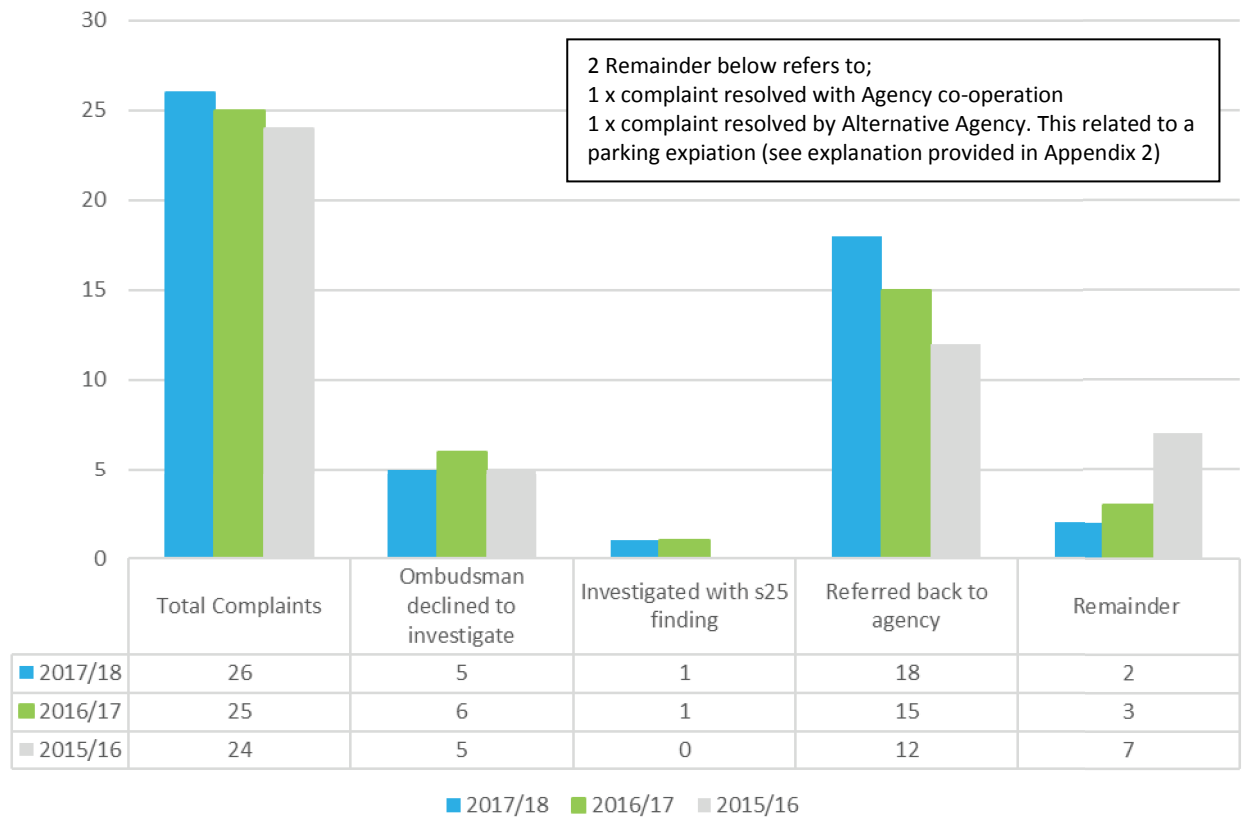
**Summary of complaints '*referred back to the Agency'***

- Of the 18 complaints 'referred back' to the City of Marion, only one complainant made the City of Marion aware they had contacted the Ombudsman's office. A short summary providing known details including any action as a result of the complaint is provided below;

    o Parking - Unreasonable expiation notice (five)

        ▪ City of Marion was unaware that all five complainants contacted the Ombudsman's office. The City of Marion records only provide details for two of the five complaints. One complainant's fine was escalated to the Fines Enforcement & Recovery Unit, the other fine was paid in full.

        ▪ Additionally, the Ombudsman's office made a note that a parking expiation complaint found '*Alternate remedy available with another body*'. However Council's records indicate that this complainant did contact Council regarding a Westfield Shopping Centre parking fine, but also paid the fine in full.

    o Development/Building - unreasonable delay finalising development/failure to comply/incorrect information  (six)

        ▪ The City of Marion was unaware all six complaints were made to the Ombudsman.

            • One complainant had complained to the Ombudsman's office last year which was refused by the Ombudsman to investigate further as it was deemed unreasonable and unjustified. This relates to a complaint regarding a retaining wall, which is a civil matter with her neighbour. This complainant resubmits this complaint sporadically, with the City of Marion's records indicating this complaint has been on file since 2012.

            • The remaining five complaints do not have details registered with their building/development files that indicate dissatisfaction with Council.

    o Trees/footpaths – unreasonable refusal to remove/clean (two)

        ▪ City of Marion was unaware these complaints were made to the Ombudsman and no complaint has subsequently been received by Council.

    o Unreasonable Conduct of Officer (one)

        ▪ The City of Marion was unaware a complaint was made to the Ombudsman's Office. This has been referred to the City of Marion Human Resources Department.

    o Refusal to relocate bin collecting (one)

        ▪ City of Marion was unaware a complaint was made to the Ombudsman's Office.

    o Unreasonable threat made to Council Officer (one)

        ▪ City of Marion was unaware a complaint was made to the Ombudsman's Office. This has been referred to the City of Marion Human Resources Department.

    o Failure to act on barking dog complaint (one)

- City of Marion undertook a preliminary investigation regarding a barking dog matter. It was re-opened and re-investigated. The dog has been monitored and the complainant has not contacted the Council again.

o Notice of Motion – protocol for confidential matters at designated informal gatherings (one)

- To be resolved, this matter involves potential changes to the City of Marion Designated Informal Gatherings Policy which is a matter for the City of Marion Elected Body as a whole. The organisation is reviewing its policies which will provide the opportunity for this Elected Member to advocate for changes during this review process.

## Service Review - Scope - Corporate Information and Communication Technology

| | |
|---|---|
| **Originating Officer** | Performance & Innovation Leader - Cass Gannon |
| **Corporate Manager** | Manager ICT - John Deally |
| **General Manager** | General Manager Corporate Services - Vincent Mifsud |
| **Report Reference** | FAC181211R06 |

## REPORT OBJECTIVE

To provide the Finance and Audit Committee with the Service Review Scope for Information and Communication Technology (ICT) for their review and feedback.

## EXECUTIVE SUMMARY

The Performance and Innovation Team have worked with the relevant Managers of the service and the Executive Leadership Team to develop the scope.

The Service Review is scheduled to commence in January 2019, with the report to be provided to the May 2019 meeting of the Finance and Audit Committee.

## RECOMMENDATION

**That the Finance and Audit Committee:**

**1. Provide feedback on the Service Review – Scope – Corporate ICT (Appendix 1).**

## GENERAL ANALYSIS

The Corporate ICT department was identified in the Service Review Program for 2018/19 for review. This Service Review will encompass three services, all managed by ICT:

- Infrastructure Service Delivery

- Information Cyber Security and Audit (service outsourced)

- Business Applications and Project Support

The areas of focus for the review are:

- To establish an appropriate Corporate ICT internal service delivery model to suit the future ICT needs of CoM taking into consideration;

  - The required roles, responsibilities, competencies and optimal team structure required
  - The service delivery models at other councils and comparable organisations

- Identify opportunities for broader process and system improvements

**Liveable:**    Contributes to the CoM Business Plan 2016-19 'liveable' goal to provide access to housing choice and services for a growing and diverse population

**Innovation:**    Contributes to CoM Business Plan 2016-19 'innovative' goal to have a community that harnesses creativity, research and collaboration to pursue innovative ideas

## Attachment

| # | Attachment | Type |
|---|------------|------|
| 1 | Service Review - Scope - Corporate Information and Communication Technology - Appendix 1 | PDF File |

## Service Details

| | |
|---|---|
| **Service Review Name:** | Corporate Information and Communication Technology (ICT) |
| **Services Involved:** | Infrastructure Service Delivery<br>Information Cyber Security and Audit (service outsourced)<br>Business Applications and Projects Support |
| **Senior Leadership Team Member:** | John Deally, Manager ICT |
| **Executive Leadership Team Member:** | Vincent Mifsud, General Manager Corporate Services |
| **Date:** | November 2018 |
| **Service Description:** | **Infrastructure Service Delivery**<br>Provides ICT infrastructure, network, telecommunications and helpdesk support services to all computer users (approximately 350) including elected members. The functions include:<br>• Service helpdesk<br>• Basic ICT induction training<br>• Mobile device support<br>• Equipment leasing<br>• Software licensing<br>• Server infrastructure and technical services availability<br>• Vendor and outsourced services management<br>• Business continuity<br>• Intranet technical support<br>• GIS systems and mapping support<br>**Information Cyber Security and Audit** (service outsourced)<br>• Cyber Security and audit compliance<br>*Note: This service links to CoM Risk Working Group and Risk Management Framework with oversight at the Finance and Audit Committee*<br>**Business Applications and Projects Support**<br>Delivers continuous improvement in business processes, systems and information management through the effective use of ICT. The functions include:<br>• Applications systems and databases support<br>• Business engagement and ICT needs analysis<br>• Intranet business support<br>• Mobile device policy and assistance<br>• Project management and coordination (ICT related business as usual mini-projects) |

## Service Review Scope

### Areas of Focus

- To establish an appropriate Corporate ICT internal service delivery model to suit the future ICT needs of CoM taking into consideration;
  - The required roles, responsibilities, competencies and optimal team structure required
  - The service delivery models at other councils and comparable organisations
- Identify opportunities for broader process and system improvements

*Note: The Business Fitness Systems Review is being managed separately, as a result ICT systems are out of scope for this review*

### Deliverables

- Service Review report with meaningful recommendations
- Implementation plan for recommendations

### Constraints

- Availability of key stakeholders
- Ability to access and implement appropriate data and systems

## Key Stakeholders

### Internal

- General Manager Corporate Services
- Manager ICT
- Unit Manager ICT
- ICT Team
- Human Resources
- Elected Members
- Senior Leadership Team
- Finance and Audit Committee

### External

- Union
- Relevant vendors
- External ICT expertise through a consultant

## Timeframe

| Item | Timeframe |
|---|---|
| Plan and undertake service review | January 2019 to March 2019 |
| Present report and recommendations to Executive Leadership Team | April 2019 |
| Present report and recommendations to Finance and Audit Committee | May 2019 |

## Scope Approval

**Senior Leader – Scope Meeting**
John Deally, Manager ICT

**Date:** 23/10/18

**Executive Leader – Scope Meeting**
Vincent Mifsud, General Manager Corporate Services

**Date:** 23/10/18

**Executive Leadership Team – ELT Meeting**

**Date:** 5/11/18

## Scope Feedback from Finance & Audit Committee

**Finance and Audit Committee Date:** 11/12/18

**Feedback from Finance and Audit Committee**

## Feedback Outcomes

## Framework and Key Assumptions for the preparation of the 2019/20 ABP&B and LTFP

| | |
|---|---|
| **Originating Officer** | Junior Accountant - Melissa Virgin |
| **Corporate Manager** | Manager Finance - Ray Barnwell |
| **General Manager** | General Manager Corporate Services - Vincent Mifsud |
| **Report Reference** | FAC181211R07 |

## REPORT OBJECTIVE

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 2019/20 (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 2019/20 as part of the ABP planning process which has recently commenced, the FAC'S feedback is sought on the proposed framework and key assumptions.

## RECOMMENDATION

**That the Finance & Audit Committee:**

1. **Provides feedback on the framework, assumptions and associated risks in setting the Annual Business Plan for 2019/20 and the Long Term Financial Plan**

2. **Provides feedback on the Environmental Scan (refer to Appendices 2 and 3) as an input into the Draft ABP 2019/20 and draft LTFP.**

## DISCUSSION

The 2019/20 Annual Business Planning process has now commenced. The table in Appendix 1 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).

As part of the ABP planning process and prior to the preparation of the next iteration of Council's LTFP and ABP 2019/20, the Finance & Audit Committee's feedback is sought on the proposed framework and key assumptions.

The proposed framework for 2019/20 is based on the framework presented to Council at its meetings on 10 April 2018 (GC100418R04) and 12 June 2018 (GC120618R09):

**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.**
*Comments: No Change Proposed*

- **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 in metropolitan councils.**
*Comments: No Change Proposed*

## Assumptions

In developing the Draft LTFP and Draft ABP 2019/20, 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 2019/20 budget will be based off historical actuals adjusted where appropriate by the current CPI figure (Adelaide, Sept 2018) of 1.8%. For the years following (2019/20 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 2.3% increase per annum has been 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.

    *Comment: This was increased last year from 2.0% to 2.3% due to the March Adelaide CPI being 2.3% and the Salary Enterprise Agreement (EA) being set for 2.0% or CPI whichever is higher. The Wages EA has been adopted for 2018/19 through to 2020/21 with a 2.5% or CPI increase.*

    *The corporate KPI relating to Total Employee Costs has a Core target of "less than or equal to 3% increase in actual employee costs" and a Stretch target of "less than or equal to 2%". With the current assumption and EA's, the projected increase exceeds the stretch target.*

    *The committee's feedback is specifically sought on this assumption with regards to whether or not this should match the stretch target with a continued focus on finding efficiencies in service delivery.*

- Interest expenses are directly related to Council borrowings and cash flows.

- Rates - an increase of 1.8% (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 4 years been in a position to decrease the rate increase applied, down from (4.9% - 2015/16, 2.5% - 2016/17, 2.2% - 2017/18 to 1.8% in 2018/19). The 1.8% 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 2019/20 and throughout the LTFP will be modelled and assessed as part of the ABP process. The LTFP adopted by council at their meeting on 26 June 2018 (GC180626R02) has forecast a positive cash position for 2019/20.*

- 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 development 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 four years).

- 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.

- Contributed assets from developers (includes roads, footpaths, drains etc. provided by developer or new subdivisions occurring in the Council area) will be budgeted in accordance with information known at the time of preparing this document. At present, 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

  *Comment: previously $1.5m of contributed assets were budgeted, however this was regularly not met and was not based on known facts.*

**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. Rates - The recent State election has seen the introduction of rate capping legislation, however this is still in parliament, with opposition also having introduced a ratepayer protection bill. Forecast rates in Council's adopted LTFP are 1.8% which is in line with the current Adelaide CPI of 1.8% but below the June 2018 CPI figure of 2.7%.

   Should rate capping be introduced, it may prove to be unsustainable in the long term and could hinder the provision of new services that the community may require. 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 - Dependant on the outcome of future Enterprise Agreements:
   - A new outside workforce agreement has come into effect (EA number 10, expiring 30 June 2021) and is for 2.5% for the 3 years with a CPI safety net.
   - The inside workforce agreement expires 30 June 2019 and is due for negotiation. The agreement is currently based on a 2.0% increase, also with a CPI safety net.

Capping employee costs at 2.3% places reliance on being able to realise efficiency gains in staffing levels in years where CPI exceeds this figure. This increase may also not be sustainable should service levels increase and associated increases in staffing levels be required.  Any increases over 2.3% 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 which tracks ongoing trends and occurrences of the internal and external environment using the PESTLE framework  (Political, Economic, Social, Technological, Environmental, and Legal Factors) is undertaken periodically as part of the Annual Business Planning Process. A detailed review is provided in Appendix 2 and a summary in Appendix 3.

It summarises critical issues and identifies opportunities within the context of the Business Plan 2016-2019

The scan was reviewed in December 2018 and highlights a number of risks and opportunities which are being considered through the development of the 2019/20 annual business plan including:

- Upcoming Federal Election
- Continued growth and development within the Tonsley Innovation District, particularly construction at Tonsley residential village with 850 homes proposed for the area
- To improve east-west connectivity through Sturt Road in conjunction with the Darlington, Tonsley and Flinders Link Project
- Expression of interest for the development of a community/recreational facility at 262 Sturt Road
- Expression of interest for a hotel in Marion central
- Opportunities for access to data and information through installation and use of 'smart city' technology including a Federal grant of $867,500 for the Oaklands Smart Precinct
- State Government Planning reforms that can provide opportunities for growth areas and greater housing choice
- Investment in internal systems and technology to improve the efficiency and effectiveness of business operations
- Rapid evolution in technological innovations is reshaping customer expectations around service delivery
- Continued uncertainty of service provision related to NDIS funding model changes

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

The environmental scan will continue to inform a range of areas including council's suite of strategic plans, public policies, operational plans, and the risk working group.

**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 2019/20. It should be noted that identified once-off savings of $2.973m were achieved and recently reported to Council following the completion of the 2017/18 audited financial statements. Council services will continue to be reviewed during the preparation of the ABP 2019/20 and any areas where further efficiency and effectiveness savings are identified through Business Service Reviews will be incorporated into the development of the ABP 2019/20 and the LTFP.

**Conclusion:**

Feedback is sought from the Finance and Audit Committee in regards to the Framework, Assumptions, Risks and Environmental Scan in the preparation of the draft ABP 2019/20 and LTFP.

## Attachment

| # | Attachment | Type |
|---|---|---|
| 1 | Appendix 1 - Framework for the preparation of the LTFP and ABP | PDF File |
| 2 | Appendix 2 - Framework for the preparation of the LTFP and ABP | PDF File |
| 3 | Appendix 3 - Framework for the preparation of the LTFP and ABP | PDF File |

**2019-20 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: <br>• Elected Members' consideration of current unfunded initiatives, new priority initiatives and staff new initiatives <br>• Elected Members' input in setting tolerance/ key assumptions, parameters for management <br>• Draft Budget Model developed based on parameters set | December- January |
| 3 | Initial new priorities identified for draft Budget Model development | January |
| 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 | 11 December |
| 5 | • LTFP aligned with set parameters, Council resolutions and prioritised new activities <br><br>• High Level draft Budget/LTFP modelling presented to Elected Members | January <br><br> 19 January |
| 6 | Finance & Audit Committee – Update provided on Development Draft Annual Business Plan & LTFP, Framework and Assumptions – FAC feedback sought | 26 February |
| 7 | Draft Annual Business Plan /LTFP Framework and Assumptions endorsed and adopted | March |
| 8 | • Draft Annual Business Plan and Comprehensive Draft Budget <br>• Elected Member Forum – Rating data, rates discussion, 2018/19 priority projects list modelling, | 19 March |
| 9 | Set Tentative Rates <br>Set draft priority projects list for consultation | March-April |
| 10 | Draft Annual Business Plan endorsed and adopted for Community Consultation | April |
| 11 | Community Consultation period (Min. 21 Days) | April - May |
| 12 | Community Consultation Feedback to Council | 28 May |

| 13 | Final rates discussion<br>Final priority projects discussions | May - June |
|----|----------------------------------------------------------------|------------|
| 14 | Finance & Audit Committee – Post Community Consultation Feedback | 28 May |
| 15 | Final Draft Annual Business Plan and LTFP endorsed by Council for Adoption | 11 June |
| 16 | Annual Business Plan / LTFP adopted | 25 June |

# City of Marion Environmental Scan in context of the 3YBP 2016-2019 - December 2018 Review

Appendix 2

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

| Strategic goals | | Current or emerging issues and opportunities | | Criticality for action | | | | 2016-2019 Business Plan initiative reference | 2016-2019 Business Plan commitments | Other initiative delivered / further detail |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Headline | Detail | Short term: 12 months | Medium term: 2-4 years | Long term: 5-10 years | Watching brief / Ongoing | | | |
| Communities that are safe, inclusive, embracing active living, and healthy lifestyles | Liveable | Population growth of around 1.32% 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<br>- High % of adults overweight/obese, high cholesterol, high blood pressure, asthma, arthritis<br>- High proportion of premature mortality due to circulatory system, heart disease, cancers and self-inflicted injury<br>- High proportion of females with osteoporosis<br>- High % of adults with psychological distress<br>- High % of people with multiple chronic health conditions<br>- High proportion of hospital admissions due to mental health conditions<br>- High % of older people not participating in sufficient physical activity<br>- Higher proportion than metropolitan average of children not achieving recommended amount of physical activity (SAMSS data)<br>-Higher proportion than metropolitan average of adults with a profound disability (PHIDU) | ✓ | ✓ | | | L1 | Amend the zoning of key sporting areas/hubs to support revitalised, modern sports facilities | Public Health:<br>The changing role of Council in disease prevention, health promotion and health protection, embedding the four priority areas of Public Health legislation:<br> - Increasing Opportunities for Healthy Living, Healthy Eating & Being Active<br> - Preparing for Climate Change<br> - Sustaining and Improving Public and Environmental Health Protection<br> - Stronger & Healthier Communities & Neighbourhoods for All Generations<br><br>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<br><br>Delivery of Sports & Recreational Facilities<br> to feature in the 19 20 annual plan and next iteration of the 4YBP<br>EOI for the development of a community/recreational facility at 262 Sturt Road<br>EOI for an International standard hotel<br><br>Marion outdoor pool- upgrade to occur in next 4YBP<br><br>Delivery of a series of open space and Playgrounds to be delivered in 19/20<br><br>Place-making opportunities in Tonsley,  transport hubs, Hallett Cove Foreshore redevelopment, local and main streets also linked with community governance approaches |
| | | | | ✓ | ✓ | ✓ | | L2 | Deliver excellent Sport and Recreational Facilities across the City:<br>• Community Club and indoor sports stadium at Mitchell Park<br>• Sports and community complex at the Edwardstown Soldiers Memorial Oval<br>• A new regional soccer facility in the South in partnership with Football SA<br>• An International standard BMX complex in the South, led by BMX SA<br>• Capella Reserve redevelopment in partnership with the Cove Football Club to pursue funding opportunities<br>• Modern sustainable tennis and netball facilities across the City to meet the needs of the Community now and into the future | |
| | | | | ✓ | | | | L3 | Present the Marion Outdoor Pool Masterplan | |
| | | | | ✓ | ✓ | ✓ | | L4 | Delivery of Open Spaces and Playgrounds across the City:<br>• South Australia's first Inclusive Play space at Hendrie Street Reserve<br>• Jervois Street South Plympton Play space<br>• Hallett Cove Foreshore precinct redevelopment<br>• Reserve Street Reserve Trott Park dog park, plus location and design for a second dedicated dog park<br>• 8 local/neighbourhood scale play spaces, plus plans for a further 4 play spaces<br>• Priority open space developments based on our Open Space plan, to meet the needs of a growing and changing community into the future<br>• High quality public toilets in our priority reserves and parks | |
| Access to housing choice services and for growing and diverse population | | Limited housing choices | Urban demographics:<br>- Limited housing choice to meet the needs of everyone in the community<br>- Population growth and urban infill cause increased traffic and limited on-street parking with increasing demands on public places and spaces and public services. -A larger percentage of 'young workforce' (25 to 34) compared to greater Adelaide and transition to parents and homebuilders in the years ahead<br>- A slightly higher percentage of homelessness prevalent within the community (compared to ABS 2011)<br>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:<br>- create more choice in southern Marion due to increased density<br>- increase densities along transit corridors and in close vicinity to activity centres<br>- 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<br><br>Collaborate on Southern Innovation DPA  - higher residential density in Tonsley, Sturt Triangle and Lot 707 |
| | | | | ✓ | ✓ | | | L6 | Awaiting outcomes of the Morphettville DPA, currently being reviewed the  Minister | |
| | | National and international trends on people remaining independent as they age | 23.6% of population over the age of 60 representing an increase in ageing population since 2011 ABS Census<br><br>Opportunity to focus more on individual quality of life, healthy and active participation and social support services to eliminate growing isolation of elderly in the community | ✓ | ✓ | ✓ | | L7 | Develop and deliver an Age Friendly Strategy in partnership with neighbouring councils. | Age Friendly Strategy completed.<br><br>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 Laboratory has been built at Tonsley. City of Marion has a partnership with COTA (Centre for the Ageing) in 2018 |
| Neighbourhoods that reflect local character heritage and enable a sense of belonging | | 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. NDIS funds redirected to individuals vs providers will require a review of service strategy across the organisation | | | | ✓ | | | Internal audit KPMG was undertaken in 2018 to determine NDIS readiness with City of Marion and to table various options for our future direction. |
| | | High emergence of migrant communities | 23% (5,674) of total overseas arrivals commenced residence in the City of Marion between 2011-2016 which represents a higher number of migrants compared to the Greater Adelaide region placing a need for services to support | | | | | | | Men's migrant group recently established |

| Theme | | Opportunity/Issue | Description | | | | | VN | Action | Status/Notes |
|---|---|---|---|---|---|---|---|---|---|---|
| A healthy and climate resilient urban environment | 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.<br><br>Improving energy efficiency to combat the increasing maintenance and utility costs impact on the cost of delivering services<br><br>SA Government 50% renewables commitment by 2025 & net zero emissions by 2050<br><br>20% Increase in Greenspace (30 Year Plan for Greater Adelaide)<br><br>City of Marion ranks 13th from the bottom on the national assessment of green space conducted by Australia's leading green space hub Vision2020 (see report "Where should all the trees go"). | ✓ | ✓ | ✓ | | VN1 | Significantly increase energy efficiency across our council facilities | 20% of council owned/leased buildings have had energy efficiency improvements made<br><br>10 of 15 (2/3) owned and operated buildings have had energy efficiency upgrades and solar panels installed<br><br>There is a significant transition in the electricity sector happening now. This will have local implications that we may have little control over. An Energy Efficiency & Renewable Energy Roadmap is being developed with the I&S Committee and work is being done via the SAEDB / Community Energy Hub initiative<br><br>Three household solar/battery schemes are now being considered by the SA government – its own grant scheme, the low-interest loan scheme (previous Labor Govt scheme), or the Tesla-proposed virtual power plant (free of charge, 5kW of rooftop solar and a 13.5kWh Tesla Powerwall battery storage unit in low-income households, starting with Housing Trust tenants). |
| | | | | ✓ | ✓ | ✓ | | VN2 | Develop a business case and commence delivery of the transition to safe and sustainable street and public lighting | LED transition 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.<br><br>Influence DPTI to include green infrastructure in projects within CoM<br><br>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 | Work with the State Government on the implementation of the Glenthorne National Park concept. |
| | | | China's revised waste import policy raised standards for the contamination of imported products to 0.5% contamination and cost to rise per tonne from July 1 2018. Increased media coverage may impact public opinion on the need for sustainable solutions | | | | | | | There is a growing community awareness / movement about reducing plastics … some of this follows on from the "War on Waste' tv program in 2017, & includes initiatives such as BYO reusable coffee cups, say no to straws, etc. This is relevant in a local context. |
| | | Infrastructure issues associated with flooding and stormwater | | ✓ | ✓ | ✓ | | VN8 | Manage stormwater in close partnership with our neighbours | The Stormwater Masterplan east of the sturt drain was commenced in 2017. |
| A city that reflects a deep value of the natural world | | Impacts of climate change | Limited natural resources and increased impacts on the natural environment and waste production<br><br>Impacts of increasing temperatures, longer heatwaves, reduced rainfall but increased rainfall intensity, increased fire danger days and increased sea levels) on:<br>- natural resources and ecosystems (including coastal and marine environments and water resources)<br>- natural resources and ecosystems (including coastal and marine environments and water resources)<br>- infrastructure and built environment (urban heat islands)<br>- service level expectations for the public realm<br>- essential services<br>- manufacturing and business (business continuity support)<br>- community health and wellbeing<br>- damage to housing and the built environment (COTA)<br>-impact to vulnerable groups, particularly ageing | ✓ | ✓ | ✓ | | 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.<br><br>Development of Natural Landscape Guidelines to improve the management of unirrigated areas.<br><br>A draft Coastal Management Plan focussing on coastal climate change has been developed<br><br>Third party use of Oaklands water is occurring and its further use investigated<br><br>Late in 2017, as part of the Resilient South Program a community was conducted via *Making Marion* portal with 100 respondents: 88% of respondents believe they have already experienced the effects of climate change & 94% expect to be impacted in the future: 87% of respondents are personally willing to take action on climate change & 31% have already taken action: 66% of respondents would like more support and information about how to prepare and respond to climate change: 93% of respondents believe the City of Marion should take some responsibility for responding to climate change & 47% don't know what the City of Marion is doing to respond to climate change. |
| | | | | ✓ | ✓ | ✓ | | VN11 | Develop and deliver a Regional Coastal Management Plan to support effective coastal management | |
| | | | | ✓ | ✓ | ✓ | | 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 | | | | ✓ | | | Research indicates that the natural world supports strong social, cognitive, emotional and physical development (Nature Play SA) |
| | | 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.<br><br>Increasing number of community gardens<br><br>Citizen Science, Bio Blitz and Common Thread events - move to more community led events<br><br>Increased promotion of related Neighbourhood Centre and Library resources<br>Common Thread monthly events to foster community-led environmental sustainability initiatives<br>Living Smart program to build capacity of community in relation to environmental behaviours<br>Partnership with Australian Red Cross (via Resilient South) to deliver Climate Ready Communities Program |

| Outcome | Challenge/Risk | Description | ✓ | ✓ | ✓ | ✓ | Code | Action | Status/Notes |
|---|---|---|---|---|---|---|---|---|---|
| Improved condition, diversity and connectivity of ecosystems | Fragmentation of remnant vegetation | The Remnant Vegetation Plan has now been endorsed and Council will be investing heavily into revegetation programs and support for community involvement. | ✓ | ✓ | ✓ |  | VN12 | Plan and deliver a program for the protection of precious remnant native vegetation in our reserves | Will be delivered in the 2019-2023 4 year plan |
|  | Increasing community expectations around corporate environmental responsibility | This can include issues including waste reduction and management, reduction in use of paper such as transition to paperless bills | ✓ | ✓ | ✓ | ✓ |  |  | Procurement & Contractor Policy includes environmental management. Commenced transition away from single use plastics at council events and facilities in 2018 |
| Communities that embrace volunteering and social interaction | Increased walking, cycling and public transport usage with fewer young drivers | 19.4% of residents in Marion participate in some form of voluntary work. 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. Increase demand for volunteering as a pathway to employment | ✓ | ✓ | ✓ |  | 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 |
| Meaningful opportunities for community engagement, partnerships and co-creation | 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) |
| An exciting urban environment that attracts business investment and economic activity | 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 Liberal Government reducing payroll tax for small business | ✓ | ✓ | ✓ |  | 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 |
|  |  | Number of jobs in Marion remains static, whilst population is increasing | ✓ | ✓ | ✓ |  | 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. |
|  |  | Growth in higher/tertiary education particularly at Flinders University and Tonsley. Trend toward people wishing to work, shop and play locally | ✓ | ✓ | ✓ |  | 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. |

Engaged

| | | | | ✓ | ✓ | ✓ | | Code | Action | Notes |
|---|---|---|---|---|---|---|---|---|---|---|
| A city that promotes & supports business growth and offers increased local employment and skills development opportunities | Prosperous | | | ✓ | ✓ | ✓ | | 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 (focus on Community Energy Hubs - working group has been established to progress) |
| | | | | ✓ | ✓ | ✓ | | 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 Building Upgrade Finance (BUF) approved by Council for delivery in Marion (GC130218R06) - provides a financing mechanism for commercial and industrial property owners to make environmental and heritage improvements to their buildings |
| | | | | ✓ | ✓ | ✓ | | 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. |
| A welcoming city offering residents & visitors a wide range of leisure and cultural experiences | | | | ✓ | ✓ | ✓ | | 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. |
| | | Retail everywhere – e-commerce and pop-up shops | The continuing shift towards digital and knowledge based economies | | | | ✓ | | | |
| A road network that connects neighbourhoods and supports safe walking, cycling and vehicle travel | 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 Rapid evolution in technological innovations is reshaping customer expectations around service delivery |
| | | 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. Only 15% of Australians over 65 access government services or health services via the internet. Enhancing digital literacy as more government services are moving service delivery and communication on line will require programs that are inclusive of older Australians (COTA) | ✓ | ✓ | ✓ | | 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 |
| A city that advocates improved public transport systems, linkages and networks that connect people to destinations | | 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 Warracowie Intersection. |
| A city that supports equitable access to diverse information sources and reliable digital technologies | | 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 and connection 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 | Insufficient and poorly integrated walking & cycling networks Free bike programs (e.g. Ofo) becoming more prevalent | | | | | 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 District 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 developed. |

| Goal | Category | Factor | Description | | | | | ID | Action | Status/Comment |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Lightweight vehicles developed | Rapid emergence of electric vehicles along with increased community interest (The Australian Energy Market Operator has effectively doubled its forecast uptake for electric vehicles in Australia, suggesting that within two decades they could account of more than half of Australia's car fleet)<br><br>Hydrogen plant at Tonsley | | | | ✓ | | | |
| | | Driverless cars - SA legislation reform (Motor Vehicles Act, Road Traffic Act) | In June 2016 the South Australian Parliament enacted the Motor vehicles Amendment Bill 2016 | | | | ✓ | | | Autonomous vehicle rolled out in the Tonsley Precinct and neighbouring Holdfast Bay Council. Flinders University also currently looking at autonomous vehicle to loop around the campus. Momentum towards greater usage of autonomous vehicles is building with the NSW Government investing $10 million to expand trials which may influence our State Government to consider similar |
| | | Smart parking systems – greater use of technology | Smart Cities | | | | ✓ | | | Opportunities may exist for smart parking technologies through the transition to LED lighting (which can be smart technology enabled) |
| | | Car and bike sharing e.g. GoGet (Sydney) and Flexi car (Melbourne) | | | | | ✓ | | | Sustainable Mobility - being investigated as part of Energy Efficiency and Renewable Energy Roadmap |
| | | Big data, smarter transport for trucking and freight etc. | | | | | ✓ | | | |
| A community that harnesses creativity, research and collaboration to pursue innovative ideas | 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 improvemen | City of Marion Events and Facilities Survey - June 2017 |
| A city that provides infrastructure and support that enables innovation to flourish | | | | ✓ | ✓ | ✓ | | I4 | Deliver a solar panel network at key council sites across the City | 20% of council owned/leased buildings have had energy efficiency improvements made<br>4 Council owned leased facilities to have energy efficiency improvements & solar panels installed during 2018; assessments completed on 2 additional leased facilities; $ set aside in budget for solar installation on Edwardstown SCC; financing mechanism for leased facilities approved by Council (GC130218R02) |
| | | | | ✓ | ✓ | ✓ | | 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 | Completed in 2018 |
| | | Collaborative consumption, co-working spaces and sharing economy | | | | | ✓ | | | |
| | Political | Rate capping & State Government control | A legislation change around Local Government rate capping was a key election campaign for the recently elected State Liberal Government. 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.<br><br>Improve understanding of ratepayer value to ensure rates are directed to highest priority services, programs, projects<br><br>Provide Council with a feasibility analysis of boundary realignment opportunities between the City of Marion and adjoining Councils and commence implementation |
| | | Upcoming Federal election in 2019 | Potential changes to grant and funding opportunities | | | | | | | |
| | | HACC Funding changes | From July 2019 the City of Marion will no longer receive State Government funding to support those aged under 65 with a disability and HACC | | | | | | | |
| | | NDIS changes | NDIS funding changes from provider to individual from 2020 will impact current service delivery in the community and cultural services team | ✓ | | | | | | KPMG Internal report draft complete with service delivery options to be reviewed |
| | | **Maximise funding opportunities since the change of State Government** | High dependency on external sources for funding opportunities to support community programs. City of Marion contribution to community support funding is currently 15% placing potential risk if state and federal funding is further cut<br>In July 2019 the COM will no longer receive State Government funding to support those under age 65 living with a disability and HACC | ✓ | | | | | | Ensure projects are spade ready.<br>Build relationships and lobbying partnerships - become a voice for the South |
| | | 3 tiers of Government | Ongoing changes to Federal, State & Local government policies and funding programs | ✓ | | | | | | |

| Category | Challenge / Opportunity | Description | ✓ | ✓ | ✓ | | Code | Action | Outcome |
|---|---|---|---|---|---|---|---|---|---|
| Financial sustainability | Continued focus on driving innovation and continuous improvement in a constrained budgetary environment<br><br>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<br><br>Increases in State Government fees and levies impact on the cost of delivering services<br><br>Opportunity to work more collaboratively with regional Councils in cost sharing<br><br>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 maximum value to our community, now and into the future. | 9 service reviews completed in 2016/17<br>12 service reviews scheduled for 2017/18<br>9 service reviews scheduled for 2018/19, 6 currently completed<br><br>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<br><br>Further models of collaborative procurement, public private partnership, cost sharing and funding streams investigated<br><br>Uncertainty of future interest rates and its impact on our future loan portfolio<br><br>Council Solutions' pilot program - data mining and benchmarking<br><br>Further reduction of carry-overs |
| Asset reliability and sustainability | Significant ageing infrastructure and assets<br>Investigating innovative asset management/ownership models<br>Potential for asset disposals<br>Potential for non-asset solutions for service delivery | Reviewing our existing asset base:<br>- In light of increasing costs and customer service requests to maintain and renew our existing asset base<br>- Understanding which assets could be repurposed, reused or disposed of in order to enhance other assets to better meet community needs<br>- 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<br><br>Undertake a building/facilities condition audit<br><br>Develop a building renewal plan<br><br>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 | | ✓ | ✓ | ✓ | | | | Enterprise wide systems review has been undertaken with a roll out of key actions to commence in the 19/20 business plan period |
| | Volunteering trends | Increasing interest in volunteerism provides opportunity for a varied skill base however a strong preference towards episodic volunteering is emerging as a preference to long term volunteering | | | | | | | Delivery of the Volunteer Strategy 2018-2021 |
| | 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 | ✓ | ✓ | ✓ | | | | Customer Experience training delivered to all staff<br>Develop and implement a community feedback program, including an annual community satisfaction survey<br>Deliver an annual Stakeholder survey on satisfaction with Council facilities<br>Greater effective use of evidence for decision making<br>Rapid evolution in technological innovations is reshaping customer expectations around service delivery |
| | 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<br>Continued building of leadership and workforce capability and skills, particularly in the areas of project management, partnership models and industry experience<br>Vacancy Policy: positions are not filled unless a clear case can be made | ✓ | ✓ | ✓ | | | | Endorsement of 3-year Business Plan and roll-out of 10-year Strategic Plan<br><br>Roll-out of values, Leadership Development Plans and Personal Development Plans<br><br>Working collaboratively to deliver the 3-year Business Plan through integrated work area planning<br><br>'Living' the values<br><br>Develop and deliver consistent Project and Program Management<br><br>Develop and deliver a Workforce Plan<br><br>E3 learning & 70/20/10 training and development program<br><br>LEAD leadership program<br><br>Increased knowledge transfer from contractors |
| | Safety focus | | ✓ | ✓ | ✓ | | | | Focus on reduction of Lost Time Injuries<br><br>Improved Admin building security |
| | An organisation possibly too averse to risk | Transition to an agile & responsive delivery model whilst maintaining prudent financial management<br>Alignment of risk management throughout the organisation | ✓ | ✓ | ✓ | | | | Review of frameworks and procedures to support delivery: Monitoring of risk registers, reformed Risk Working Group<br><br>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 Sky Trust in 2017 - 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<br><br>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<br>Adoption of a project management tool to provide greater systemisation across the organisation |
| | Ageing | Managing an ageing workforce, with provision of opportunities for transition programs, mentoring and training | ✓ | ✓ | ✓ | | | | Workforce planning with a key priority on career transition |

# Significant Influences and Priorities 2018/2019

| *Political* | |
|---|---|
| **Opportunities** | **Issues** |
| • Maximising ratepayer/community value<br>• Upcoming Federal Election | • Proposed rate-capping legislation<br>• NDIS block funding to cease in 2020<br>• On -going changes to Federal, State & Local Government policies and funding programs |

| *Economic* | |
|---|---|
| **Opportunities** | **Issues** |
| • Maximising opportunities to support small business<br>• Development of the Tonsley site<br>• Activation of local hubs as destinations to increase walkability<br>• New payroll tax policy providing more incentive to small business<br>• EOI for the development of a community/recreational facility at 262 Sturt Road<br>• EOI for an International standard hotel | • Compromised financial capacity of ratepayers in economic climate<br>• The number of GST registered businesses in Marion is falling<br>• A slight increase in employment in Marion, however the diversity in employment industries remains static |

| *Social & Cultural* | |
|---|---|
| **Opportunities** | **Issues** |
| • National Disability Insurance Scheme ( NDIS) rollout and readiness<br>• Home and Community Care Program ( HACC) continued transition to Commonwealth Home Support Program ( CHSP)<br>• Increasing community interest in volunteerism is providing a varied skill base<br>• Adelaide Living Laboratory partnership<br>• Change in demographics, population growth, increased migration and ageing population | • Concerning public health demographics<br>• From July 2019 the COM will no longer receive State Government funding to support those aged under 65 with a disability and HACC<br>• Potential health issues around noise and air pollution along major traffic routes and building works<br>• Episodic volunteering is emerging as a preference to long term volunteering |

| *Technological* | |
|---|---|
| **Opportunities** | **Issues** |
| • Rapid technological change, specifically the roll out of the NBN in some City of Marion areas<br>• Access to data and information<br>• Smart cities opportunities<br>• LED Street lighting implementation | • Rapid evolution in technological innovations is reshaping customer expectations around service delivery with further investment required |

**External Issues and Opportunities**

| Urban Environment | |
|---|---|
| **Opportunities** | **Issues** |
| • Opportunities to integrate nature into the urban environment; water sensitive urban design, energy efficiency and green infrastructure<br>• Opportunities to lift the vibrancy of Commercial/ retail areas through infrastructure upgrades and activation<br>• Increase implementation of planning reforms<br>• Development of the residential component at Tonsley<br>• Housing Diversity Development Plan Amendment<br>• Southern Innovation Development Plan Amendment ( Stage 2) | • Population growth and urban infill cause increased traffic and limited on-street parking with increasing demands on public places, spaces and public services |

| Natural Environment | |
|---|---|
| **Opportunities** | **Issues** |
| • Growth of localism<br>• Response to increased community interest in nature play<br>• Stormwater Masterplan Development Plan Amendment<br>• Increasing community expectations around corporate environmental responsibility | • Impacts of and response to climate change- storm events, heat and rising sea levels<br>• Need for effective coastal management<br>• Impacts of urban infill on biodiversity |

| Transport & Connectivity | |
|---|---|
| **Opportunities** | **Issues** |
| • Darlington Upgrade Project<br>• Commitments to Flinders Link Rail extension<br>• To progress the Oaklands Smart Precinct<br>• To improve east-west connectivity through Sturt Rd in conjunction with the Darlington, Tonsley and Flinders Link project.<br>• To expand and integrate walking and cycling networks in conjunction with the major transport infrastructure upgrades. | • Impacts of and response to climate change- storm events, heat and rising sea levels<br>• Need for effective coastal management |

**Key Internal Pressures and Opportunities**

| *Service Provision* | *Asset Reliability & Sustainability* |
|---|---|
| <ul><li>Limited funding capacity for competing strategic projects or incremental service improvements given current rate assumptions and funding position</li><li>Uncertainty of service provision related to NDIS funding model changes</li><li>Service review program continues</li><li>Rapid evolution in technological innovations is reshaping customer expectations around service delivery</li><li>Episodic volunteering is emerging as a preference to long term volunteering</li><li>Business systems roll out will enable greater efficiencies across the organisation</li></ul> | <ul><li>Review our existing asset base to better understand which assets could be re-purposed, re-used or disposed of in order to enhance other assets to better meet community needs</li></ul> |
| *Financial Sustainability* | *Governance, Risk and Strategic Alignment* |
| <ul><li>Continued focus on driving innovation, partnerships, collaboration and continuous improvement in a constrained budgetary environment</li></ul> | <ul><li>Review of Strategic Management Framework in accordance with the Local Government Act</li><li>Undertake a representation review, as required in accordance with the Local Government Act</li><li>The need for all work groups to be aligned in terms of the Strategic Plan and Business Plan now and in future plans</li></ul> |
| *Our Valued Employees* | |
| <ul><li>Organisational wide values adopted</li><li>Continue to build leadership and workforce capability and skills particularly in the areas of project management, partnerships, funding opportunities and customer experience</li><li>Need to provide the appropriate technology tools and information for staff to connect, collaborate and do their jobs efficiently and effectively</li></ul> | |

## Biennial WHS & Risk Combined Evaluation

| | |
|---|---|
| **Originating Officer** | Unit Manager Risk - Sherie Walczak |
| **Corporate Manager** | Manager Corporate Governance - Kate McKenzie |
| **General Manager** | General Manager Corporate Services - Vincent Mifsud |
| **Report Reference** | FAC181211R08 |

## REPORT OBJECTIVE

The objective of this report is to provide the Finance and Audit Committee with the outcomes of the biennial WHS & Risk Combined Evaluation.

## RECOMMENDATION

**That the Finance and Audit Committee:**

1. **Notes this report and the achievements reported in the LGAWCS / LGAMLS Combined Risk Evaluation Report 2018**

## DISCUSSION

In 2017, the Local Government Association Workers Compensation Scheme (LGAWCS) and Local Government Association Mutual Liability Scheme (LGAMLS) amalgamated the WHS audit and risk review processes. This replaced the previously separate, annual processes with a biennial, combined process for a collaborative Risk Evaluation to be undertaken incorporating the same audit style approach as previously undertaken with WHS.

The City of Marion's combined WHS & Risk Evaluation took place on 10-12th September 2018. The results, summarised in **Appendix 1** with the full report attached as **Appendix 2.** The results were pleasing, with a reduction from 9 non-conforming areas to 4, which demonstrates considerable improvement on our previous years' results, indicating the organisation's maturity growth in these areas.

The results show achievement in the corporate systems development, however the implementation of these systems into the business areas now needs to be the focus. The Risk Team have collaborated with key stakeholders in the creation of actions, which have been provided in the draft Action Plan attached.

The key improvement areas for the 2019 Action Plan are:

· Training gap analysis through implementation of an organisational Training Needs Analysis

· Plant management improvements in line with national heavy vehicle legislative changes,

· Hazard Management development, migration to SkyTrust and use of the hierarchy of controls

· Hazardous Chemical management review and risk assessment

· Contractor Management review and system development

· Event Management organisational procedure implementation

· Public Road permitting procedure implementation

· Railway Interface agreements and risk assessments

The 2019 Action Plan will be monitored by the LGAWCS and LGAMLS with monthly reports being provided to the Executive Leadership Team, Manager Corporate Governance and the Risk Team. These actions are tied to performance rebates and result in funds being returned from the contributions paid to the Schemes.

Each year, in response to the LGAWCS recommendations to closing out identified non-conformances, Council is required to set an action plan which outlines its commitments in order to address the non-conforming elements of the audit.

The successful close out of the actions outlined in the action plan results in the receipt of a rebate based on the percentage of completed actions, as outlined in the action plan, to address the non-conforming elements of the audit and the claims history for Council.

The table below summarises the outcomes of this process for the past five financial years.

| Year | Premium | Rebate | Net Cost | Action Plan Results |
|---|---|---|---|---|
| 2013-14 | $1,143,320 | $376,286 | $767,034 | 39% Actions Complete |
| 2014-15 | $1,179,659 | $421,112 | $758,547 | 98% Actions Complete |
| 2015-16 | $1,271,397 | $308,152 | $963,245 | 100% Actions Complete |
| 2016-17 | $1,274,931 | $374,070 | $900,861 | 96% Actions Complete |
| 2017-18 | $1,364,259* | $390,178 | $974,081 | 98% Actions Complete |

*Note: We are currently awaiting an adjustment as a result of confirmation of audited wages.*

## CONCLUSION

The WHS and Risk programs have achieved significantly improved results, indicating that the organisation has responded to the key corporate improvement strategies, demonstrating maturity in these areas. The 2019 Action Plan will assist in embedding these corporate strategies widely into business areas across the organisation.

## Attachment

| # | Attachment | Type |
|---|------------|------|
| 1 | FAC181211 - Appendix 1 - Biennial WHS & Risk Combined Evaluation Summary | PDF File |
| 2 | FAC181211 - Appendix 2 - Biennial WHS & Risk Combined Evaluation Report | PDF File |

**APPENDIX 1 – Biennial WHS & Risk Combined Evaluation**

**WORK HEALTH & SAFETY AUDIT RESULTS**

The LGAWCS conducts WHS audit to test conformance of councils' WHS Management System against the Return to Work SA Performance Standards for Self Insurers. The recent results, outlined in Table 1 below, demonstrate significant improvement. The results demonstrate that conformance has been achieved in WHS Management System areas being standards 1, 2, 4 and 5 (ie corporate systems owned by the Risk Unit). The non-conformances identified are due to the failure to demonstrate full implementation of the WHS Management System into front-line work areas across the organisation. Key non-conforming areas are hazard management, contractor management and training.

*Table 1. Audit outcomes*

| RTW SA Performance Standards for Self Insurers | 2015 | | | | 2018 | | |
|---|---|---|---|---|---|---|---|
| | C | O | NC | | C | O | NC |
| 1. Commitment & Policy | 0 | 0 | 1 | | 1 | 0 | 0 |
| 2. Planning | 0 | 0 | 1 | | NA | NA | NA |
| 3. Implementation | 0 | 2 | 5 | | 2 | 2 | 4 |
| 4. Measurement & Evaluation | 0 | 0 | 1 | | 1 | 0 | 0 |
| 5. Management Systems Review & Improvement | 0 | 0 | 1 | | 1 | 0 | 0 |
| **Total** | **0** | **2** | **9** | | **5** | **2** | **4** |

During the Audit close-out meeting, the Auditor congratulated the organisation on the level of improvement and also on the significant achievement of receiving a conformance in the areas of WHS planning, monitoring and Executive commitment as this is more commonly achieved after implementation. These achievements have been realised through the strategic planning and prioritisation of organisational change initiatives. To reach organisational WHS maturity and conformance in the key area of WHS Management System implementation, focus now needs to be directed to providing the necessary support, guidance and leadership to front-line work areas.

**RISK EVALUATION RESULTS**

In evaluating the organisation's Risk Management systems, reference was made to sector baselines, being a minimum standard expected to be in place. Sector baselines were established by a consultative group that included membership from both metropolitan and regional Scheme Members. It is to be noted that the baselines are not all legislative requirements, but a set of minimum requirements that is expected in risk management within the Local Government sector. All the criteria within the defined sector baseline must be met in order for the sector baseline to be deemed as being met. There are three mandatory areas and five electives of which Scheme Members may choose two to be evaluated.

| Risk Management areas: | Met | Not Met |
|---|---|---|
| Risk Management Systems | 5 | 1 |
| Roads & Footpaths | 5 | 3 |
| Planning and Development | 3 | 0 |
| Event Management | 4 | 2 |
| Tree Management | 3 | 0 |

During the Audit close-out meeting, the Auditor recognised many positives identified through the audit process. With the exception of the work required to Railway Interface agreements and risk assessments, all other areas where baselines were not met were acknowledged for having processes in place however lacked documentation. These are easily remedied through the development and implementation of documented procedures which are committed to within the Action Plan.

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# 2018 Risk Evaluation Summary Report

## City of Marion

Date of Evaluation: 11-13th September

Date Report Issued: 6 November 2018

Name of Evaluators: Sandy Munro and Adity Roy Chowdhury

Local Government Risk Services (LGRS) have been specialist risk providers to Local Government in South Australia for over 40 years. Over this time, LGRS has developed a comprehensive range of services that deliver solutions to its Members regardless of whether it involves a self-insurance risk scheme, a traditional insurance product or a risk consultancy project.

As Local Government develops in South Australia, LGRS is working with the sector to develop and implement proactive systems and processes for risk management, claims management and insurance risk transfer.

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**Risk Evaluation Overview**
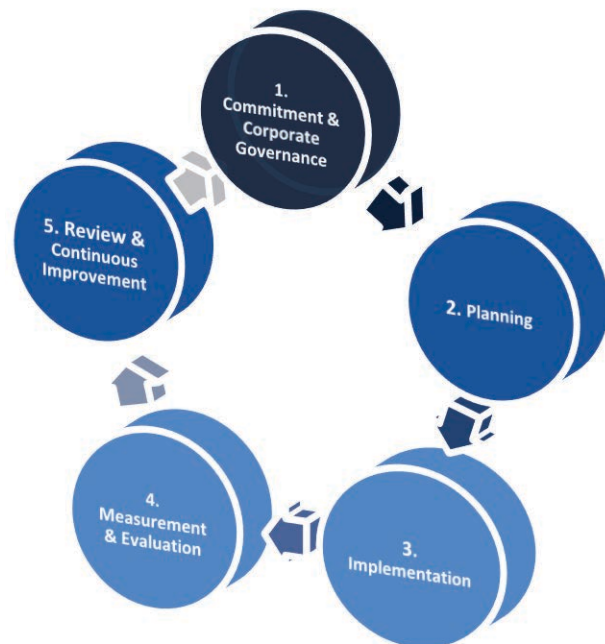


The LGAWCS and LGAMLS provide a Risk Evaluation service to their Members, every two years. The aim of the Risk Evaluation process is to review each Member's risk management systems (including WHS and IM) against both LG Industry agreed Sector Baselines and other external requirements (e.g. RTWSA Performance Standards for Self-Insurer requirements and relevant legislation). The objective of the evaluation is to assist Members to recognise and share LG risk management excellence, identify where opportunities for system improvements exist and to work in partnership with them to implement identified improvements.

The Risk Evaluation in its current format was introduced in 2017. Please see the overview on the Members Centre for more information in relation to the structure and process.

**The summary report is structured as follows:**

- An Executive Summary, which is completed by the Lead Evaluator, for both Risk and WHS/IM system aspects and briefly outlines the overall results of the evaluation and potential focus areas and recommended actions. This includes a Results Table, which summarises the results for both Risk Management (RM) and Work, Health and Safety (WHS) and Injury Management (IM) components.

- The RM Evaluation Report, which includes the chosen evaluation scope, names of evaluators, summary of findings and specific recommendations for each evaluated question within the identified evaluation scope.

- The WHS and IM Evaluation Report, which includes the evaluation scope, names of evaluators, summary of findings and specific recommendations for each sub-element within the evaluation scope.

- A conclusion, which is completed by the Lead Evaluator. This aims to identify where overall system trends and issues are occurring and what may be of assistance to the Member to progress them forward.

*LGAWCS and LGMLS Risk Evaluation 2018 Summary Report Template V1.0 Issued on 31/08/2018 Review Date May 2019*

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# Executive Summary

### Overview and Objective:

Every two years, the Local Government Mutual Liability and Workers Compensation Schemes conduct an evaluation of each Scheme Member's Risk Management, Work Health and Safety and Injury Management systems. The purposes of these evaluations are to test (within the scope of the evaluation):

   a) the effectiveness of the organisation's Risk Management systems meeting the Local Government sector established baselines and

   b) the organisation's level of conformance with ReturnToWork SA's Performance Standards for Self-Insurers for Work Health and Safety and Injury Management systems.

Members should use this information in their management planning and review systems to drive further improvement to their Risk, Safety and Injury Management systems.

In addition to this, the evaluations allow for sector-wide results to be collated and analysed to enable the Schemes to further assist the Local Government industry with either sector wide programs or individual targeted programs.

This executive summary provides a brief overview of the results of the risk evaluation of **City of Marion** (CoM) held from 11th to 13th September 2018. The participation of the Member representatives in the evaluation is a critical part of the evaluation process, is integral to the quality of the evaluation and is always greatly appreciated.

Executive management are encouraged to review the evaluation summary report in its entirety for further detail and recommendations.

The completed risk evaluation, WHS and IM tools that support these findings are available from your allocated Risk Consultant, RRC or WHSC. The tools and reports are also available in your Member documents on the Members Centre.

### SUMMARY OF FINDINGS:

### Risk Management

Within the risk management systems, there are three mandatory areas and five electives of which Scheme Members may choose two to be evaluated.

In evaluating the organisation's Risk Management systems, reference was made to sector baselines, being a minimum standard expected to be in place. Sector baselines were established by a consultative group that included membership from both metropolitan and regional Scheme Members. It is to be noted that the baselines are not all legislative requirements, but a set of minimum requirements that is expected in risk management within the Local Government sector. All the criteria within the defined sector baseline must be met in order for the sector baseline to be deemed as being met.

CoM's results against the mandatory and elective question sets are as follows:

### Mandatory Areas - Risk Management Systems

| MANDATORY AREAS | | | |
| --- | --- | --- | --- |
| QUESTIONS | Total # of sector baselines evaluated | Sector Baseline Met | Sector Baseline Not Yet Met |
| Risk Management Systems | 6 | 5 | 1 |

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**Specific Results and Improvement areas – Risk Management Systems**

| Q # | Risk Management Systems | Sector Baseline and Summary of any improvement required | Baseline Met or Not Met |
|---|---|---|---|
| 1 | Has Council endorsed a Risk Management System? | Endorsed, documented, maintained/ reviewed system for managing risk. | MET |
| 1a | Has Council implemented a Risk Management System? | Evidence of implementation in place. | MET |
| 1b | What does Council's Risk Management System consist of? | Whist there is a top down corporate overview of risks implemented; the bottom up approach to report and escalate risks from each division was evidenced as ineffective due to lack of understanding of monitoring risks at an operational level and linking them with the corporate risk register. This was particularly evident with the Asset Management team where some of the risks related to asset management were not actioned on a timely basis for the corporate risk register. **Recommendation:** It is recommended that a process be put in place to ensure the divisional managers action their allocated risks as required by the risk team and report on a timely basis. | NOT MET |
| 1c | Does Council have a Risk Register? | The risk register captures key areas (Emergency/BCP/Disaster Risks, WHS, Assets, Projects/Contracts/Procurement). | MET |
| 1d | Has training been identified and provided to all persons with responsibilities and accountabilities for risk management? | Risk Management Training occurs in accordance with system requirements. | MET |
| 1e | Which risks has Council identified via the risk management process as the top three risks priority? | Risk Register with prioritised risks in place. | MET |

**Overview of Results – Mandatory Areas - Roads and Footpaths**

| MANDATORY AREAS | | | |
|---|---|---|---|
| QUESTIONS | Total # of sector baselines evaluated | Sector Baseline Met | Sector Baseline Not Yet Met |
| Roads and Footpaths | 8 | 5 | 3 |

*LGAWCS and LGMLS Risk Evaluation 2018 Summary Report Template V1.0 Issued on 31/08/2018 Review Date May 2019*

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**Specific Results and Improvement areas – Roads and Footpaths**

| Q # | Roads and Footpaths | Sector Baseline and Summary of any improvement required | Baseline Met or Not Met |
|---|---|---|---|
| 2 | Does Council have systems in place to authorise or permit 3rd party alterations to a public road (non-business purposes)? | Whilst the City of Marion was able to demonstrate some of the criteria required in the sector baseline, they were unable to demonstrate documented process of the S221 permit application or submission process. It was also noted that there is a high reliance on an individual's experience and knowledge. It is a high risk for CoM to rely on an individual staff's knowledge without any documented processes in place. Loss of corporate knowledge and gaps in processes could occur in the staff's absence,<br><br>**Recommendation:**<br><br>It is recommended that the permit process is mapped and documented and also the permit application and submission process is made available to the public, | NOT MET |
| 2a | Does the authorisation process or permit consider structures and installations for their safety and suitability? | The permit considers safety and suitability of structures and installations. | MET/ |
| 2b | Does the authorisation or permit include an indemnity from the applicant to the Council? | The permit includes indemnity clause. | MET/ |
| 2c | Does Council have an asset management plan that covers the management and maintenance of roads and footpaths? | CoM was able to demonstrate there is an asset management plan with asset listing, condition grading and issue log. However it was unclear at the time of the audit how the risks in the asset risks were being monitored. There was no evidence of systematic approach to manage and monitor these risks.<br><br>**Recommendation:**<br><br>See recommendation in Risk management section question 1b. | NOT MET |
| 2d | Does Council have an inspection and maintenance regime (or schedule) to inspect roads and footpaths? | The regime or schedule includes:<br>• Road and footpath assessments<br>• Consideration of roads which have been altered and reinstated | MET |
| 2e | How does Council prioritise roads during scheduling of maintenance/repair? | CoM was able to demonstrate the requirements of sector baseline for scheduling and maintenance of roads. | MET |
| 2f | How does Council prioritise footpaths during scheduling of maintenance/repair? | CoM was able to demonstrate that the schedule for footpaths considers the requirements of the sector baseline when prioritising footpaths for maintenance or repair. | MET |

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| 2g | If Council has Railway Interface/s, does Council fulfil its duties as a Road Manager? | Railway Interface Agreement has not been completed and risk assessment not conducted but it was noted that the City of Marion liaised with DPTI to expedite this process. However key personnel from DPTI are on leave and agreement was not signed. As a result, this was sector baseline not met. | NOT MET |
|---|---|---|---|

## Overview of Results – Planning and Development Administration

| MANDATORY AREAS | | | |
|---|---|---|---|
| QUESTIONS | Total # of sector baselines evaluated | Sector Baseline Met | Sector Baseline Not Yet Met |
| Planning and Development Administration | 3 | 3 | 0 |

## Specific Results and Improvement areas – Planning and Development Administration

| Q # | Planning and Development Administration | Sector Baseline and Summary of any improvement required | Baseline Met or Not Met |
|---|---|---|---|
| 3 | Does Council have systems in place to guide Planning and Development activities? | City of Marion was able to demonstrate that they have systems in place to guide Planning and Development activities | MET |
| 3a | Are building surveyors/-inspectors, planners, planning officers or planning staff, who are employed or engaged by Council accredited to provide planning advice and access new development applications? | City of Marion were able to demonstrate that building surveyors/-inspectors, planners, planning officers or planning staff, who are employed or engaged by Council are accredited to provide planning advice and access new development applications | MET |
| 3b | Does Council have a process in place to manage written complaints related to development applications and completed projects? | Although sector baseline was met as the Council has a complaints management process in place and any development related complaints are handled directly with the options of going to the ERD court or sec 270, it is recommended that the Council document the internal procedure to capture what the process is for responding to S103 complaints. It is also to be noted that the Council has never received a S103 Minister complaints in the past. | MET |

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**Mutual Liability Scheme**
**Workers Compensation Scheme**
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**of South Australia**

**LGRS**

## Elective Areas

### Overview of Results – Elective Areas – Event Management

| ELECTIVE AREAS | | | |
|---|---|---|---|
| **QUESTIONS** | Total # of sector baselines evaluated | Sector Baseline Met | Sector Baseline Not Yet Met |
| Event Management | 6 | 4 | 2 |

### Specific Results and Improvement areas – Event Management

| Q # | Event Management | Sector Baseline and Summary of any improvement required | Baseline Met or Not Met |
|---|---|---|---|
| E2a | Does Council have systems in place for the management of Council organised events? | Whilst event management is being managed very efficiently within the Council, there is high reliance on individual staff knowledge. There is no formal documented process on event management. | NOT MET |
| E2b | Do these systems ensure consistent risk management, and compliance with legislative requirements, of **Council organised** events across all areas of Council? | Can Council demonstrate<br>• The documented approach to Event Management covers risk management and relevant legislative compliance requirements and is compatible with Community Land Management Plans<br>• The documented approach to Event Management has been applied to each Council organised event (quality sample)<br>• The same documented approach to Event Management is applied by all persons who have responsibility for managing Council organised events (sample from each area where event coordinated)<br>• The SafeWorkSA Public Event Assessment Checklist has been completed and provided to SafeWorkSA for events that have: | NOT MET |

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| | | - registered amusement devices<br>- dangerous goods over the licensable quantities, i.e. 250kg or more of LPG, 120L or more of class 3 (e.g. petrol)<br>- fireworks<br>- large marquees, i.e. over 6m in length<br>- stages or grandstands that require scaffolding | |
|---|---|---|---|
| E2c | As part of the risk management process, are all arrangements with other parties documented, including suitability of contractors, and responsibilities (indemnities and insurances) for the risks they manage? | Council was able to demonstrate the criteria required in the sector baseline. | MET |
| E2d | Has Council assessed the number of, and skills required for, Council staff and Volunteers working at the event? | Council was able to demonstrate the criteria required in the sector baseline. | MET |
| E2e | Has Council considered Emergency Management provisions for events? | Council was able to demonstrate the criteria required in the sector baseline. | MET |
| E2f | Do Council's systems ensure consistent permitting of events by Council? | Council was able to demonstrate the criteria required in the sector baseline. | MET |

**ELECTIVE AREAS**

| QUESTIONS | Total # of sector baselines evaluated | Sector Baseline Met | Sector Baseline Not Yet Met |
|---|---|---|---|
| Tree Management | 3 | 3 | 0 |

### Specific Results and Improvement areas – Tree Management

| Q # | Tree Management | Sector Baseline and Summary of any improvement required | Baseline Met or Not Met |
|---|---|---|---|
| E4a | Does Council have systems in place to manage existing and new trees? | Council was able to demonstrate the criteria required in the sector baseline. | MET |
| E4b | Does the system provide a process for identifying, analysing, assessing, evaluating and treating risks related to trees during development & planning, planting, and maintenance. | Council was able to demonstrate the criteria required in the sector baseline. | MET |
| E4c | Has Council taken "reasonable action" in response to all tree requests regarding street trees in | Council was able to demonstrate the criteria required in the sector baseline. | MET |

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| | the last 24 months? | | |
|---|---|---|---|

## Work Health and Safety

Work Health and Safety Systems are evaluated against selected elements from ReturnToWork SA's Performance Standards for Self-Insurers (PSSI). The Performance Standards describe the WHS and IM management system requirements for self-insured organisations in South Australia. The Performance Standards are designed to provide organisations with the opportunity to demonstrate the presence of effective business management systems. The model consists of 5 inter-related standards, 23 elements and 55 sub elements.

The LGA is the group self-insurance licence holder for all Councils and Prescribed Bodies in South Australia. Self-insured employers (Councils and Prescribed Bodies) are required to design, implement and maintain WHS systems to meet the self-insurance requirements.

This year, the WHS evaluation scope has been reduced to focus on areas identified as still requiring improvement from the 2017 RTWSA evaluation and two elements from standard 4 and 5 that are focussed on monitoring, reporting, review and improvement of the WHS system.

RTWSA provides guidance in relation to the specific requirements of each sub-element and evaluators are trained in understanding and applying this guidance to determine if an organisation is conforming to the requirements. Assessment is provided in line with the published PSSI definitions for conformance, non-conformance and observation.

The City of Marion's results are as follows:

| STANDARDS | Total sub elements evaluated | Conformance | Observation | Non-conformance |
|---|---|---|---|---|
| Standard 1- Commitment and Policy | 1 | 1 | 0 | 0 |
| Standard 3 - Implementation | 8 | 2 | 2 | 4 |
| Standard 4 - Measurement & Evaluation | 1 | 1 | 0 | 0 |
| Standard 5 - Management systems review and improvement | 1 | 1 | 0 | 0 |

## Specific Results and Improvement areas – WHS Management Systems

| Q # | Sub-element requirements | Baseline Met or Not Met |
|---|---|---|
| 1.2.1 | Supporting policies and procedures are in place? | Conformance |
| 3.2.1 | A relevant Training program is in place and being implemented (relating to the TNA and subsequent plan and effective delivery thereof). | Non-Conformance |
| 3.3.2 | Accountability mechanisms are being used where relevant. | Conformance |
| 3.7.1 | The organisation must ensure contingency plans are periodically tested and/or evaluated to ensure an adequate response, if required. | Conformance |
| 3.8.1 | Hazard management systems including identification, evaluation and control are in place. | Non-Conformance |
| 3.8.3 | Control measures are based on the hierarchy of control process. | Observation |
| 3.8.5 | Program(s) are in place to ensure an appropriate WHS consideration is given at the time of purchase, hire or lease of plant, equipment and substances. | Non-Conformance |

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| 3.8.6 | Contractor and volunteer management systems are in place to meet the organisations duty of care to all persons. | Non-Conformance |
|---|---|---|
| 3.9.1 | That the implementation of relevant inspection and testing procedures are conducted by the relevant, competent person(s). | Observation |
| 4.1.1. | The organisation must ensure planned objectives, targets and performance indicators for key elements of program(s) are maintained, and monitored and reported. | Conformance |
| 5.3.1 | The organisation must ensure the system is reviewed and revised, if required, in line with current legislation, the workplace and work practices. | Conformance |

Specific details of the identified gaps are available in the IM results table in the WHS/IM report section of this summary report.

In order to further develop systems and processes in the sub elements where observation/s and non-conformance/s have been identified, it is suggested that City of Marion review the findings and recommendations and include relevant actions that address the root cause of system failures into their Risk Evaluation action plan going forward.

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**Injury Management**

The ReturnToWork SA's Injury Management Standards provide a framework from which a self-insured employer's exercise of its delegated powers and discretions can be evaluated. The Code of conduct for self-insured employers states the performance of the employer or self-insured employer will be measured against the Code and Injury management standards.

This year, the evaluation scope has been limited to only those IM sub-elements that sit under the revised Code of Conduct for Self-Insured Employers version 12 relevant to LGAWCS Members.

Whilst the IM Standards are measured by RTWSA at the LGAWCS level, the following sub-elements have been scoped and amended for the 2017 Risk Evaluation specifically for Scheme Members to meet their requirements in supporting the LGAWCS.

CoM's results are as follows:

| SUB-ELEMENT | Total no of sub elements | Conformance | Observation | Non-conformance |
|---|---|---|---|---|
| Standard 1.2 Resources | 5 | 5 | 0 | 0 |
| Standard 1.6 Information provided to employees | 2 | 2 | 0 | 0 |
| Standard 2.8 Early intervention, recovery and RTW | 2 | 2 | 0 | 0 |
| Standard 4- Measurement, monitoring review | 2 | 1 | 1 | 0 |

**Specific Results and Improvement areas – Injury Management Systems**

| Q # | Sub-element requirements | Summary of any identified issues and improvement required | Results |
|---|---|---|---|
| 1.2.1 | Documented job descriptions for all injury management personnel and where relevant management, supervisors and employees. | Council was able to meet the requirement under the injury management sub-element. | Conformance |
| 1.2.2 | Ensuring injury management personnel are competent to administer their role in a reasonable manner. | Council was able to meet the requirement under the injury management sub-element. | Conformance |
| 1.2.3 | Ensuring the allocation of resources is appropriate for the organisations type, volume and complexity of the case load. | Council was able to meet the requirement under the injury management sub-element. | Conformance |
| 1.2.4 | Suitability of facilities and accommodation to ensure restricted access to information, including maintaining confidentiality during interaction with injured workers and service providers | Council was able to meet the requirement under the injury management sub-element. | Conformance |
| 1.2.5 | A Scheme Member is required to appoint a return to work coordinator and ensure the person appointed to this role has successfully completed relevant LGAWCS training. Where this role becomes vacant, the Scheme | Council was able to meet the requirement under the injury management sub-element. | Conformance |

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| | | | |
|---|---|---|---|
| | Member is required to re-appoint an employee within 3 months and ensure the employee(s) appointed have received relevant LGAWCS training within 3 months of the appointment being made. | | |
| 1.6.1 | How to report a work related injury | Council was able to meet the requirement under the injury management sub-element. | Conformance |
| 1.6.2 | The process for lodging a claim for compensation | Council was able to meet the requirement under the injury management sub-element. | Conformance |
| 2.8.5 | Where a worker has not returned to pre-injury employment within 6 months from date of first incapacity and is not working to their full capacity, new or other employment options are considered for the worker by the Scheme Member in conjunction with the LGAWCS. | Council was able to meet the requirement under the injury management sub-element. | Conformance |
| 2.8.6 | Where a Scheme Member does not provide suitable employment to a former work injured employee the Scheme Member notifies and consults with the LGAWCS. | Council was able to meet the requirement under the injury management sub-element. | Conformance |
| 4.1.1 | Processes are in place that monitor, measure and review the effective implementation of the injury management system and where relevant, strategies to improve performance of the injury management system are identified. | Whilst the data from injury management is reviewed and monitored there is room for further improvement to have a systematic approach. Currently the analysis is done on an ad hoc basis in a spreadsheet and there is no formal reporting structure in place. It is recommended to put a process in place in order to periodically monitor measure and report injury management data. | Observation |
| 4.1.3 | The Service Standards set out in Schedule 5, Part 2 of the Return to Work Act 2014 are in place. | Council was able to meet the requirement under the injury management sub-element. | Conformance |

Specific details of the identified gaps are available in the IM results table in the WHS/IM report section of this summary report.

In order to progress to conformance in the sub elements where observation/s and non-conformance/s have been identified, it suggested that CoM incorporates the recommendations into their Risk Evaluation action plan going forward.

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# Risk Management Detail Findings

The evaluation of the City of Marion risk management (RM) system included a review of existing documentation and meeting with employees and other workers. Comments and recommendations, including action items will provide management with some suggested ways to improve their systems, however it may be appropriate to implement an alternative action and this is at the discretion of each individual organisation and their management team.

## Summary of the evaluation scope

The Risk Management Evaluation considered the presence & degree of implementation of systems relating to:

- Risk Management Systems
- Planning & Development
- Roads & Footpaths
- Event management
- Tree Management

## Employees and other workers involved in the evaluation process included:

- Sherie Walczak – Unit Manager Risk

- Karen Peake – Risk Coordinator

- Jason Cattonar - Manager Development & Regulatory Services

- Mat Allen - Manager Engineering & Field Services

- Vincent Mifsud - General Manager Corporate Services

- Raelene Govett-   Events Officer

- Cristina Patzel – Special Event Permit Coordinator

- Martin Blunden - Technical Officer - Asset Systems Unit

- Robert Tokley -Team Leader – Planning

- Erryn Busby - Technical Officer – Roads

- Andrew Myerscough - Coordinator Civil Services

- Brett Jaggard - Unit Manager Open Space Operations

- Adrian Skull - CEO

## Documentation Review

The review included reviewing policies, procedures and supporting documentation within the Council's RM, and supporting organisational systems, as provided by the Auditee prior to and during the evaluation.

Additional evidence provided after the evaluation will only be accepted as evidence for this evaluation if agreed by the evaluator or the Client (i.e. LGAWCS and LGAMLS management).

## Physical Verification

The Risk Management section of this evaluation was conducted at City of Marion's main Council office, however it involved the demonstration & interrogation of live systems to support the evidence provided prior to the evaluation.

## Report Findings and Recommendations

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Report findings and recommendations for each evaluation question are provided in the following table (in a summary format) and in the audit reports and tool (in more depth).

Further broader system recommendations are provided in the executive overview and conclusion.

It should be recognised that the findings and recommendations of this report should be used for:

- Planning and continuous improvement by Council of their RM Systems

### 2.1.1 RM Systems Evaluation Findings

| Q # | Topic Area | Question and Findings Summary |
|---|---|---|
| 1 | Risk Management Systems | **Has Council endorsed a Risk Management System?**<br><br>**Finding: Baseline Met**<br><br>Based on the interview with Sherie Walczak (Unit Manager Risk) and Karen Peake (Risk – Coordinator) and documents reviewed it was noted that the Council has an Enterprise Risk management Policy and a framework, which was endorsed via<br> - Audit Committee on 15/12/15<br> - General Council on 19/01/16<br><br>**Recommendation:**<br>As the next review is coming up next year, it is suggested that Council consider reviewing and updating their risk management system in line with the latest version of the ISO 31000. The LGAMLS has developed and updated the Risk Management Policy and the Risk Management Framework template documents which could be used by Council to assist their review process. |
| 1a | Risk Management Systems | **Has Council implemented a Risk Management System?**<br><br>**Finding: Baseline Met**<br><br>Council has an endorsed Enterprise Risk Management Policy & Framework. Implementation of the policy and framework are supported by a risk working group and an annual work plan. This helps monitoring & reporting mechanism; reviewing & identifying high & emerging risk issues. A quarterly progress report is prepared for Council's Audit & Risk Committee Terms of Reference which include review of Council's strategic risk profile, review of strategic risk management processes and management information processes as well as analysis & follow up of any internal or external audit report that raises significant risk management issues.<br><br>Council's internal audit schedule is risk-based. Recommendations from audit reports are also prioritised according to level of risk. Audit outcomes & actions required are maintained in internal audit register, which provides links to original audit report & allows for managers to update progress and generate reports. No issues noted. |
| 1b | Risk Management Systems | **What does Council's Risk Management System consist of?**<br><br>**Finding: Baseline Not Met**<br><br>Council has an endorsed Enterprise Risk Management Policy & Framework, which are supported by an annual Risk and Resilience Management Plan. Quarterly reporting occurs on progress against Risk & Resilience Management Plan and annual reviews of Operational & Strategic risks occur. Council's intranet includes a risk management page that provides policies, plans, guides tools & other information to assist with the application of its risk management framework – this was viewed during the evaluation to confirm accessibility and ease of use. Corporate Risk register is in place and actively used & monitored.<br><br>The Corporate Risk Register (CRR) is accessible to all & available for update at all times. The details are held in one excel spreadsheet & can be filtered on a variety of headings including ELT/SLT/Work Area/Strategic Link/inherent, current & forecast risk ratings. |

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| | | |
|---|---|---|
| | | - prior to each quarter end risk owners & ELT/SLT are emailed to advise of date on which the CRR content will be recorded for quarterly risk reporting. <br> - any updates since the previous quarter are recorded in blue text to enable easy tracking & validation of all updates. However it was noted that the reporting from the divisional level to action the risks was not effective as some of the asset management risks were not updated even though reminders were sent to the division from the corporate risk team. <br> **Recommendation:** <br> It is recommended that CoM puts a process in place to ensure, bottom up reporting of risks from each division is effective. |
| 1c | Risk Management Systems | **Does Council have a Risk Register?** <br><br> **Finding: Baseline Met** <br><br><br> Reviewed the corporate Risk Register (CRR): All identified areas captured at a high level; <br> It was also evidenced that risk is being reported on a quarterly basis. No exceptions were noted. |
| 1d | Risk Management Systems | **Has training been identified and provided to all persons with responsibilities and accountabilities for risk management?** <br><br> **Finding: Baseline Met** <br><br> Reviewed the documents and noted that training is in place for team leaders and above for risk. There is a training schedule that is maintained. Training is done not only through formal training but also via engagement such as 1:1 with managers when needed, or via workshops. There is an e-learning pack that has been created and observed that training is provided as per the schedule. <br><br> However discussed training with other business functions such as asset management and tree management. The corporate training needs are currently not fully embedded into a process and this has been highlighted in the WHS evaluation comments where a non-conformance was found. For purposes of the risk management evaluation question, training needs have been identified and training provided to people risk management responsibilities. Hence sector baseline has been met. <br><br> **Recommendation:** <br><br> A recommendation has been provided in the WHS section related to training. |
| 1e | Risk Management Systems | **Which risks has Council identified via the risk management process as the top three operational risks, in order of priority?** <br><br> **Finding: Baseline Met** <br><br><br> Risk reports have been reviewed and monitored regularly and it is noted that in each risk area, risks have been prioritised and regularly being reported to the Audit and Finance Committee. It is also noted that the risk register is a live document and the Risk Coordinator manages it across the business. She liaises with other divisions and ensures risks are updated. A report on risk dashboard is also provided to the ELT and Council to monitor how risks are tracking. Council will start testing control in the next few months and have also been advised to map the controls tested by internal audit to leverage from their work. Service reviews are also being conducted and this will also help leverage some of the controls. It was also noted that the risks with further actions are monitored and actions are set up in Skytrust to ensure follow up and close out of these actions. No issues noted. |
| 2 | Roads and Footpaths | **Does Council have systems in place to authorise or permit 3rd party alterations to a public road (non-business purposes)?** <br><br> **Finding: Baseline Not Met** <br><br> The process and permit have been developed to ensure that the requirements of S221 of the LG Act are met which includes the requirement to provide a certificate of currency for public liability insurance. <br> It was noted that there is no information related to S221 permits available in the Marion Website as Council does not encourage activities on roads by private property owners and they deem it's beneficial for Council staff to assess the request for a permit prior to an application being completed. There is some information on their website related to permits under nature strips but is not comprehensive. Criteria for the use of permit is documented on the permit itself, however there is no access to the permit info for public nor a defined and documented submission process is in place. |

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| | | |
|---|---|---|
| | | All permits are saved in SharePoint -<br>Reviewed a sample of permits to evidence the request, the assessment, approval and final release of the permit. In summary the permit process is working well due to the knowledge and experience of the individual staff but there is no documented standard operating procedure is in place and there is a heavy reliance on individual's knowledge. Loss of corporate knowledge and processes may break down in the absence of such individuals.<br>**Recommendation:**<br>It is recommended that Council have a documented standard operating procedure in place to manage their permit process and make the permit information available on their external website. |
| 2a | Roads and Footpaths | **Does the authorisation process or permit consider structures and installations for their safety and suitability?**<br>**Finding: Baseline Met**<br>Yes it was evidenced that prior approving a permit, the suitability of the structures or encroachment is taken into consideration. This information is captured in the permit document itself as well as being mentioned in the response letter sent to the applicant grating approval. An example of the permit and an accompanying response letter were sighted as well as approval from the Civil engineering team. No issues were noted. |
| 2b | Roads and Footpaths | **Finding: Baseline Met**<br>As a part of the desktop review, it was also noted that for a sample of permits reviewed, all had an indemnity from the applicant to the Council.<br>There is also a reporting that is done in order to manage the currency of the permits. There is a plan of having additional options on the status of the permits in order for more accurate reporting.<br>Indemnities and Insurance information:<br>As mentioned, Council's permit is based on the LGAMLS template document and includes the following information:<br>• Indemnities is covered in Council's "General Conditions of Authorisation" section 7<br>• Insurance is covered in Council's "General Conditions of Authorisation" section 8<br>There were no exceptions noted. |
| 2c | Roads and Footpaths | **Does Council have an Infrastructure and Asset Management Plan that covers the management and maintenance of roads and footpaths?**<br>**Finding: Baseline Not Met**<br>Management and maintenance of roads and footpaths are covered in Council's Transport Asset Management Plan. Council's Asset Management Plan follows the NAMS Plus Framework. Maintenance costs are tracked and compared to previous years in the Asset Management Plan. The asset management plan contains asset listing, condition grading and issue logs. However at the time of the evaluation, there was no evidence of how the risks in the asset management plan are monitored. A recommendation has been provided in Q1b. |
| 2d | Roads and Footpaths | **Does Council have an inspection and maintenance regime (or schedule) to inspect roads and footpaths?**<br>**Finding: Baseline Met**<br>Roads are assessed by using a pavement management system, RAMM where every road has a condition assessment. This assessment was completed in 2018 and is used to develop a 5 year roads program. Footpaths are inspected every 3 year. There is a proactive program for identifying and prioritising roads based on faults, hazards, volume of traffic and foot traffic. Based on the identification of these road and footpath, the works program has been developed. Evidenced road monitoring document for managing the schedule of the roads and footpath. And no issues were noted. |
| 2e | Roads and Footpaths | **How does Council prioritise *roads* during scheduling of maintenance/- repair?**<br>**Finding: Baseline Met**<br>As mentioned in question 2d, Council has a 5 year rolling inspection schedule in place. The maintenance of the roads is prioritised based on the following:<br>• Reported faults/issues<br>   o These could be reported by staff during other works being undertaken, inspections and well as from |

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|  |  | members of the public.<br>• Traffic volumes<br>  o The roads are categorised and priority given to parts of the road network which have higher traffic volumes, including the additional traffic on the roads during harvest time.<br>• Proximity to public amenities<br>  o Roads in close proximity to public amenities are given higher priority when considering any maintenance required. is noted that the majority of minor maintenance work (e.g. pothole repairs) is just scheduled in the fortnightly works and completed as needed.<br>• Areas concentrated with vulnerable people such as elderly<br>  o Roads which are concentrated with vulnerable people are given higher priority when considering any maintenance required.<br>• Areas where frequent complaints arise (trend analysis)<br>  o Information is captured in the CES (Customer Event System) so that trends can be identified and any additional works can be planned for as needed.<br><br>The prioritisation of road renewal is undertaken on a worst roads first basis. The condition of the road is used to develop a list of roads for resealing and reconstruction. Refer to Council's Transport Asset Management Plan. The plan is also evolved from customer complaints which is responded to depending on the nature of the issue |
| 2f | Roads and Footpaths | **How does Council prioritise *footpaths* during scheduling of maintenance/-repair?**<br><br>**Finding: Baseline Met**<br><br>Council spend significant amounts of money on proactive footpath repairs. The location of the proactive footpath program is based originally on pedestrian volumes and also includes analysis of customer events. Reviewed the monthly reporting done by Andrew who coordinates the various actions required to fix the footpaths and then updates his spreadsheet to ensure the work is completed   He also physically checks the locations to ensure the work has been completed.  Maintenance of footpath is done on a 3 year rolling period but follows the same process as above in roads. No issues noted. |
| 2g | Roads and Footpaths | **If Council has Railway Interface/s, does Council fulfil its duties as a Road Manager?**<br><br>**Finding: Baseline Not Met**<br><br>The agreement is yet to be signed however it was noted that Council has taken all actions as required and the agreement is waiting from the railway authorities to be signed. |
| 3 | Planning and Development Administration | **Does Council have systems in place to guide Planning and Development activities?**<br><br>**Finding: Baseline Met**<br><br>**Criteria for applications are clearly defined**<br>Council have a range of information in place that documents the planning and development activities. The criteria for applications are clearly defined and are available on the website.<br><br>**Information is accessible to the public with a clear process for assessment and response including dispute resolution**<br>This information is captured in see Development application process.<br><br>**Application process is accessible to the public via website**<br>It was confirmed during the evaluation that the application process is accessible to the public through a range of information sheets and application forms via Councils website.<br><br>**A defined and documented submission process**<br>Council has a defined and documented submission process that is clear to members of the public as well as documented internal procedures. In addition to the information in the information sheets and application forms available on Councils website (as mentioned above).<br><br>**Trained staff assess applications**<br>All staff supporting the planning and development processes are trained in their role (on the job) and as mentioned above Council have documented their internal processes to ensure consistency.<br><br>**Contingencies are in place for staff absence**<br>There are contingency arrangements in place for staff absence where external consultants are used. |

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| | | **Record management procedures are followed**<br>Council uses SharePoint for their records management and the internal procedures outline the specific process for the management of planning and development records. |
| 3a | Planning and Development Administration | **Are Building Surveyors, Inspectors, Planners, Planning Officers, or Planning staff that are employed or engaged by Council accredited to provide planning advice, and assess new development applications?**<br><br>**Finding: Baseline Met**<br><br>All building staff holds the appropriate accreditation to discharge the requirements of their job role. The Senior Policy Planner holds the qualification/membership requirements as prescribed under the Development Act to discharge their function; provide advice to the Council in relation to planning policy concerning a Development Plan Amendment as per S25 and s26 of the Dev act.<br><br>There is no requirement under the Development Act for planning staff discharging the planning assessment obligations of the Council to hold a relevant qualification or be a member of PIA.<br><br>*The PDI Act will require the Assessment Manager to be an "accredited professional" i.e. hold relevant qualifications/experience, and be accepted by SCAP as an accredited professional by ~ July 2019. Consideration – As there was a non-conformance in contractor management from the WHS evaluation questions, it is recommended that Council look at their Contractor Management system in place and ensure they are meeting the requirement to use only those people who are accredited and qualified to undertake the specific work for Council. Evidence of this should be sought prior to engaging any consultant/contractor and before any works commencing. |
| 3b | **Planning and Development Administration** | **Does Council have a process in place to manage written complaints related to development applications and completed projects?**<br><br>**Finding: Baseline Met**<br><br>Currently Council handles all planning and development complaints directly or via the complaints handling procedure.<br><br>It is suggested that Council consider documenting their internal procedure to capture what their process is for responding to S103 complaints. For example the Manager Development Planning receives the complaint (from the Minister), investigates the complaint, notifies and briefs the CEO, notifies and provides relevant information to the LGAMLS and a response is provided via the CEO. The process/procedure should also capture things like who will attend any court hearings, when does legal get involved etc. |
| | **Electives** | |
| | **Event Management** | **Does Council have systems in place for the management of all Council organised events?**<br><br>**Finding: Baseline Not Met**<br><br>The Councils events plan form the formal council approved policies and plans which is followed to deliver council events. There are some additional documents for venue hire or Community Awards and Recognition Policy which are additional documents that lay out the overarching polices and processes for event management. There are two categories of events – one being held on parks and one in council venues such as libraries or clubhouse etc.<br>Although the event management processes are being performed by highly competent staff, it was noted that there is no formal documented process regarding event management. There is no detail on the process, how risks will be identified and managed or at what point consultation with SAPOL or St John is required which resulted in lack of systems being in place and deemed as sector baseline not met.<br><br>**Recommendation:**<br><br>It is recommended that Council has a documented approach to event management to mitigate any key risks and reliance on individual's corporate knowledge. |

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| | | Do these systems ensure consistent risk management, & compliance with legislative requirements, of all Council organised events across all areas of Council? |
|---|---|---|

**Finding: Baseline Not Met**

There is an unwritten process followed for event management which extensively covers risk management and relevant laws- for e.g. liquor licensing if applicable if liquor is being served at the event, the form triggers various risk assessments and unless all parties are satisfied, the permit is not issued.

Based on a few samples evidenced on the event management software, it was evident that the process was applied across all events and also tailored depending on the risk and size factor of the event. Each area of responsibility paperwork is issued to customer, processed, tracked and recorded through the Special Event Permit Co-ordinator. The approach is consistent and equally provided to all events.

The Special Event Permit form is used as a checklist to ensure a consistent process. This specifies when to trigger extra paperwork e.g. structural certificate.

This file contains a complete
- Special Event Permit with event detail and approved by signing officer.
- Risk assessment assessed and approved by CoM Risk Coordinator
- Access over land approved by signing officer
- Temporary Food notification approved by Health Officer

However as mentioned above, there are no standard operating procedures in place and hence at the time of the evaluation it was not possible to assess if the controls are applied consistently across all events.
A recommendation has been provided in the previous question.

**As part of the risk management process, are all arrangements with other parties documented, including suitability of contractors, & responsibilities (indemnities & insurances) for the risks they manage?**

**Finding: Baseline Met**

The new supplier form is used in conjunction with the special permit application to ensure that all relevant requirements for other parties / contractors are provided. They are used as a trigger to determine the licencing and insurances that are applicable.
The Concert at the Cove CES checking Insurance evidence demonstrates how Council collect and manage this requirement. CoM uses the Customer Event System (CES) to store these requirements.

Evidenced that the contents in the LGRS checklist is included in the event management form. If going to market for tender, it follows the Council's tendering process. Evidenced that contractor management is in place. No issues noted.

**Has Council assessed the number of, & skills required for, Council staff & Council Volunteers working at the event?**

**Finding: Baseline Met**

The Events team will determine the task checklist in the planning phase of the plan. If volunteers are required they will engage with the volunteer coordinator to determine the skills required for the task. The Event Volunteer Request form helps guide this assessment.

Roles and Responsibilities are completed so each person has clarity on what is expected of them.
It was confirmed that based on the event, DCSI clearance may be required if working with children or food handling certificate if working with food. Often staff is taken from cafes so they trained in food handling or to handle traffic they are ticketed traffic staff. There is also a handbook for volunteers and after every event, a debrief is done in order take the lessons learnt for continuous improvement which may feed in the training needs analysis where appropriate.

However whilst no exceptions were found in this process based on the examples reviewed, a non-conformance was found in the WHS section related to TNA. There is a lack of systems approach from organisation wide training needs and any recommendations will be documented in the WHS section of this evaluation.

**Has Council considered Emergency Management provisions for events?**

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| | | **Finding: Baseline Met**<br><br>Reviewed the Concert at Cove and noted that all other events follow the same approach.<br>Risk and Communications team work together to identify potential hazards and risks relevant for the particular event. Detailed list of controls are included in this assessment, with clear understanding of ownership of the control.<br>Where required, first aid and medical equipment is arranged. For the example provided Council arranged for St Johns to be present to assist with First Aid management.  No exceptions were noted. |
|---|---|---|
| | | **Do Council's systems ensure consistent permitting of events by Council?**<br><br>**Finding: Baseline Met**<br><br>They have a dedicated special permit coordinator that sits separate to the events team. The segregation of duties ensures that independent assessment is completed on all of the permits and associated risks.<br><br>Special Permit applications are run through Customer Event System so they can be monitored and tracked to ensure correct facilitation and completion of issuing the permit. |
| | **Tree Management** | **Does Council have systems in place to manage existing & new trees?**<br><br>**Finding: Baseline Met**<br><br>The revised tree management framework was endorsed by Council is 2018. |
| | | **Does the system provide a process for identifying, analysing, assessing, evaluating & treating risks related to trees during development & planning, planting, & maintenance?**<br><br>**Finding: Baseline Met**<br><br>The Tree Management Framework (TMF) guides tree management at the City of Marion and provides a detailed action plan for the next five years. First year actions (18/19) include the development of procedural documents that cover daily tree management activities such as assessment, evaluation, decision making, tree risk management, tree planting, pruning and maintenance. The development of these procedures will be completed in relation to the implementation requirements of the TMF.<br><br>Appendices 1 and 2 of the TMF provide tree planting direction for Parks and Reserves and streets based on environmental and infrastructure constraints, existing city vegetation character and proven appropriate trees for these locations.<br>Community engagement around trees will be carried out in accordance with Councils Community Engagement Policy and Guidelines.<br><br>Council has a tertiary qualified Arborist (Coordinator Arboriculture) on staff and can also obtain specialist advice from contracted consultants through Council Solutions Arboriculture Services; Arboriculture Consultancy contract: Contract end 31 July 2020. Council also keeps and maintains a matrix of internal staff and qualifications of those employees working with trees (contact Council to view matrix).<br><br>Council implemented a reviewed proactive street tree maintenance program in August 2017. The program is driven by RAMM (Council's tree asset database and workflow system) and seeks to maintain all street trees in Council to the City of Marion Street tree pruning specification over a 3 year period.<br>Refer to Tree Management Framework Target/Action Plan, specifically page 25. Target numbers 2-6, 8, 14-16.<br>Refer to the following link of the City of Marion website for the Community Engagement Policy<br>A matrix of internal staff qualifications and street tree pruning specification can also be provided. |
| | | **Has Council taken "reasonable action" in response to all tree requests regarding street trees in the last 24 months?**<br><br>**Finding: Baseline Met** |

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| | | Council has captured all requests regarding trees within its customer request system Open Office.<br><br>Customer requests are investigated by appropriately qualified staff to determine tree health, structure and risk to the community. Assessment also determines the most appropriate and reasonable action required to maintain the tree(s) in best possible condition and acceptable risk to the community. Assessment and recommendations are documented against the request.<br><br>Reactive tree maintenance work is carried out considering the recommendations of this assessment. Records of the work undertaken are documented against the customer event through RAMM (Council's tree asset database and workflow system) and links with Open Office.<br><br>Council's internal technical manual – tree assessment, will be reviewed as part of the implementation of the Tree Management Framework Target/Action plan.<br><br>Any future enquiries regarding past tree assessments and tree maintenance works is searchable by customer name, address and/or reference number.<br><br>Currently carried out as per the Sector Baseline.<br><br>Documentation is made against each separate customer request. |
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# WHS/IM Management Detailed Findings

The evaluation of the City of Marion work, health and safety (WHS) management system and injury management (IM) processes, included a review of existing documentation and meeting with employees and other workers. Comments and recommendations, including action items will provide management with some suggested ways to improve their systems, however it may be appropriate to implement an alternative action and this is at the discretion of each individual organisation and their management team.

## Summary of the evaluation scope

The scope included the Civic Centre and Depot and was undertaken over a three day period which included both an opening and closing meeting with Executive and other key parties.

## Employees and other workers involved in the evaluation process included:

- Adrian Skull – Chief Operating Officer

- Vincent Mifsud – GM Corporate Services

- Kate McKenzie  - Manager Governance

- Sherie Walczak – Unit Manager Risk

- Anthony Dalagiorgos – HSR Representative (Development & regulatory Services)

- Craig Birrell – Open Space Operations Field Supervisor

- Carol Hampton – Manager City Property

- Matthew Allen – Manager – Engineering & Field Services

- Karen Peake – Risk Coordinator

- Abby Dickson – GM Development Services

- David Sheldrick – Coordinator Arboriculture

- Steph Roberts – HR Manager

- Roger Belding – Unit Manager Operational Support

- Ray Barnwell – Manger Finance & Contracts

- Colin Heath – Unit Manager – Contracts

- Neva Jones – Learning & Development Partner

- John Henderson – HSR Representative / Team Leader Outdoor Pool

- Paul Johns –  WHS Coordinator

- Rachel Reed - Unit Manager Human Resources

- Nicola Beckwith – HR- business partner

## Documentation Review

The review included reviewing policies, procedures and supporting documentation within the Council's RM, WHS and IM systems as provided by the Auditee prior to and during the evaluation.

Additional evidence provided after the evaluation will only be accepted as evidence for this evaluation if agreed by the evaluator or the Client (i.e. LGAWCS and LGAMLS management).

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### Report Findings and Recommendations

Report findings and recommendations for each evaluation question are provided in the following table (in a summary format) and in the audit tool (in more depth).

Further broader system recommendations are provided in the executive overview and conclusion.

It should be recognised that the findings of this report should be used for:

- Planning and continuous improvement by Council of their WHS and IM Systems
- Reviewing potential conformance levels with the RTWSA Performance Standards for Self-Insurers.

#### 3.1.1   WHS System Evaluation Findings

| Q # | Sub-Element | Sub-Element Details and Findings Summary |
|---|---|---|
| 2 | 1.2.1 | **Evidence of policies and/or procedures to support the policy statement.**<br><br>Discussions were held with Paul Johns and the following documents viewed:<br><br>- City of Marion Intranet (CoMBI) and Skytrust (list of policy & procedure documents) (evidences list of all available to staff)<br>- Skytrust – email history review records (Skytrust – consultation / revision mechanism)<br>- WHS – POL –4.01 Hazard Management Procedure<br>- Email Evidence – 19.04.17 – Paul Johns to Leadership Team & HSR Forum (re communication and implementation of<br>- WHS & RTW policy underpinned by 7 policies and 27 procedures documents (based on the core components of LGAWCS One System.<br>- Document Management Procedure<br><br>Policies and procedures ae available to staff on CoMBI (City of Marion Business Information) Document register kept on Skytrust and evidence provided (emails of consultation) are kept as records in SharePoint with a summary review noted in Skytrust. This is good use of technology system to maintain records.<br><br>SOP's sit under Hazard Management Policy and Procedure and Plant Procedures including: Safe Work Procedures (SWP's) SOP's for plant and SWMS  (SafeWork Method Statements) for high risk construction work.<br><br>All policies are currently in date (reviews underway for 3 but this ahead of their scheduled review. This is the same for procedures. WHS team determines upcoming reviews and this is raised at Committee level and tracked via this mechanism.<br><br>Sound consultation occurs. In February Safety Observations Procedure (new) was put to the Committee, not endorsed and in June noted on agenda for endorsement with the discussion being noted in the minutes. The process is robust.<br><br>Viewed Document Management Procedure which confirms framework for process under its various sections. The centralised process is sound.<br><br>Based on the above this is deemed to be a **Conformance**<br><br>Recommendations / Considerations:<br><br>- Continue with action plan for those SWP's (Safe Work Procedures) and SOP's (Standard Operating Procedures) that are out of date and under current review. |

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| 13 | 3.2.1 | **The organisation must ensure a relevant training program is being implemented.** |
|----|-------|-----|
|    |       | Discussions were held with Neva Jones  and the following documents viewed: |
|    |       | <ul><li>Training Report for LGAWCS 10 September 2018</li><li>Safety Observation Training – mandatory for managers optional for HSR's (email)</li><li>Load restraint and gross vehicle mass training</li><li>Chainsaw assessments</li><li>WZTM booked for 24/8/18 (email)</li></ul> |
|    |       | The City of Marion have some good training that is occurring however it is disjointed and has become unwieldly. Pockets of the organisation such as Volunteers have very strong administration and record keeping in the training space and WHS by its nature has driven training that is legislatively required but the missing link of a centralised organisational TNA (Training Needs Analysis) is hampering a systematic approach. |
|    |       | The growth of the organisation has not kept up with the person centric method of keeping this current and being in total control of this system and this was recognised in discussions as being a systemic issue. Investigations into an improved system have taken time and the system has become disjointed and the resources required to catch up and keep current are onerous which has forced some decentralisation which is not beneficial to a large organisation unless training resources are decentralised also. |
|    |       | Based on the above this is deemed to be a **Non Conformance** |
|    |       | **Recommendations:** |
|    |       | <ul><li>System review for training requirements for the organisation is required.</li><li>Use of centralised system which can be effective in record keeping and provide capabilities such as reminders/ auto prompts would be beneficial</li></ul> |
| 14 | 3.3.2 | **The organisation must ensure accountability mechanisms are being used when relevant .** |
|    |       | Discussions were held with Steph Roberts and the following documents viewed: |
|    |       | <ul><li>Incident 239 – unsecured items</li><li>Incident 239 and 23 Toolbox talks</li><li>Internal Audit Report – Communication Consultation (June 2018)</li><li>Pulse Survey Results</li><li>WHS Monthly Performance Report – July 2018</li><li>Strategic Leadership Management PD  - Essentials – Page 3 reference</li></ul> |
|    |       | A great innovation is the Leadership development plan – all safety leadership management are required to have this. Accountability comes under performance and behavioural and objects. |
|    |       | The senior leadership team have remuneration review and performance built into capability review. Collaborative conversion with WHS and Human Resources to achieve this (which refer to City of Marion's blue corporate objectives). This was sighted through minutes (post evidence) and was introduced on back of values with this being the second full year now in place. |
|    |       | Escalation procedures are evident by recent induction modules E3 not being completed by some of the senior leadership team. This was noted as unsatisfactory at the General Manager level noted in committee meeting. Metrics in place also assist to hold this accountability. |
|    |       | The introduction of a pulse survey is also worthy of note. This is applied via an app on mobile phones once a quarter. The phrase " I work in a safe environment"  was disseminated and results benchmarked across sites " with high results in favour of this comment. |
|    |       | There are also actions taken for breaches (redacted copy evidenced from Human Resources) holding a worker accountable for actions where safety was impacted at others put at risk. |

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| | | For operations staff there is also the accountability mechanism of follow ups via Toolbox meetings were issues are raised and not stricken off until resolved to a satisfactorily safe outcome. |
| | | Based on the above this is deemed to be a **Conformance** |
| | | Recommendations / Considerations: |
| | | • Consider rolling development plans which incorporate WHS accountabilities down through the layers of the organisation as this concept matures |
| 18 | 3.7.1 | **The organisation must ensure contingency plans are periodically tested and/or evaluated to ensure an adequate response, if required.** |
| | | Discussions were held with Karen Peake and the following documents viewed: |
| | | • WEMP Administration Building<br>• Site Profile Admin Building<br>• Emergency Management procedure (viewed on CoMBI)<br>• Admin Building ECO Duty Cards<br>• Combined EPC Agenda Minutes and Papers 14 June 2018<br>• EPC Terms of Reference v3.0 agreed 151217<br>• TNA Risk and Emergency Management<br>• ECO Training Administration Building |
| | | There has been a significant amount of work undertaken in this area and the administration of this area is sound.  There is also direct up line reporting to the Finance and Audit Committee so there is good line of sight for this important function. |
| | | The TNA is impressive as this can be a difficult area to keep well maintained and resourced. |
| | | Based on the above this is deemed to be a **Conformance** |
| | | Recommendations / Considerations: |
| | | • Replication across all areas of the business as required should occur<br>• Ensure posters are dated so currency can be verified |
| 19 | 3.8.1 | **The organisation must ensure a hazard management process that includes identification, evaluation and control is in place**. |
| | | Discussions were held with Paul Johns, David Sheldrick, Matthew Allen, John Henderson and Neva Jones  and the following documents viewed: |
| | | • 8009-ISUZU FRRR600 Chipper Truck – Risk Assessment 24.08.17 (not signed)<br>• 8344 – John Deere ride on Mower – Risk assessment 02.07.08 (not signed)<br>• Excerpt of Safety Risk Register<br>  various WHSMS forms & template (SWP etc.) |
| | | This is a very difficult area to gain conformance as it encompasses all aspects of each area in a very broad and also specific way. Currently the Safety Risk Register is under review and it is intended to be transferred over to Skytrust to enable better input and tracking capabilities. |
| | | The City of Marion has good foundation blocks in Hazard Management from which many other areas of the Safety Management System have now taken off.  The work undertaken overall in this enormous area is to be commended and includes: |
| | | - reviewing hazard management templates<br>- the major body of work to roll out and implement Skytrust<br>- strong reporting mechanisms |
| | | Hazard Management is multi-faceted and implementation is occurring but is not fully embedded to a point of organisational consistency however the committed continuous improvement is acknowledged. |

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| | | Based on the above this is deemed to be a **Non Conformance** |
|---|---|---|
| | | Recommendations / Considerations: |
| | | <ul><li>Integrate the Safety Risk Register into Skytrust and review for currency</li><li>Ensure all organisational areas are captured</li><li>Continue to streamline hazard management processes with the roll out of Skytrust.</li></ul> |
| 19 | 3.8.3 | **The organisation must ensure control measures are based on the hierarchical control process.**<br><br>Discussions were held with Paul Johns, John Henderson and Matthew Allen and the following documents viewed:<br><ul><li>CoM – excerpt of Skytrust Safety Risk Register</li><li>Email trail *(post verification) regarding security fobs (identified risk of occupational violence).</li><li>Incident Investigation – City of Marion (seat belt check as engineering control)</li><li>Hazard Report – City of Marion (frost glass for facilities as engineering control)</li><li>Incident Investigation – City of Marion (forklift exclusion signage and barriers)</li><li>WHS – POL – 004 – Hazard Management Policy</li><li>Incident Management Training Procedure (PowerPoint training presentation) ppt</li><li>Skytrust user guide – work area inspections</li></ul>The thought process and accepted practice of using the hierarchy of controls was evident in all conversations and in Skytrust Incident and Hazard examples presented and is predominantly done in day to practice however this needs to be more formally recorded to ensure it remains systematic and intentional with the focus on reducing risk wherever possible by using this methodology.<br><br>Based on the above this is deemed to be an **Observation**<br><br>**Recommendations / Considerations:**<br><ul><li>Ensure the Hierarchy of Control is focused and clearly exampled in all training given particularly for the continued roll out of Skytrust</li><li>Conduct an internal audit on the status quo of current risk register to ensure the status of controls is checked (this could potentially be done by selecting a sample group of hazards)</li><li>Encourage Skytrust users to use free text to articulate and explain why a higher arching control is not able to be used.</li></ul> |
| 20 | 3.8.5 | The organisation must ensure program(s) are in place to ensure an appropriate WHS consideration is given at the time of purchase, hire or lease of plant, equipment and substances<br><br>Discussions were held with Ray Barnwell, Colin Heath and John Henderson and the following documents viewed:<br><ul><li>Hazardous Chemicals WHS – TOOL – 701c – Hazardous Work Handbook</li><li>V11 Procurement and Contractor Management Policy</li><li>WHS-PRO-404 Plant Procedure</li><li>WHS Tool 3.04 – Plant Pre – Purchase HSE Checklist – 16 May 2018 (Tipper Trucks)</li><li>WHS – TOOL 4.04b Plant Risk Assessment Form – McDonald Johnston 651 Road Sweeper 12/7/18</li></ul>There has been training supplied a few years ago with regards to purchasing which it was advised is due again in 2019.<br><br>The WHS Tool 3.04 Plant Pre-Purchase HSE Checklist was incomplete (signatures missing from document from parties, not sure of requirements if plant needs to be registered with SafeWork SA and also unable find AS for access / egress so listed as N/A). Whilst having forms used and |

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| | | completed is encouraging they must be fully completed for robustness. This is a revised form (previous not supplied). |
| | | In discussion with John it was noted they are familiar with operations in their area in the pool and have purchased items (pump and chemicals) without undertaking a pre-purchase risk assessment. |
| | | Gaining consistency across a broad organisation is a challenge and this still requires implementation to ensure it has reached every area of business and they are abiding by City of Marion's procedures, good inroads notwithstanding. |
| | | Based on the above this is deemed to be a **Non Conformance** |
| | | Recommendations / Considerations: |
| | | • Check document registers to ensure items of plant have the appropriate documentation they require. |
| | | • Collaborate with procurement and purchasing to create further organisational awareness on the need to carefully consider WHS considerations |
| | | • Undertake a spot check on hired equipment to ensure it has undergone the appropriate pre-check from the supplier in accordance with City of Marion's procedure. |
| 21 | 3.8.6 | The organisation must ensure program(s) are in place to meet the organisation's duty of care for all persons in the workplace |
| | | Discussions were held with Steph Roberts, David Sheldrick, Colin Heath and Ray Barnwell and the following documents viewed: |
| | | • KPMG Contractor Management Internal Audit Report (22 May 2018) |
| | | • WHS Contractor Management Policy (in date) * several drafts provided |
| | | • Contractor Site Induction (template) |
| | | • Contractor Monitoring (template) |
| | | • Site Induction Checklist – Greening Australia 22/1/18 |
| | | • HSE Contactor Induction – Greening Australia 22/1/18 signed |
| | | • Contractor Incidents – Skytrust logs (records) |
| | | • Removal of Debris from Gross Pollutant Traps – contract extension (* email supplied post) |
| | | • Volunteer Management Hazard Registers August 2017 |
| | | • Volunteer Management Operations Manual January 2018 |
| | | • Volunteer Recruitment and Induction Pack (1) |
| | | • Inductions Page on CoMBI (volunteers) |
| | | There was some fantastic work done with respect to the administration of Volunteers however contractor management is a broad area to master. There are some strong local level controls in the field operations area and discussions noted there are regular conversations with contactors and monitoring of licences however a formal contractor management schedule or performance monitoring documentation could not be consistently evidenced. Training that has been undertaken should be noted as this will help to increase awareness and understanding of contractor processes to enable continuous improvement. |
| | | It was confirmed this is usually done informally however this does not alert other potential users of that contractor that there might be cause for concern. There was provision of information to support this at a higher contract level but the systematic approach needs strengthening. |
| | | It was pleasing to see that contractor incidents were captured within Skytrust but this is not centralised for all users to see. |
| | | Larger contractors are sourced through Vendor Panel however there are some integral issues with the consistency of its application and this does not appear to be organisation wide with a central point of contact for contractor procurement and then monitoring including such requirements as licences etc.. This would flow on to areas such as events and potentially community areas that are |

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| | | perhaps yet to be streamlined into a more systematic approach. |
| | | This is reflected in the WHS Contractor Management Policy which states contractor monitoring will occur however it does not stipulate what process City of Marion has to do that. |
| | | Based on the above this is deemed to be a **Non Conformance** |
| | | Recommendations / Considerations: <ul><li>Undertake an identification audit / enquiry across all City of Marion sites to determine if all contractors engaged have, in fact been identified across all departments</li><li>Continue to refine processes and improve on recommendations provided in the May 2018 KMPG Internal Audit Report.</li></ul> |
| 23 | 3.9.1 | **The organisation must ensure that the implementation of relevant inspection and testing procedures are conducted by the relevant, competent person(s).** <br><br> Discussions were held with Roger Belding and the following documents viewed: <ul><li>Schedule of Programmable Events 2018-2019</li><li>Skytrust excerpt – Workplace monitoring for legislative requirements in Skytrust (including chains, slings, EWP's etc.)</li><li>* Various documents sent posit audit evidencing servicing inspections including<br>- fleet extinguishers/ lifting chains and equipment<br>- excerpts of plant register to match above records</li></ul> The Schedule of Programmable Events lists the items that require legislative testing and it provides the frequency and denotes who is responsible and where the record is cross referenced to (i.e. plant register). <br><br> Some of these records have been placed onto Skytrust under Inspection records to have a reporting mechanism whereby the person/ area responsible must confirm (accountability) that the particular inspection has been completed. <br><br> It was noted the current plant register is excel based and there is also a small plant register. Cognisant of an organisations needs outgrowing its technology it appears timely for investigation into a system that may deliver improved efficiencies. It was noted Skytrust has limitations however a manual system for flagging required compliance checks is very person centric. There is also the concern of knowledge being left with one person rather than being system based. <br><br> All records provided however indicate the system does and is functional for City of Marion. <br><br> Based on the above this is deemed to be an **Observation** <br><br> Recommendations / Considerations: <ul><li>Consider improved technology based solutions to reduce person centric resources and potentially provide cross reference capability.</li></ul> |
| 27 | 4.1.1 | **The organisation ensures planned objectives, targets and performance indicators for key elements of program(s) are maintained and monitored.** <br><br> Discussions were held with Vincent Mifsud and the following documents viewed: <ul><li>Our WHS Plan 2017-2019</li><li>WHS Monthly Performance Report – July 2018</li><li>WHS Management System Review 2018 Report</li><li>WHS Programs from Plan (Organisational consultation)</li></ul> |

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|  |  | • WHSMS – Management Review Appendices (xls) |
|---|---|---|

The WHS Plan is based on Four Program Priorities which are Safety Leadership, Hazard Management, Incident Management and Continual Improvement.

It is set out with clear objectives, targets, and performance indicators with a timeframe. It is reported on through leadership and committee meetings. The genuine positivity and commitment is to be noted and it is clear that the safety conversation is one that just continues to grow and is embraced and supported from the top down.

Based on the above this is deemed to be a **Conformance**

Recommendations / Considerations:

- It may be beneficial to also add a program manager from key executive groups or personnel to ensure responsibilities and accountability for the Plan at the highest level and maintain strong organisational commitment.

| 29 | 5.3.1 | **The organisation ensures the system is reviewed and revised, if required, in line with current legislation, the workplace and work practices.** |
|---|---|---|

Discussions were held with Vincent Mifsud and Sherie Walczak and the following documents viewed:

- Internal Audit Report – Communication and Consultation (June 2018)
- Internal Audit Report – Remote and Isolated Work (June 2018)
- LGAWCS Procedure Validation report – Final – Plant – CoM- 2017-9-20
- WHS Committee Minutes – 07 February 2018
- WHS Internal Audit – Hot Work – May 2018
- Pre-Purchase Process Review – (Plant) various emails

The robustness of reviews to incorporate not only legislative changes, but continuous improvement practices is to be commended.

There is a very strong internal audit function with multi layers that is driving recognition of gaps and review of systems than can be improved. This will also assist the cultural shift into positive safety culture by embedding a constant, systematic self-reflective mechanism that will ensure issues are identified and addressed and lead into positive benchmarking.

Based on the above this is deemed to be a **Conformance**

Recommendations / Considerations:

- Continue to keep these layers building within the organisation and extending broader across the organisation.

### 3.2.1   IM System Evaluation Findings

| Q # | Sub-Element | Sub-Element Details and Findings Summary |
|---|---|---|
| 1 | 1.2.1 | Documented job descriptions for all injury management / RTW personnel and where *relevant* management, supervisors and employees.<br>It was confirmed that Council have documented job descriptions (JD's) in place for all relevant |

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| | | personnel and contingency arrangements were in place.  Hence deemed as **Conformance.** |
| 1 | 1.2.2 | Ensuring injury management personnel are competent to administer their role in a reasonable manner.<br><br>Council has appointed an Internal RTW Coordinator (IRC) as well as an Internal Claims Coordinator (ICC). Both have been trained internally; and has undertaken the specific LGAWCS training. Hence deemed as **Conformance.** |
| 1 | 1.2.3 | Ensuring the allocation of resources is appropriate for the organisations type, volume and complexity of the case load. The allocation of resources appears to be adequate for the size and complexity of the organisation. This was confirmed during the evaluation following discussions with the IRC and looking at Councils claims history/profile and hence deemed as **Conformance.** |
| 1 | 1.2.4 | Suitability of facilities and accommodation to ensure restricted access to information, including maintaining confidentiality during interaction with injured workers and service providers. The facilities and accommodation appear suitable, with access to confidential information restricted. This was confirmed with a visual inspection of the facilities and conversations with the IRC. . Hence deemed as **Conformance**. |
| 1 | 1.2.5 | A Scheme Member is required to appoint a Return to Work Coordinator (IRC) and ensure the person appointed to this role has successfully completed relevant LGAWCS training. Where this role becomes vacant, the Scheme Member is required to re-appoint an employee within 3 months and ensure the employee(s) appointed have received relevant LGAWCS training within 3 months of the appointment being made. .At the time of the evaluation, the people appointed to the IRC and ICC roles had completed the relevant LGAWCS training and is current.  Hence deemed as **Conformance**. |
| 2 | 1.6.1 | **How to report a work related injury**<br><br>The information on how to report a work related injury is covered in Section 1 of the RTW Procedure V 3.1 dated July 2016.<br>It was confirmed that the procedure and the incident/near miss/hazard report form are available at each location. .  Hence deemed as **Conformance**. |
| 2 | 1.6.2 | **The process for lodging a claim for compensation.**<br><br>The information outlining the process for lodging a claim is covered in Councils RTW Procedure (V 3.1 dated July 2017.<br>It was confirmed that the procedure, the incident/near miss/hazard report form and the claims packs are available at each location. .  Hence deemed as **Conformance**. |
| 3 | 2.8.5 | Where a worker has not returned to pre-injury employment within 6 months from date of first incapacity and is not working to their full capacity, new or other employment options are considered for the worker by the Scheme Member in conjunction with the LGAWCS.<br><br>It was confirmed that this information is captured in Councils Suitable Employment Procedure. . Hence deemed as **Conformance**. |
| 3 | 2.8.6 | Where a Scheme Member does not provide suitable employment to a former work injured employee the Scheme Member notifies and consults with LGAWCS.<br><br>It was confirmed that this information is captured in Councils Re-employment Procedure.   Hence deemed as **Conformance**. |
| 4 | 4.1.1 | Processes are in place that monitor, measure and review the effective implementation of the injury management system and where relevant, strategies to improve performance of the injury |

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| | | |
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| | | management system are identified.

It was noted that although injury management data is monitored and measured, it is done ad-hoc on a spreadsheet and there is no formal structure around reporting. Hence this is deemed as an **Observation** and is recommended to put a formal process on monitoring, measurement and reporting of injury management data for continuous improvement. |
| 4 | 4.1.3 | The Service Standards set out in Schedule 5, Part 2 of the Return to Work Act 2014 are in place.

A copy of the service standards was sighted on the notice board at the Depot and the main Council depot and hence deemed as **Conformance.** |

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# Conclusion

We would like to thank all those involved in the City of Marion's Risk Evaluation.

The risk evaluation process gave Council the opportunity to showcase a number of risk management, work health and safety and injury management/return to work systems that you have in place.

It is to be noted that the evaluation findings can only be provided against the evidence presented at the time and within the evaluation scope. As part of the evaluation scope, we conducted a desktop review of evidence provided and requested additional records and information based on the initial evidence provided, followed by sample testing of implementation via staff and management interviews and a site visit to the Council Depot. The timeframe provided for on-site and document review was only two days and hence the audit was completed based on a small sample size.

As indicated in the executive summary and the evaluation findings contained herein, Council has few areas to focus on during the next two years and should develop an appropriate action plan to review, monitor and complete the actions. Completion of the actions will further improve the overall effectiveness of the risk, WHS, IM/RTW systems.

In relation to the risk management systems, it is suggested that Council consider the suggestions provided in relation to the bottom up implementation of their Risk Management System across the businesses. There has also been some recommendation provided in the Roads and Footpaths and Event management which Council should consider and this should form part of the basis for Councils risk action plan over the coming two years

The effective implementation of the WHS, IM and RTW systems requires Council to be compliant with the legislative requirements, Performance Standards for South Australia (PSSI) and the policies and procedures; managers to be aware of their accountabilities to ensure the systems are implemented, reviewed and continuously improved and regular reporting to and monitoring by the executive leadership team should occur. During the evaluation, evidence was noted that Council has some good practices in relation to WHS and IM, however there is further room for improvement. We would recommend that council continues this process to ensure the continuous improvement occurs in this area.

We recognise that significant system build and improvement is occurring within the Council, and providing that CoM continue to work on the building of their system and making improvements, their system will continue to mature and progress to a mature level.

We would recommend that you work closely with Sandy Munro (WHS Consultant) and the Strategic Risk Team from the scheme going forward to ensure that a planned and prioritised approach is undertaken, in addressing the corrective actions required. Sandy can provide guidance to CoM on ways to move forward in a way that will provide the best approach for building a system in line with your resources and assist with the setting of a programmed body of work for the next 2 years that is achievable, addresses the issues in a systematic way and enables you to achieve the best possible rebate return in line with corrective actions completed.

Please note that action plans need to be submitted for review by the end of January 2019 to address the issues identified in the evaluation (in a systemic way). If you are unclear on how this is to be undertaken or need examples of formats and structures, Sandy will be available to assist in drafting your action plan in order to meet the criteria that is required for approval of these plans and to ensure that the action plans are appropriate for closing out the identified issues in a prioritised, structured and systemic way.

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## Finance and Audit Committee Work Program and Meeting Schedule for 2019

| | |
|---|---|
| **Originating Officer** | Manager Corporate Governance - Kate McKenzie |
| **Corporate Manager** | Manager Corporate Governance - Kate McKenzie |
| **General Manager** | General Manager Corporate Services - Vincent Mifsud |
| **Report Reference** | FAC181211R09 |

### REPORT OBJECTIVE

Setting an annual work program helps to ensure that the Finance and Audit Committee (FAC) addresses the scope of activities identified in the Committee's Terms of Reference. It ensures that the workload of the Committee is planned, managed and resourced. It allows the Committee to relay the dates and times of the meetings to the community and provides for upcoming business to be dealt with in a timely manner.

### EXECUTIVE SUMMARY

The FAC Terms of Reference requires that the Committee meet at least quarterly at a time and place determined by the Committee, provided that all meetings are open to the public at the City of Marion building (Clauses 4.12). A schedule of meetings is to be determined by the Committee Members (clause 4.14).

A work program and meeting schedule for 2019 satisfying the requirements set out in the Terms of Reference 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

That the Finance and Audit Committee:

**1. Notes the proposed work program for 2019 identified at Appendix 1 to the report.**

**2. Adopts the following schedule of meetings for 2019:**
- **Tuesday 26 February 2019 (9.30 am - 12.30 pm)**
- **Tuesday, 28 May 2019 (9.30 am - 12.30 pm)**
- **Tuesday 20th August 2019 (4 pm to 6 pm plus followed by joint workshop with Council from 6.30 pm onwards)**
- **Tuesday, 1 October 2019 (9.30am to 12.30 pm)**
- **Tuesday, 10 December 2019 (9.30 am to 12.30 pm)**

### Attachment

| # | Attachment | Type |
|---|---|---|
| 1 | FAC Work program 2019 | PDF File |

**Appendix 1**

| SCHEDULE OF MEETINGS 2019 | | | |
|---|---|---|---|
| **Day** | **Date** | **Time** | **Venue** |
| Tuesday | 26 February 2019 | 9.30am – 12.30 pm | Administration Centre |
| Tuesday | 28 May 2019 | 9.30am – 12.30 pm | Administration Centre |
| Tuesday | 20 August 2019 | 4.00 – 6.00 pm<br>Followed by<br>7.00 – 9.00 pm<br>(Joint workshop with Council) | Administration Centre |
| Tuesday | 1 October 2019 | 9.30am – 12.30 pm | Administration Centre |
| Tuesday | 10 December 2019 | 9.30am – 12.30 pm | Administration Centre |

**INDICATIVE AUDIT COMMITTEE WORK PROGRAM - 2019**
**TUESDAY, 26 February 2019**

| Topic | Action |
|---|---|
| Elected Member Report | Communication Report |
| Draft Annual Business Plan and Budget 2019/20 and Draft Long Term Financial Plan | Review and Feedback |
| Internal Audit Tender Process | Review and Feedback |
| Climate Change Risk | Review and Feedback |
| Corporate Reporting Framework | Review and Feedback |
| Overdue Commercial Rates Debtors | Review and Feedback |
| Internal Audit Program – Scopes, Reviews and Monitoring | Review and Feedback |
| Service Review Program - Scopes, Reviews and Monitoring | Review and Feedback |

**TUESDAY, 28 May 2019**

| 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 |
| Internal Audit Tender Outcome and Recommendation | Review and Recommendation |
| Organisational Key Performance Indicators 2019/20 | Review and Recommendation |
| Internal Audit Program – Scopes, Reviews and Monitoring | Review and Feedback |
| Service Review Program - Scopes, Reviews and Monitoring | Review and Feedback |
| Review of the FAC Terms of Reference | Review and Recommendation to Council |

| Annual Report on Business Continuity | Review and Feeback |
|---|---|
| Corporate Risk Profile | Review and Feedback |

## TUESDAY, 20 August 2019 (Joint Workshop with Council)

| Topic | Action |
|---|---|
| Elected Member Report | Communication Report |
| Annual Review of WHS Program | Review and Feedback |
| Asset Valuations | 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 (6.30pm onwards) | |

## TUESDAY, 1 October 2019

| Topic | Action |
|---|---|
| Elected Member Report | Communication Report |
| Independence of Council's Auditor for the year end 30 June 2019 | Review and Recommendation to Council |
| Audited Annual Financial Statements for the year end 30 June 2019 | Review and Recommendation to Council |
| Investment Performance 2018/19 | Noting |
| Debtors Report | Noting |
| Meeting with external auditors in camera | Seeking feedback from Auditors |
| Internal Audit Program – Scopes, Reviews and Monitoring | Review and Feedback |
| Service Review Program - Scopes, Reviews and Monitoring | Review and Feedback |

## Tuesday, 10 December 2019

| 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 2020 | Review and Feedback |
| Ombudsman SA Annual Report 2018/19 | Review and Feedback |
| Framework and Key Assumptions for preparation of 2020/21 ABP and LTFP | Review and Feedback |

## Internal Audit Program 2018/19 scoping documents

| | |
|---|---|
| **Originating Officer** | Governance Officer - Victoria Moritz |
| **Corporate Manager** | Manager Corporate Governance - Kate McKenzie |
| **General Manager** | General Manager Corporate Services - Vincent Mifsud |
| **Report Reference** | FAC181211R10 |

## REPORT OBJECTIVE

To provide the Finance and Audit Committee (FAC) with the Business Continuity and Workplace Emergency Management scoping document and the final report for Procure to Pay for the 2018/19 internal audit program.

## EXECUTIVE SUMMARY

The 2018/19 Internal Audit Program has commenced, with the following projects and status identified for the FAC;

- Procure to Pay – Final report included as **Appendix 1**
- Business Continuity and Workplace Emergency Management - Scope included as **Appendix 2.**

Audit work has commenced on the Customer Experience review (scope considered at the October 2018 FAC meeting) with the report due to be presented to the Committee in early 2019. The Tendering internal audit is also due to commence in January 2019. A final scope for the Cyber Security Review is also due to the Committee next year.

The following documents have been prepared and are attached for review by the FAC:

**Procure to Pay - Final Report (Appendix 1)**
The objective of the Audit project was to consider the overall procure to pay process based on the policies and procedures implemented in 2016. This included a focus on compliance against the policy, as well as consideration of the overall efficiency and effectiveness of the newly implemented processes. In total, there was a total of six (6) recommendations with two (2) being rated as moderate risks and four (4) being rated as a low risk. There was also three (3) performance improvement opportunities identified.

**Business Continuity and Workplace Emergency Management - Scoping Document (Appendix 2)**
The objective of this Internal Audit is to consider the Councils framework for business continuity planning (BCP), IT disaster recover (ITDR) and emergency management (EM). The Audit will cover the framework, governance and management controls, risk identification and business impact assessment, plan development - including recovery strategies, Recovery Plans and exercisers/testing of the BCP.

## RECOMMENDATION

**That the Finance and Audit Committee:**

1. **Notes this report**

2. **Provides feedback regarding the attached reports;**
   - **Procure to Pay Final Report (Appendix 1)**
   - **Business Continuity and Workplace Emergency Management Scope (Appendix 2)**

## Attachment

| # | Attachment | Type |
|---|---|---|
| 1 | FAC 181211 - Internal Audit - Procure to Pay Report - Appendix 1 | PDF File |
| 2 | FAC 181211 - Internal Audit - BCP Scope - Appendix 2 | PDF File |

**KPMG**

City of Marion

# Procure to Pay
# Internal Audit Report

December 2018

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In accordance with the 2018-2019 Internal Audit Plan of the City of Marion ("CoM"), an internal audit focusing on the procure to pay process has been performed. The key aspects of the internal audit are detailed below.

## Objective

The objective of this internal audit project was to consider the overall procure to pay process based on new policies and procedures implemented by the CoM in 2016. This engagement included a focus on compliance against the policy, as well as consideration of the overall efficiency and effectiveness of the newly implemented processes.

## Scope

The scope of this internal audit included consideration of the CoM's business processes, internal controls, segregation of duties and delegations, and included the following sub-processes:

- Online purchase requisition creation and review
- Purchase order creation and approval
- Receiving
- Invoice approval
- Payment
- Controls related to vendor bank account data
- The appropriateness of goods and services exempted from the corporate procure to pay process.

High level consideration was also given to the efficiency and the overall level of acceptance of the new procure to pay process. This included the use of the recently implemented Purchase Order Request Online Requisition system (OLR).

*Scope exclusions*

Please note that the scope excluded consideration of purchase cards, petty cash and payroll transactions which have been subject to previous internal audit projects.

## Approach

Our approach to this engagement included the use of data analytics over the 2017/2018 CoM's procure to pay data sets. Data analytics during the conduct of this engagement were utilised to:

- Provide 100% coverage over the FY17/18 procure to pay transactions, including vendor accounts and supplier validity, authorisations within delegation limits, duplicated invoices, splitting of purchase order and segregation of duties.

- Inform sample testing, including GST payments and required approvals.

- Create supplier and spend profiles for the CoM, including developing an aggregated view of the spend 'buckets' of the Council and profile of suppliers.

## Background

Purchasing and the payment of supplier invoices is a core process performed by the CoM, with over 17,867 invoices processed during the 2017/2018 financial year. The purchasing process is managed through the Purchasing Team, which is responsible for the development of relevant procedures, authorisation of new suppliers, providing advice, and deliver quarterly compliance reporting to the CoM Senior Leadership Team. Currently, receipting of invoices is performed by the Purchasing and the Accounts Payable Teams, and the processing and validation of invoices is disaggregated across the Council.

The Purchase Order Request Online Requisition system (OLR) was implemented in February 2016, and forms part of Authority, the CoM's finance system. OLR has automated the process for the raising, approving and sending of purchase orders.

Despite this improvement, the CoM procure to pay process is still highly manual and labour intensive. This includes multiple 'touch points' during the end to end process, which includes a large amount of resource effort to issue purchase order variations. During our review, it was advised that a service delivery review has been instigated to consider options for improving the efficiency of the procure to pay process. This review has considered options to streamline and further automate the process, which are detailed in Finding 5 and the performance improvement opportunities of this report.

## Summary of findings

As a result of our review, it was noted that the CoM's control environment is highly effective. Overall, as a result of the data analytics and fieldwork testing performed, a total of six findings (two moderate and four low rated findings) were identified relating to the procure to pay process.

As part of the scope of this review, specific consideration was also given to opportunities to improve the efficiency of the procure to pay process. A number of improvement opportunities were identified which are outlined in Section 4 of this report.

## Positive Observations

A number of positive observations were identified which are outlined below:

The CoM's *Use of Purchase-Order Procedure* has recently been updated (October 2018) and clearly sets out the process for raising a purchase order in the OLR System. At the time the audit was performed, the procedure had been distributed to the Leadership Team for approval and endorsement.

A robust controls environment was identified as being in place. This included minimal exceptions and control deficiencies identified as a result of the data analytics testing performed.

The CoM is investigating a complete systems overhaul for the entire Council in the next two years. This should improve the efficiency of the procure to pay process.

The CoM have changed their payment practices, which has resulted in vendor payments being made on average within 23 days (19 days for small/medium suppliers), compared to 30+ days previously.

City Property and Open Spaces are in the process of establishing a small panel of approximately three Contractors to assist in the minor general maintenance of the Council's buildings and open spaces for jobs which fall below $2,000. This initiative will assist with improving purchase order compliance.

## Internal audit findings

Through our discussions with the process owners, documentation review and sample testing performed, Internal Audit identified two moderate and four low risk rated findings and five improvement opportunities. The following table provides a summary of risk rated findings, and the relevant issue owner and target date for implementation. These findings and recommendations were discussed with CoM Management. Management has accepted the findings and has agreed action plans to address the recommendations. Please see over the page for a summary of the performance improvement opportunities.
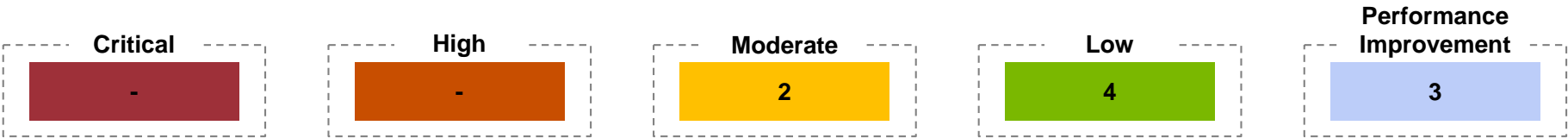
| Critical | High | Moderate | Low | Performance Improvement |
|----------|------|----------|-----|-------------------------|
| - | - | 2 | 4 | 3 |

| Rating | Ref # | Description | Issue Owner | Target Date |
|--------|-------|-------------|-------------|-------------|
| Moderate | F1 | Purchasing team has the ability to override delegated approval levels | Unit Manager, Operational Support | 30 June 2019 |
| Moderate | F2 | Non-compliances identified of the CoM's Use of Purchase Order Procedure | Unit Manager, Operational Support | Ongoing |
| Low | F3 | GST payment made to a supplier with a cancelled GST registration | Treasury Accountant | 31 December 2018 |
| Low | F4 | Instances identified where the Purchase Order Approver and Purchase Order Raiser were the same individual | Unit Manager, Operational Support | Closed |
| Low | F5 | Materiality tolerances for invoice variances | Unit Manager, Operational Support | 31 December 2018 |
| Low | F6 | Review of Supplier Master file | Treasury Accountant | 31 March 2019 |

The classification of risk ratings in this report are based on the risk ratings documented at Appendix 3.

## Internal audit performance improvement observations

As part of this review, KPMG not only assessed the COM's compliance with current procedures, but also consulted internally with KPMG's Procurement Advisory Team to identify areas where the Council could improve its operations to either work more efficiently or improve compliance. The table below outlines the summary of these observations, the full details of which can be found in Section 4 of this report.

| Rating | Ref # | Description | Issue Owner | Target Date |
|---|---|---|---|---|
| PIO | PIO 1 | Opportunity to implement electronic invoicing | Treasury Accountant | 31 December 2019 |
| PIO | PIO 2 | Opportunity to raise awareness with suppliers | Unit Manager Operational Support / Treasury Accountant | 31 December 2018 |
| PIO | PIO 3 | Purchase Cards | Unit Manager, Finance Partnering and Rates | Ongoing |

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## Supplier Profile

Internal Audit utilised data analytics to perform a supplier and spend profile analysis for the CoM. Our analysis was performed over the 2017-2018 financial year from supplier data extracted and provided by the CoM, with non-creditor payments (rate refunds, minor grants, etc.) excluded. The results of this analysis are provided below.

- Figure 1 demonstrates the top 10 suppliers by spend during FY18 (excluding the ATO). The CoM's highest spend is with Downer EDI for engineering and construction works (26 invoices for the year), Solo Resource for waste management (75 invoices) and Kennett (6 invoices) for works relating to the redevelopment of the Edwardstown Soldiers Memorial Recreation Ground project.

- The highest monthly payment month for CoM's payments for the top 10 suppliers was June 2018, prior to the end of the financial year (Figure 2), primarily as a result of a number of year-end contractor bills to be paid with Capital Programs being finalised at year end.

- Figure 3 shows the percentage of suppliers by total spend range for FY17/18. It is noted that for the majority of suppliers (59.8%), less than $5k was spent with the supplier for the year.

*Figure 2 - Top 10 Suppliers by FY17-18 Spend*
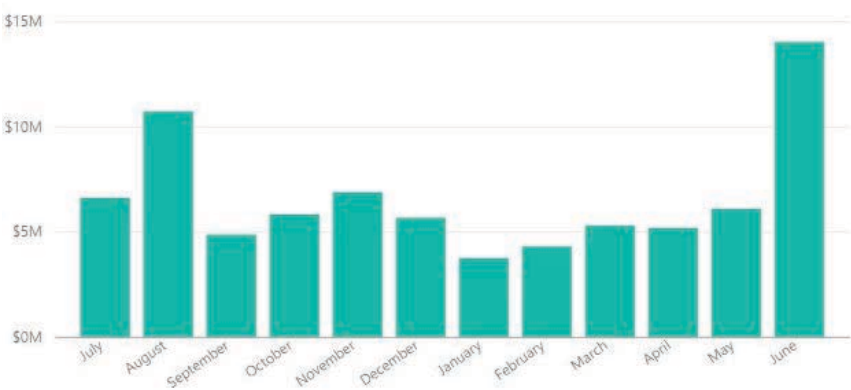


*Figure 3 – Percentage of suppliers by total spend ranges*



*Figure 1 - Top 10 Suppliers by FY17-18 Spend*
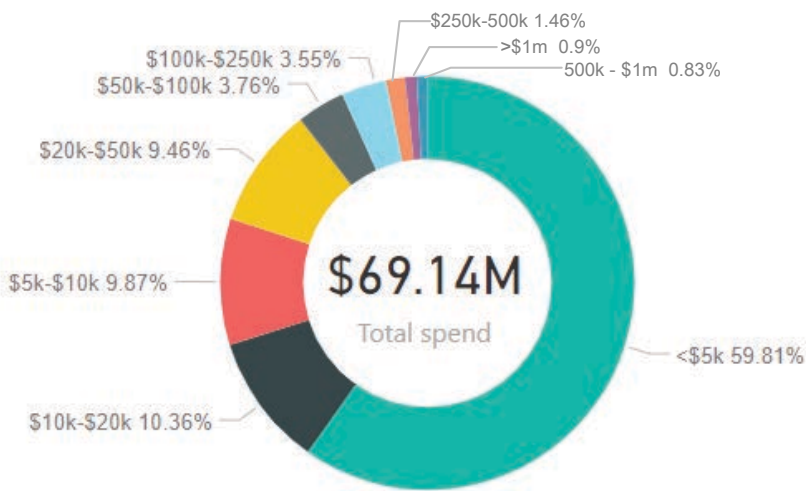
**Finding 1 - Purchasing team has the ability to override the delegated approval levels**　　　　　　　　　　　Moderate

## Finding(s)

As part of fieldwork, Internal Audit conducted walkthroughs in relation to the processing of vendor invoices. During these walkthroughs, it was noted that each of the four members of the Purchasing team has the ability to change details of a purchase order (PO), including the value, after it has been raised by a requisitioner and approved by the relevant financial delegate. The purpose of the Purchasing team having this ability to make changes is to perform a review and cross-check in accordance with the *Use of Purchase Order Procedure*, section 5.3.1. This may include checks of whether the PO conflicts with any contractual arrangements, the correct general ledger budget line and resource number has been applied and whether the goods or services comply with City of Marion's *Purchasing, WHS and Environmental Policy.*

When observing the process, it was noted that if the value of the purchase order is increased above $1,000, a system message is displayed stating that two quotes are required as consistent with the CoM *Use of Purchase Order Procedure*. However, it was further noted that the Purchasing Team has the ability to bypass this process by providing a comment within the system that the quotes were obtained. A copy of the purchase order is then automatically sent to the requisitioner and the service provider and is logged within OLR.

Internal Audit noted as a result of our data analytics procedures, that other than the 23 purchase orders noted in Finding 2, raised by the Administrative Purchasing Officer, the Purchasing team have not breached their delegations.

## Risk(s)

There exists a risk that a member of the Purchasing team has the ability to change the value and description of a purchase order subsequent to its approval by the relevant Delegate. This increases the fraud risk of a member of the Purchasing team colluding with another staff member to raise an invoice for a related party supplier. It is further noted that if this were to occur, this breach may not be identified, as the review provided by the Purchasing team is the final step in creating an official purchase order.

## Recommendation(s)

It is recommended that the CoM undertake one or both of the following solutions:

1.  Work with Civica to implement a system update to restrict the ability of a member of the Purchasing team to modify the purchase order value subsequent to its approval.

2.  The Unit Manager, Operational Support to review a monthly report of any changes made to a purchase order after it has been approved by the appropriate delegate to identify any increases in value to a purchase order.

## Agreed Management Action(s):

Management agree with the recommendation and will work with Civica to undertake possible enhancements to the system to implement the recommended system changes.

A monthly review will be undertaken by the Unit Manager, Operational Support of changes made to the purchase order after it has been approved by the appropriate delegate to identify any increases in value to a purchase order.

**Responsibility:** Unit Manager, Operational Support

**Target date**: 30 June 2019

## Finding 2 – Non-compliances with CoM's Use of Purchase Order Procedure

<span style="background:#F5A623;color:#fff">**Moderate**</span>

### Finding(s)

Internal Audit noted through discussions with stakeholders and from internal reporting provided to the Executive Leadership Team (ELT) and Senior Leadership Team (SLT), that invoices are still being received by the CoM prior to purchase orders being raised.

We acknowledge that compliance with the *Use of Purchase Order Procedure*, in particular in raising a purchase order prior to receiving an invoice, has improved on the previous year, although this is the first quarter that more accurate reporting has been provided to the ELT and SLT in relation to non-compliances. For the first quarter of FY2018-2019, there were 358 invoices with a total value of $962,369 and an average value of $2,688 that were received without a purchase order being raised, which equated to 5.69% of all invoices that require a purchase order. The majority of the non-compliances related to the Property Department (approx. $228,000) and Open Space Operations Unit (approx. $207,000).

Additionally, for a number of the invoices that had been received without a purchase order being completed previously, there is also an increased risk that these items were ordered outside of the delegation limits by the requisitioner.

### Risk(s)

In the absence of a purchase order being raised prior to the requisition of goods, there is a risk that the CoM may be committing funds to unapproved spend which is in breach of the *Use of Purchase Order Procedure* and the delegations register. There is also a risk that the CoM do not receive value for money through following the quotations requirements per the *Use of Purchase Order Procedure*, in addition to reputational risks if payments to suppliers are delayed due to an absence of a purchase order.

**Responsibility:** Unit Manager, Operational Support

**Target date:** Ongoing

### Recommendation(s)

It is recommended that the CoM continue to educate users on the correct use of the Purchase Order procedure. It is recommended that this education process is linked to the Corporate training program.

### Agreed Management Action(s):

The Unit Manager, Operational Support will continue to educate system users and report on compliance by providing the following:

- Quarterly Compliance Level Reports to SLT/ELT

- Ongoing training to staff and delegated officers on the purchase order procedures and compliance requirements.

| **Finding 3 – GST payment made to a supplier with a cancelled GST registration** | **Low** |

### Finding(s)

Internal Audit noted through data analytics and sample testing performed, that for one of the 15 samples where the supplier had their GST cancelled or no GST registration, GST had been paid to the supplier.

Specifically, the supplier (No. 21610) was identified as having their GST registration status cancelled on the 30/06/2017. As a result of our testing, it was identified that the supplier provided the CoM an invoice dated 31/07/2017 for $7,151 inclusive of $650 of GST which was paid on the 10/08/2017. Furthermore, at the time audit testing was performed, the supplier was still set up as registered for GST in Authority.

It is noted that the CoM's purchase order terms requires invoices to be compliant with the Goods and Services Tax Act 1999 (GST Act). It is also noted that a notification of a change in GST registration is not provided by the Australian Tax Office (ATO) and is also not required to be provided by suppliers.

### Risk(s)

There exists a risk that CoM may have over-claimed GST by virtue of not holding a valid GST invoice (due to the vendor not being GST registered or having their GST registration cancelled). This may have implications in the event of an ATO audit.

### Recommendation(s)

It is recommended that:

1.  A one-off clean up exercise should be undertaken to update vendor records with the current GST registration status.

2.  A regular process for checking changes in registration status of vendors should be instituted. This may be an annual check of current registrations on a rotational basis for ABN and GST on the ABR web site using the ABR lookup spreadsheet and comparison to previously held information.

### Agreed Management Action(s):

Management agree with the recommendation and will carry out a one-off clean up exercise to update vendor records by 31 December 2018.

An annual exercise will be undertaken to review the GST registration status of vendors.

**Responsibility:** Treasury Accountant

**Target date**: 31 December 2018

**Finding 4 – Instances identified where the Purchase Order Approver and Purchase Order Requisitioner was the same individual**

**Low**

### Finding(s)

As a result of the data analytics performed, 26 instances were identified where the same staff member was both the purchase order requisitioner and the purchase order approver. These transactions were identified as having been incurred between a period from July 2017 to October 2017 and came to a total of $98,485. It is noted that at the time these transactions occurred, this staff member did not have the required delegation of authority to approve these purchase orders. As a result, the staff member's financial delegation limit was breached.

Upon further inquiry, it was advised by CoM Management that this was during a period of transition to the new purchasing system, OLR. During this time, the relevant staff member was inputting invoices into the OLR system and bypassing the requisition stage for invoices where goods and services had already been received. The issue was identified by the staff member's relevant Unit Manager. We note however, that the relevant hard copy invoices for these transactions had been approved by the relevant delegated authority.

We were further advised that once this issue was identified, the staff member was advised of the correct procedure, and no further instances of this issue were identified.

### Risk(s)

There is a risk that by not following the purchase order process, there is an absence of segregation of duties to allow for oversight and approval exceeding delegations. Additionally, there is a risk that financial delegations are breached.

**Responsibility:** Unit Manager, Operational Support

**Target date**: Closed

### Recommendation(s)

It is recommended that:

1. The CoM work with Civica to ensure that OLR prevents the purchase order requisitioner and purchase order approver being the same individual. If this is not possible, an exception report should be developed and regularly monitored to identify any future instances.

2. The CoM consider requesting a system update to OLR to prevent the PO approver from approving a purchase order which is not within their financial delegation.

### Agreed Management Action(s):

This finding has been closed out by the Unit Manager, Operational Support and as such no management action is required. These instances resulted purely as part of the initial OLR system implementation process. The fully implemented OLR system removed the ability for the Requisitioner to be the same person as the Delegated Approver and therefore this issue no longer exists.

## Finding 5 – Materiality tolerances for invoice variances

**Low**

### Finding(s)

Under the current CoM procure to pay policy, where there is a variance greater than one dollar from the purchase order to the supplier invoice, additional approval is required by the original purchase order approver. This process includes posting a copy of the invoice via internal mail by the Purchasing team to the original approver. Subsequent to approval, the invoice is returned via internal mail to the Accounts Payable team for processing.

During the conduct of our review, it was advised by a number of stakeholders that this process is highly inefficient and requires a large amount of resource time. This process also increases the risk of late payments to suppliers, which poses a reputational risk to the Council.

It is recognised that in instances of large and material variances that additional approval should be provided, however in instances where the variances are immaterial, this additional process may not be the most effective use of Council resources.

### Risk(s)

Due to the significant inefficiencies that exist from having a low tolerance, there is a risk that suppliers may not be paid on time in addition to invoices being lost within the process.

### Recommendation(s)

1. It is recommended that the CoM define a set of business rules for acceptable thresholds of variances between purchase orders and invoices during the invoice process.

### Agreed Management Action(s):

Management agree with this recommendation and will adopt a maximum materiality threshold of $25 to improve efficiencies in purchase order/ invoice variances.

This will not remove the requirement to apply a level of due diligence to the transaction and seek clarification where prudent to do so.

**Responsibility:** Unit Manager, Operational Support

**Target date**: 31 December 2018

**Finding 6 – Review of Supplier Master File**

| | Low |
|---|---|

### Finding(s)

As a result of the data analytics performed, instances of duplicated supplier information was identified. This included ABN, bank account details, supplier names and addresses.

It was identified during stakeholder discussion that the last review of the Supplier Master File was performed during 2009.

A sample of these transactions were further investigated, where it was confirmed that a number of these duplicates had been updated to an inactive supplier. An inactive supplier status prevents the raising of a purchase order or payment against an inactive supplier.

However, at the time of our fieldwork there were still a number of duplicate names, bank accounts and addresses provided for active suppliers. This listing has been provided to CoM management for review as part of the supplier file maintenance which is currently underway.

### Risk(s)

Having multiple supplier accounts set up for the same supplier may increase the risk that a supplier is overpaid by the CoM. Additionally, having multiple profiles set up for the same supplier, may result in difficulty in conducting spend analysis over suppliers.

### Recommendation(s)

It is recommended that:

1.  The review of the Supplier Master file is completed within the next six months.

2.  Going forward, a review should be performed annually, with a summary of changes provided to Finance Management for oversight.

### Agreed Management Action(s):

The listing provided will be reviewed and action taken to update the supplier database to ensure any identified duplicate suppliers are given an inactive status.

Agree with the recommendation to perform an annual review.

**Responsibility:** Treasury Accountant

**Target date**: 31 March 2019

## PIO 1 – Opportunity to implement electronic invoicing

PIO

### Finding(s)

Currently, the CoM procure to pay process is high manual and labour intensive. During our review of the process, it was noted that the following steps are performed:

- The requisition of goods and purchase orders is done through an online system, Authority.

- Invoices are received through a variety of channels and in various formats across the organisation.

- Invoices are initially processed in hard copy format by the Purchasing or Accounts Payable team, where they are manually checked and reconciled to the relevant purchase order.

- If no variances are identified between the invoice and purchase order, the invoice is sent to the requistioner for confirmation of goods received. However, if variances are identified the hard copy invoice is sent back to the purchase order requistioner and delegated approver. If the total invoice value exceeds the delegated approver limit, a new requisition is required to be raised within the required delegations of authority.

- Subsequent to approval of the manual invoice, it is sent via internal mail to the Purchasing or Accounts Payable team for processing, where it is physically checked again (including valid ABN and bank account details). It is then entered into the Authority system for batch payment processing.

During the FY17/18, a total of 17,867 invoices were processed by the CoM. Given the manual nature of the procure to pay process detailed above, this represents a significant amount of resource time and effort.

It is further noted that a number of risks are associated with a paper based and highly manual process. This includes an increased risk of fraud and errors, and lost or misplaced invoices. This may then present an increased reputational risk to the Council, and additional costs associated with late fees.

### Recommendation(s)

1. It is recommended that the CoM perform a business process review to investigate the transition to an online procure to pay system which would help to reduce the need for manual invoice approval processing. This process should include benchmarking of the procure-to-pay cycle times and the average cost of processing per invoice against other Government agencies.

2. It is further noted that a number of other Councils in South Australia have transitioned the invoice validation process to a third party vendor. These services includes the use of machine learning technologies to match purchase order to invoice payments and contracts, and automating invoice approvals within a defined set of business rules. It is recommended that this option is also considered as part of the business process review.

### Agreed Management Action(s):

The CoM will investigate on-line invoice approval options that exist with Civica to reduce the level of manual processing that currently exists.
The CoM will also investigate the software options available and implementation costs for automatic invoice validation.

**Responsibility:** Treasury Accountant

**Target date**: 31 December 2019

## PIO 2 – Opportunity to raise awareness to suppliers

PIO

### Finding(s)

Currently, invoices are physically received by the CoM through a number of various channels and areas of the Council. This includes by the Purchasing team, the Accounts Payable team and any staff members of CoM who have ordered goods or services. When invoices are received by a member of staff outside of the Accounts Payable or Purchasing team, the invoice is then provided to the Accounts Payable or Purchasing team either electronically or by internal mail.

It is noted that the current terms of business on the front of purchase orders requires invoices to be sent via email or post to the CoM's Accounts Payable. However, we understand that this requirement is often not adhered to by a number of suppliers.

The receipting of invoices in this manner significantly increases the processing time of supplier invoices, and increases the risk of suppliers not being paid on time and invoices being misplaced or lost. It also results in vendors having a lack of limited visibility as to whether invoices have been successfully received. This could lead to vendors submitting invoices through multiple channels and duplicate invoices requiring double handling or manual intervention in relation to reversals.

### Recommendation(s)

It is recommended that the CoM provide further education to suppliers as well as CoM staff involved in purchasing activity, regarding the required process for invoices to be received via the CoM's Accounts Payable team. This may include working with suppliers, particularly smaller suppliers where the CoM purchases on a regular basis, to move towards standardised invoices that are provided electronically.

### Agreed Management Action(s):

The CoM will provide the recommended training via staff engagement to promote the efficiencies in operations regarding a central receiving point for invoices.

**Responsibility:** Unit Manager Operational Support / Treasury Accountant

**Target date**: 31 December 2018

## PIO 3 – Purchase (P-Cards) Cards

PIO

### Finding(s)

For low value items that are purchased at high volume, the CoM should consider the use of Purchase Cards (P-Cards). Overall, as a result of our data analytics it was noted that 16,486 invoices were processed for $2,000 or below. This means considerable time and resources are required to process these invoices representing a significant opportunity to improve process efficiency and realise cost savings. Key benefits of further use of P-Cards by the CoM include:

- Increased spend visibility to allow for consolidation

- Enables the procurement function to focus on strategic categories of spend rather than non-value adding back office processing, this has a further benefit of enabling staff to focus on building stronger relationships with key strategic suppliers e.g. Downer, Solo and Randstad

- P-Cards enable the CoM to reduce the number of invoices moving through the currently paper-based procure-to-pay process, simplifying the system.

The CoM should determine how, and in what ways, their own organisation should use P-Cards to support their purchasing and supply chain strategy e.g. what caps should be put in place, how the program should be managed, detailed business case, etc. Such considerations were outside the scope of this audit.

It is suggested that P-Cards should be capped at a spending limit. The CoM will need to determine what this spending limit is. With a sole central approver of petty cash transactions, and expenses being approved by the relevant Department Manager, there is limited oversight over both systems. Therefore, as these two mechanisms are operating concurrently, employees can potentially misappropriate funds through claiming and receiving reimbursement through both mechanisms.

### Recommendation(s)

We recommend the CoM consider expanding use of P-Cards for low value transactions.

### Agreed Management Action(s):

The CoM implemented a recommendation from the Internal Audit Report on Purchase Cards (February 2017) whereby we review on an annual basis the required use of purchase cards, their existing limits and monitor expenditure, in particular petty cash to determine opportunities to increase the use of purchase cards within the CoM's overall purchasing strategy.

This is an ongoing commitment which covers this recommendation.

**Responsibility:** Unit Manager, Finance Partnering and Rates

**Target date:** Ongoing

The chart below details the identified effort and time duration compared to the efficiency improvements of the recommended actions which have been discussed with CoM Management. Specific quick wins have also been identified, highlighting low complexity of the implementation.
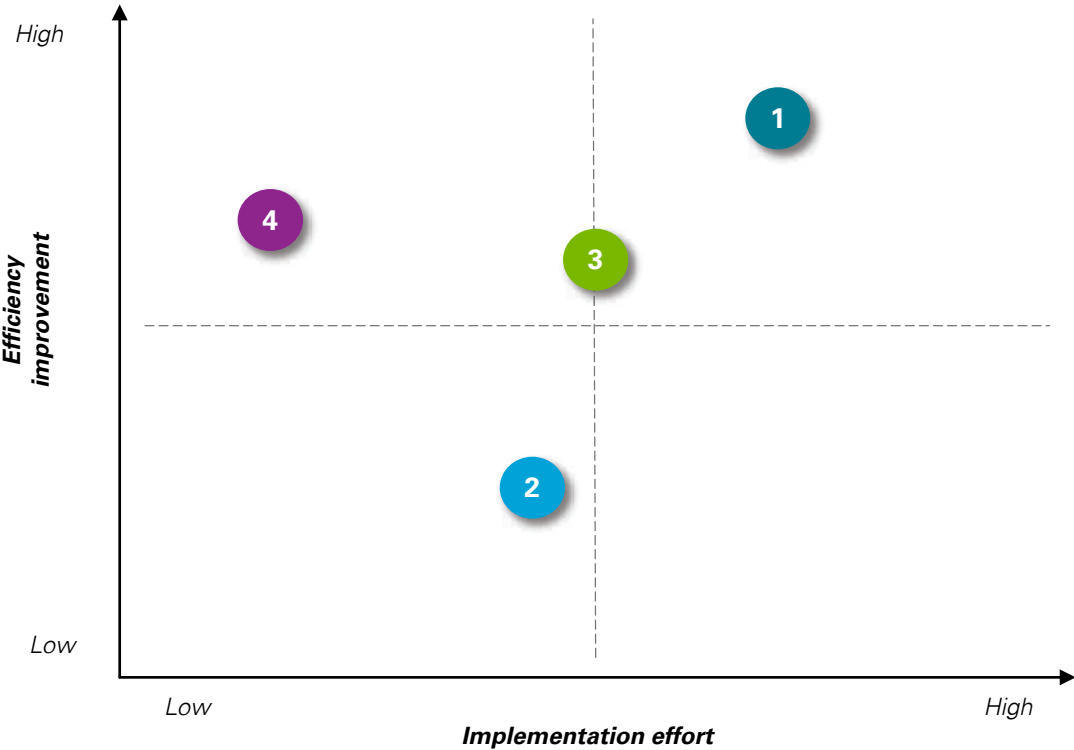


| ID | Recommendation description | Observation Reference |
|---|---|---|
| 1 | Opportunity to implement electronic invoicing | PIO1 |
| 2 | Opportunity to centralise the receipting of invoices | PIO2 |
| 3 | Purchase Cards | PIO3 |
| 4 | Materiality tolerances for invoice variances | Finding 5 |

Implementation effort – The level of time and effort estimated to implement the recommendation.

Efficiency improvement – The level of efficiency obtained by implementing the recommendation.

The table below summarises CoM Marion personnel who were involved in discussions and contributed to the findings and actions detailed in this Internal Audit Report.

| Name | Title |
| --- | --- |
| Ray Barnwell | Manager, Finance and Contracts |
| John Stewart | Treasury Accountant |
| Roger Belding | Unit Manager, Operational Support |
| Colin Heath | Unit Manager, Contracts |
| Matthew Allen | Manager, Engineering and Field Services |
| Brett Jaggard | Unit Manager Open Space Operations |
| John Deally | Manager ICT |
| Paula Healey | Project Officer ICT |
| Cass Ganon | Performance & Innovation Leader |
| Joanne Thomas | Coordinator Operational Support |
| Mary Thompson | Administrative Purchasing Officer |
| Amy Beck | Accounts Payable Officer |

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. | • Detrimental impact on operations or functions.<br>• Sustained, serious loss in reputation.<br>• Going concern of the business becomes an issue.<br>• Decrease in the public's confidence in the Council.<br>• Serious decline in service/product delivery, value and/or quality recognised by stakeholders.<br>• Contractual non-compliance or breach of legislation or regulation with litigation or prosecution and/or penalty.<br>• Life threatening. | • Requires immediate notification to the Council Finance and Audit Committee via the Presiding Member<br>• Requires immediate notification to City of Marion's Chief Executive Officer.<br>• 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. | • Major impact on operations or functions.<br>• Serious diminution in reputation.<br>• Probable decrease in the public's confidence in the Council.<br>• Major decline in service/product delivery, value and/or quality recognised by stakeholders<br>• Contractual non-compliance or breach of legislation or regulation with probable litigation or prosecution and/or penalty.<br>• Extensive injuries. | • Requires immediate City of Marion's General Manager notification.<br>• Requires prompt management action planning/remediation actions (i.e. 30 days) |

| Table of Contents | Executive Summary | Background | Internal Audit Findings | Performance Improvements | A1: PIO Matrix | A2: Staff Consultation | A3: 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 | • Moderate impact on operations or functions.<br>• Reputation will be affected in the short-term.<br>• Possible decrease in the public's confidence in the Council.<br>• Moderate decline in service/product delivery, value and/or quality recognised by stakeholders.<br>• Contractual non-compliance or breach of legislation or regulation with threat of litigation or prosecution and/or penalty.<br>• Medical treatment required. | • Requires City of Marion's General Manager and/or Senior Manager attention.<br>• Requires short-term management action. |
| **Low** | Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve process objectives. | • Minor impact on internal business only.<br>• Minor potential impact on reputation.<br>• Should not decrease the public's confidence in the Council.<br>• Minimal decline in service/product delivery, value and/or quality recognised by stakeholders.<br>• Contractual non-compliance or breach of legislation or regulation with unlikely litigation or prosecution and/or penalty.<br>• First aid treatment. | • Timeframe for action is subject to competing priorities and cost/benefit (i.e. 90 days). |

# Disclaimers

## 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 Finance and 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 5 December 2018 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.

# City of Marion

## Internal audit project scope:
## Business Continuity, IT Disaster Recovery and Emergency Management

21 November 2018

# Internal Audit Program 2018/19: Business Continuity, IT Disaster Recovery and Emergency Management

In accordance with the 2018/19 Internal Audit Plan for the City of Marion (CoM), an internal audit project focussing on CoM's business continuity, IT disaster recovery and emergency management procedures is to be performed. The objective, scope and approach are outlined below.

## Objective and scope of services

The objective of this Internal Audit is to consider CoM's framework for business continuity planning (BCP), IT disaster recovery (IT DR) and emergency management (EM). We will consider the following areas:

- Framework: Governance and management controls, policies and procedures, identification of roles and responsibilities and alignment to relevant Australian and International standards.
- Risk identification and Business Impact Assessment: Identification and assessment of risks and disruption scenarios, critical business process and functions and key IT systems/services supporting critical functions.
- Plan development: Identification selection of recovery strategies for the preparation of BCP, IT DR and EM plans, plan maintenance procedures and version control.
- Recovery plans: Recovery objectives, strategies and dependencies, procedures for activation, prioritisation, backup and restore procedures and the existence of manual processes and resumption plans, agreements with third party suppliers and alignment of the BCP, IT DR and EM.
- Exercising: Exercise and test strategies for the BCP, IT DR and EM, the development of exercise plans, execution of exercises to validate plans and recovery capabilities and reporting of exercise and test results.
- Continuous improvement: review and improvement cycle for emergency management and business continuity and staff awareness and training.

*Scope exclusions:*

- Detailed assessment of emergency response plans for appropriateness (we will consider processes in place in relation to their development and maintenance)
- Detailed assessment of, or consultation with, third-party stakeholders (i.e. adjacent Councils or Emergency Services)

## Approach

The approach for the business continuity, IT disaster recovery and emergency management internal audit project will include:

- Confirm our understanding of the business environment, including the current locations, operational facilities and contingent sites, as well as the people, processes and technologies supporting the locations.
- Conduct interviews with key stakeholders to gain an understanding of business continuity, IT disaster recovery and emergency management practices.
- Review key documentation to gain an understanding of processes, controls, applicable policies and reporting and accountability arrangements.
- Undertake a walkthrough of relevant processes, systems and controls to consider the extent to which current practices adequately support the resumption of business operations and disaster recovery.
- 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.

**KPMG**

## Timing

The proposed timing for the business continuity, IT disaster recovery and emergency management internal audit project, is for the project to commence in late-January 2019 with a draft report completed for consideration by 28 February 2019.

## Resources and Budget

The team members and proposed budget for the CoM business continuity, IT disaster recovery and emergency management internal audit project are listed in the following table:

| Name | Position | Hourly rate (excl. GST) | Est. hours | Sub-total (excl. GST) |
|---|---|---|---|---|
| Eric Beere | Engagement Partner | $350 | 4 | $1,400 |
| Shannon Jurkovic | Director | $295 | 18 | $5,310 |
| Scott Minion | Senior Consultant | $155 | 55 | $8,525 |
| Anneliese Pedler | Senior Consultant | $155 | 55 | $8,525 |
| **Total (ex. GST)** | | | | **$23,760** |

## Approvals

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

**CoM Internal Audit Project Sponsor:**      **KPMG Internal Audit Partner:**

*Name:*                                              *Name: Eric Beere*

*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.

## Treasury Management – Borrowings versus Cash Strategy

| | |
|---|---|
| **Originating Officer** | Executive Assistant to General Manager Corporate Services - Louise Herdegen |
| **Corporate Manager** | Manager Finance - Ray Barnwell |
| **General Manager** | General Manager Corporate Services - Vincent Mifsud |
| **Report Reference** | FAC181211R11 |

## REPORT OBJECTIVE

The purpose of this report is to seek feedback from the Finance and Audit Committee in regards to Council's Treasury Management Policy (Appendix 1), specifically in regards to the strategy around Borrowings versus the use of Cash.

## EXECUTIVE SUMMARY

Council has a number of accounting policies that seek to provide sound corporate governance, guidance and direction taking a holistic approach to managing not only debt, but also financial investments and Council's accounting reserves.

In particular, Council's Treasury Management Policy seeks to guide and direct Council in the way borrowings are raised and how its investments are managed, and its Reserve Funds Policy (Appendix 2) guides decision making with regard to recognition and allocation of funding future purposes.

These policies seek to underpin Council's decision making in relation to financing its operations and managing its long term funding requirements in a financially sustainable manner.

Council delivers two cores services for its community:

1. Operational Services (e.g. Libraries, Waste Collection, Community Services, etc.)

2. Capital Services (CAPEX) for the ongoing renewal of existing infrastructure (e.g. roads, footpaths, drains, etc.)

As at 30 June 2018 Council had total borrowings of $7.905m and has no new borrowings included in the 2018/19 budget.  Principal repayments of $1.100m are required to be paid in 2018/19 meaning that the overall loan liability balance is forecast to decrease by $1.100m to $6.805m at 30 June 2019.

Council's adopted Long Term Financial Plan (LTFP) currently includes a future identified need for borrowings with forecast borrowings of $12.96m in 2019/20.  The forecast cash positions and financial ratios in Council's LTFP (Appendix 3) indicate capacity for further borrowings.

As at 30 November 2018 Council has significant Cash Reserves ($24.969m) that have in the main been derived from various savings, efficiencies and process improvements.

## RECOMMENDATION

**That the Finance and Audit Committee:**

1. **Provides its feedback in regards to Councils Treasury Management Policy, specifically in regards to the strategy around Borrowings versus the use of Cash.**

## DISCUSSION

**Borrowings**
Council's Treasury Management Policy indicates that in the management of its finances, any funds that are not required to meet approved expenditure can be used to reduce the level of borrowings that would otherwise be required.

The current LTFP incorporates a modest borrowing program and it is considered good Treasury Management to offset some future borrowing requirements where possible. No new borrowings are included in the 2018/19 budget and with principal repayments of $1.100m required the overall loan liability balance is therefore forecast to decrease by $1.100m to $6.805m at 30 June 2019.

Council also currently has substantial cash backed accounting reserves and further consideration of the timing of taking out future borrowings will be reviewed as part of the 2019/20 Annual Business Planning process.

Interest charged on borrowings is generally higher than that earned through investments. Therefore, it is not considered prudent to borrow money when Council has cash reserves available to meet immediate and foreseeable funding needs. In everyday terms this could be compared to paying a minimum credit card payment, and incurring large interest charges, while sitting on money in the bank for a rainy day.

**Accounting Reserves**
As at 30 November 2018 the total balance in the Asset Sustainability Reserve (ASR) is $24.969m which is fully cash backed of which the following has been quarantined by Council resolution:

- Various projects in 2018/19 $11.677m
- Various projects in 2019/20 $4.630m
- Walking and Cycling $0.600m
- Water Supply Opportunities $0.535m
- Major Infrastructure Failure $2.000m

This leaves a further $5.527m available for Council's consideration for other projects.

It's important to note that the 30 November 2018 ASR balance of $24.969m is fully cash backed.

**LGA and LGFA Information Papers**
In 2015 the LGA issued two *Financial Sustainability* Information Papers 10 and 15 (Attached as Appendices 4 and 5 respectively) which provide information on the use of borrowings. Some key highlights from these papers are:

- Paper 10 (page 4) – "*There is no specific amount of debt that is right for a Council*".
- Paper 10 (page 7) – "*Debt should be managed holistically and only sourced when funding is needed, and not for a single project. Cash and investments where available should be used in*

*preference to acquiring additional debt".*

- Paper 15 (page 5) – *"In general, it is nearly always more cost effective for a Council to meet current expenditure needs by first using any surplus cash and investments currently available (even if these details are surplus only for a short term) before undertaking a new borrowing (even if this simply defers the need to raise the borrowing for a short period of time)".*

The LGFA's *"A guide to the responsible use of debt"* paper provides some commentary on intergenerational equity and is attached as Appendix 6.

**The use of Borrowings versus Cash**
There are a number of factors that should be considered in deciding whether borrowings should be utilised by Council, including:

- Intergenerational Equity – refer commentary on page 2 of the attached LGFA "A guide to the responsible use of debt" paper. Council's existing loans have 10 or 15 year terms which may not be considered intergenerational. Council's current position of utilising current cash reserves, that have been contributed by current and past ratepayers, and applying them in the short-term in providing service improvements and outcomes in the LTFP would be considered sound and reasonable.
- Long-term financial sustainability – Council delivers 2 core services for its community in the form of Operational Services (e.g. Libraries, Waste Collection, Community Services, etc.) and Capital Services for the ongoing renewal (i.e. effectively cyclical maintenance) of existing infrastructure (e.g. roads, footpaths, drains, etc.). It is considered sound and prudent business practice to not borrow for the delivery of core services and there have been many cases where the non-adherence to this principal has resulted in a company's downfall (e.g. ABC Learning). Council's Treasury Management Policy supports borrowings for major new infrastructure projects only, where this is considered necessary.
- Capacity to Pay (Affordability) – The forecast cash positions and financial ratios in Council's adopted LTFP indicate a capacity for further borrowings.
- Cash – The key to the long-term financial sustainability of any organisations, whether they be public or private, is Cash and Cash Flow and not Operating Profit or Loss. As part of Council's LTFP Framework Council maintains, on average, a break-even or better funding (cash) position over the LTFP.

- Annual Rate Increases – During the last term of Council the annual average rate increase progressively decreased from a long period of average 5% increases to only 1.8% for the current 2018/19 year. During this time Council has been able to deliver significantly more for its community with less.

- Interest Expense Deductibility – As a public entity Council does not pay tax and therefore cannot access the tax benefits associated with interest expense deductibility that are available to the corporate sector.
- Prevailing interest rates – the following table provides a basic interest rate sensitivity analysis per $1m in borrowings on current indicative market rates for both 15 and 20 year loan terms:

|  | 15 yr | Int On $1m borrowing | 20yr | Int On $1m borrowing |
|---|---|---|---|---|
| Current indicative | 4.50% | 385,980 | 4.60% | 540,248 |
| Sensitivity Adj |  |  |  |  |
| +0.5% | 5.00% | 433,329 | 5.10% | 606,896 |
| -0.5% | 4.00% | 339,498 | 4.10% | 475,082 |

Council's term deposits investment rates currently range from 1.9% to 2.37%, an interest rate differential against borrowing rates of at least 2.13%.

**Attachment**

| # | Attachment | Type |
|---|---|---|
| 1 | FAC181211 - Appendix 1 - Treasury Mgt Policy | PDF File |
| 2 | FAC181211 - Appendix 2 - Reserve Funds Policy | PDF File |
| 3 | FAC181211 - Appendix 3 - GC260618R - Annual Business Plan & LTFP - LTFP v2 | PDF File |
| 4 | FAC181211 - Appendix 4 - LGA Information Paper 10 | PDF File |
| 5 | FAC181211 - Appendix 5 - LGA Information Paper 15 | PDF File |
| 6 | FAC181211 - Appendix 6 - LGFA Debt | PDF File |

# Treasury Management Policy

CITY OF
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## 1. RATIONALE

The Treasury Management Policy exists to ensure sound management of Council's financial transactions with regards to borrowings and investments, ensuring compliance with relevant legislation.

## 2. POLICY STATEMENT

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

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

## 3. OBJECTIVES

The objective of this Treasury Management Policy is to establish a decision framework to ensure that:

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

## 4. POLICY SCOPE AND IMPLEMENTATION

Treasury Management Strategy

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

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

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

- maintain target ranges for both its Net Financial Liabilities and Debt Servicing ratios;
  - o Net Financial Liabilities ratio: Between 0 - 50%
  - o Debt Servicing ratio: Between 0 - 5%

- borrow funds in accordance with the requirements set out in its Long-Term Financial Plan;
- not utilise borrowings to finance operating activities or recurrent expenditure;

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- endeavour to fund all capital renewal projects from operating cash flow and borrow only for new/upgrade capital projects, having regard to sound financial management principles and giving consideration to inter-generational equity for the funding of long t erm infrastructure projects;
- only retain and quarantine money for particular future purposes where required by legislation, contractual agreement with other parties, or for specific purposes as outlined in its Reserve Funds Policy;
- apply any funds that are not immedi ately required to meet approved expenditure (including funds that are required to be expended for specific purposes but are not required to be kept in separate bank accounts) to reduce its level of borrowings or to defer and/or reduce the level of new borrowings that would otherwise be required.

**Borrowings**

All borrowings will be su bject to Council approval on the recommendatio n of the General Manager Corporate Services.

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

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

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

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

When investing funds Council will select the inv estment type which delivers the best value, having regard to in vestment returns, transaction co sts and other relevant and objectively quantifiable factors.

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

To reduce the level of risk embodied in treasury operations, it is appropriate to limit investments made by Council to secure financial institutions. Therefore, without approval from Council, investments are limited to:

- deposits with the Local Government Finance Authority of South Australia (LGFA);
- State/Commonwealth Government Bonds.
- bank interest bearing deposits;
- bank accepted/endorsed bank bills;
- bank negotiable Certificate of Deposits;
- Australian Financial institutions

When considering which financial institutions surplus funds will be invested with, Council will only invest funds with those with a long term credit rating of at least AA and short term credit rating of A1.

All investments must be made exercising care and diligence and considering the following:

- the credit rating of the prospective institution.
- the likely yield and term of the investment;
- the period in which the investment is likely to be required;
- the cost of making and maintaining the investment;
- an assessment of future interest rate movements;
- an assessment of future cash flow requirements;
- the Government guarantee on the investment;

To ensure competitive rates for investments are achieved, quotations must be obtained from authorised institutions on investments of more than $1,000,000 where the period o f investment exceeds 30 days and market conditions are known tobe fluctuating (for example, when the Reserve Bank of Australia changes the Cash Rate).

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

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

### Reporting

In accordance with Section 140 of the Local Government Act, a report will be present ed to Council annually which will sum marise the performance of the investment portfolio. Thi s report will re view the investment performance against prior yearsand appropriate benchmarks includng the RBA cash rate and the 90-Day Bank Bill Swap rate (90Day BBSW).

## 5. DEFINITIONS

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

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

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

*Debt Servicing Ratio* indicates the extent to which a Council's operating revenues are committed to its Debt Servicing costs (Principal and interest repayments).

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

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

*Operating Revenues* are "operating revenues" as shown in the Income Statement but exclude profit on disposal of non-financial assets, grants and contributions received specifically for new/upgraded infrastructure and other assets, e.g. from a developer.

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

## 6. ROLES AND RESPONSIBILITIES

- Council is to approve all borrowings, as well as in vestments for a period of greater than 12 months.
- General Manager, Corporate Services is respon sible for making recommendations with regards to borrowings.
- Manager Finance is responsible for ensuring all other tasks are conducted in accordance with the policy.

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## 7. REFERENCES

### OTHER RELATED POLICIES
- Reserve Funds Policy

### LEGISLATION

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

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

- *Section 44 – a Council must approve all borrowings and the legislation clearly states that the power to borrow cannot be delegated (for simplicity many Councils appropriately just have all proposed borrowings for the year approved at the time the annual budget is adopted)*

- *Section 22 – a Council's strategic managements plans must include an assessment a Council's proposals with respect to debt levels*

- *Section 134 – empowers a Council to borrow and requires a Council to consider expert advice before entering into financial arrangements for the purpose of managing, hedging or protecting against interest rate movements and other risks associated with borrowing money*

- *Regulations 5 and 7 of the Financial Managements Regulations under the Act – require the preparation of Cash Flow Statements (including financing transactions) covering Councils' Long-term Financial Plans and Budgets*

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#### *For Investments*
- *Local Government Act, 1999*
  - o *Section 47/Section 139/Section 140*

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*The main Local Government Act provisions covering investments are;-*

- *Section 47 – prohibits a Council from directly acquiring shares in a company*

- *Section 139 – empowers a Council to invest and requires that the power of investment be exercised with the care, diligence and skill that a prudent person of business would exercise in managing the affairs of other persons. Section 139 also requires Council to avoid investments that are speculative or hazardous in nature*

- *Section 140 – requires that a Council review the performance of its investments at least annually*

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## 8. REVIEW AND EVALUATION

This policy will be reviewed annually as part of the Annual Budget process.

# *Reserve Funds Policy*

## 1. RATIONALE

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

## 2. POLICY STATEMENT

Council's Reserve Funds Policy aims to provide a means for recognising and allocating funding for future purposes.

## 3. OBJECTIVES

Council has established a number of Accounting Reserves for different purposes. Some of t hese are required by Accounting Standards or law, andothers are discretionary reserves that Council has chosen to establish.

Where discretionary reserves are e stablished, these need to be approp riately funded by Council. The preferred method i s to have th ese reserves cash-backed to a mini mum of 75 %, however if current or future borrowings can be reduced or deferred then this should be given consideratio n. When funds are required in relation to reserves that are not cash backed, Council is to utilise surplus cash in the first instance and then draw down on borrowings as the n eed arises, and only to the extent that it has already reduced or deferred previously.

## 4. POLICY SCOPE AND IMPLEMENTATION

Council currently has the following reserves:

Asset Revaluation Reserve

Purpose - this is a stat utory reserve fund required under Australian Accounting Standard AASB 1041. The balance of this reserve represents net increments associated with the revaluation of non-current assets.

Open Space Reserve

Purpose - this reserve has been established to account for the following:
  I.    set aside open space contributions provided by developers in a ccordance with the Development Act 1993 (conditions may apply)
  II.   separate net proceeds associated with Road Closures.
  III.  net proceeds associated with disposal of minor land holdings
  IV.   funds received from the 'Urban Trees Fund'

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

Grants/Carry Forward Projects Reserve

Purpose - this reserve was created to account for:

- Grants received in advance - occasionally a funding body provides Grant funds relating to the following financial year in advance. When this has occurred it has been necessary to transfer these funds to this reserve so that they can be matched against the expenditures planned to be incurred in the next financial year.
- Unexpended Grants - when grant monies have not been fully acquitted in the financial year this reserve is used to transfer the unexpended balance to the following financial year.

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

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

Asset Sustainability Reserve

Purpose - this is a reserve fund established to:

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

The Asset Sustainability Reserve is underpinned by savings identified as part of the budgeting process (refer to Council's Budget Policy) Identified savings are allocated by Council providing a balance between funding new prioritised service improvements identified in the Strategic Plan and addressing Council's financial position.

I. Savings identified during a financial year are forecasts only and therefore will be held for consideration by Council in the 1st Budget Review in the following year.
II. Savings will be separated between recurrent (ongoing) and once off savings. This process is designed to develop a high level of trust in the organisation in the budget review process.
III. Savings of a:
   a. recurrent nature may be allocated to service improvements identified in the Strategic Plan that are of a recurrent nature.

    b.  one-off nature may be applied to capital items, new or renewal, or a non-recurrent service improvement (once off).

IV.  Council must ensure that it continues the improvement in its financial performance. It is essential that the Annual Savings Initiative focuses on achieving that objective. In relation to the long term financial plan the Annual Savings Initiative will focus on four areas:

    a.  Increase expenditure on Infrastructure/Asset replacement/renewal sustainability
    b.  Reduce proposed borrowing program - debt servicing ratio improves
    c.  Retain savings to improve liquidity (cash) - working capital improves
    d.  Reduce reliance on rate revenue to achieve community objectives

The Asset Sustainability Reserve will also be funded from planned cash surpluses identified in the Long Term Financial Plan (LTFP) and from funds specifically set aside for the CFPP in the LTFP. Funds will only be set aside for this where Council maintains a breakeven funding (cash) position or better as per its Budget Policy.

The Asset Sustainability Reserve will benefit Council by enabling the allocation of funds for future capital expenditure relating to major infrastructure failures, replacing, renewing and procuring significant assets, as well as utilising funds in accordance with the CFPP eligibility criteria. This will assist in minimising the negative financial impact on rates.

Projects funded out of this Reserve will be assessed against Council's strategic framework to determine the priority and the amount of funds to be utilised.

Where a Partnership Project exists, Council will contribute up to 50% of the funds, with the remainder required to come from grants or co-contributions from the partnership organisation.

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

## 5.  DEFINITIONS

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

## 6.  ROLES AND RESPONSIBITIES

The Senior Leadership Team is responsible for reviewing carryovers.
The Executive Leadership Team is responsible for approving carryovers.
Reserve Transfers required by legislation or Account Standards will be reviewed for appropriateness by the Manager Finance.
Other reserve transfers require Council resolution

## 7. REFERENCES

- *Development Act* 1993 Section 50 (10)
- *Australian Accounting Standards Board [AASB] 1041: Revaluation of Non-Current Assets*
- *Open Space Policy*
- *Budget Policy*
- *Treasury Management Policy*

## 8. REVIEW AND EVALUATION

This policy will be reviewed annually as part of the Annual Budget process.

## Appendix 3

# Budgeted Funding Statement

**City of Marion**
**10 Year Financial Plan for the Years ending 30 June 2028**
**BUDGET SUMMARY - GENERAL FUND**

| Scenario: LTFP 2018/19 - 2027/28 | 2018/19 $'000 | 2019/20 $'000 | 2020/21 $'000 | 2021/22 $'000 | 2022/23 $'000 | 2023/24 $'000 | 2024/25 $'000 | 2025/26 $'000 | 2026/27 $'000 | 2027/28 $'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Projected Years | | | | | |
| **Income** | | | | | | | | | | |
| Rates | 77,173 | 79,328 | 81,543 | 83,820 | 86,161 | 88,567 | 91,040 | 93,582 | 96,196 | 98,882 |
| Statutory Charges | 2,121 | 2,174 | 2,229 | 2,284 | 2,342 | 2,400 | 2,460 | 2,522 | 2,585 | 2,649 |
| User Charges | 2,175 | 2,227 | 2,282 | 2,339 | 2,398 | 2,458 | 2,519 | 2,582 | 2,647 | 2,713 |
| Grants, Subsidies and Contributions | 8,658 | 6,035 | 6,186 | 6,340 | 6,499 | 6,661 | 6,828 | 6,999 | 7,174 | 7,353 |
| Investment Income | 704 | 887 | 886 | 915 | 947 | 993 | 1,120 | 1,311 | 1,532 | 704 |
| Reimbursements | 540 | 554 | 568 | 582 | 597 | 611 | 627 | 642 | 659 | 675 |
| Other Income | 878 | 883 | 888 | 894 | 900 | 906 | 912 | 918 | 924 | 930 |
| Net gain - equity accounted Council businesses | 344 | 354 | 365 | 376 | 387 | 398 | 410 | 423 | 435 | 448 |
| **Total Income** | 92,592 | 92,441 | 94,946 | 97,551 | 100,229 | 102,994 | 105,916 | 108,979 | 112,151 | 114,355 |
| **Expenses** | | | | | | | | | | |
| Employee Costs | 34,896 | 35,315 | 36,127 | 37,081 | 38,067 | 39,084 | 40,136 | 41,223 | 42,171 | 43,141 |
| Materials, Contracts & Other Expenses | 35,731 | 31,437 | 32,370 | 32,908 | 34,035 | 33,522 | 34,193 | 34,876 | 36,096 | 36,285 |
| Depreciation, Amortisation & Impairment | 17,105 | 17,789 | 18,501 | 19,241 | 20,010 | 20,811 | 21,643 | 22,509 | 23,409 | 24,346 |
| Finance Costs | 467 | 400 | 922 | 802 | 700 | 593 | 489 | 410 | 327 | 239 |
| **Total Expenses** | 88,199 | 84,941 | 87,920 | 90,032 | 92,812 | 94,010 | 96,461 | 99,018 | 102,003 | 104,011 |
| **Operating Surplus** | 4,394 | 7,500 | 7,027 | 7,519 | 7,417 | 8,984 | 9,455 | 9,960 | 10,148 | 10,344 |
| Amounts Received Specifically for New or Upgraded Assets | - | 10,000 | - | - | - | - | - | - | - | - |
| **Net Surplus / (Deficit) for the Year** | 4,394 | 17,500 | 7,027 | 7,519 | 7,417 | 8,984 | 9,455 | 9,960 | 10,148 | 10,344 |
| **Capital (Balance Sheet) and Reserve Movements** | | | | | | | | | | |
| Capital Expenditure | (31,088) | (46,874) | (21,925) | (22,391) | (23,581) | (23,770) | (22,185) | (22,648) | (22,994) | (23,448) |
| Loan Repayments (External) | (1,100) | (1,170) | (2,287) | (1,918) | (2,020) | (2,127) | (1,565) | (1,644) | (1,727) | (1,815) |
| New Loan Borrowings (External) | - | 12,960 | - | - | - | - | - | - | - | - |
| Net Transfers (to)/from Reserves | 11,702 | 2,090 | (340) | (840) | (812) | (840) | (840) | (840) | (840) | (840) |
| **Total Capital (Balance Sheet) and Reserve Movements** | (20,487) | (32,995) | (24,552) | (25,149) | (26,413) | (26,737) | (24,590) | (25,132) | (25,562) | (26,103) |
| **Net Result (including Depreciation & Other non-cash items)** | (16,093) | (15,495) | (17,525) | (17,630) | (18,996) | (17,752) | (15,135) | (15,171) | (15,414) | (15,759) |
| Add back Depreciation Expense (non-cash) | 17,105 | 17,789 | 18,501 | 19,241 | 20,010 | 20,811 | 21,643 | 22,509 | 23,409 | 24,346 |
| Add back Other Expenses (non-cash) | - | - | - | - | - | - | - | - | - | - |
| Less Other Income (non-cash) | (344) | (354) | (365) | (376) | (387) | (398) | (410) | (423) | (435) | (448) |
| **Cash Budget Surplus** | 668 | 1,940 | 611 | 1,235 | 627 | 2,660 | 6,098 | 6,915 | 7,560 | 8,139 |

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*Financial Sustainability*

# Information Paper 10

# Debt

## Revised February 2015

## Introduction

This Information Paper is one of a series of Information Papers about Financial Sustainability and Financial Governance in Local Government.

The series of Information Papers was originally published in 2006 to 2011 as a part of the Financial Sustainability Program. The history of that program and a complete list of Information Papers and other resources, including a glossary of terms and abbreviations, is provided on the LGA's "Financial Sustainability" web page: www.lga.sa.gov.au/FSP.

The entire series of Papers was revised in early 2012, and again in early 2015 to take account of legislative changes and other developments. These Papers are addressed to, and written primarily for the benefit of Council Members and staff, but they are also available as a resource for the general public, and students of Local Government.

## Background

Local Government financial statements, like those of other spheres of government and the corporate sector, include a good many items of considerable financial value. The item that gets the most disproportionate and non-objective attention relative to its magnitude is debt.

The reasons are historical. We are all aware of business people, farmers, householders and even governments that have over-committed in the amount of debt they have incurred relative to their income and other commitments and then suffered financial hardship. The nature of Councils' activities and the way they are managed are, in the main, relatively low-risk. Similarly, their revenue streams are less volatile than other spheres of government and much less so than most businesses. Nevertheless Councils have traditionally preferred to be very conservative in their use of debt.

Audited financial statements for the South Australian Local Government sector for 2012-13 show that the aggregate gross debt of all Councils was equivalent to only 2.6% of the value of the land, buildings, infrastructure and other assets for which Councils were responsible. Net debt (gross debt less cash and investments) was only 1.1%. (This is comparable to a family living in a $500,000 house having a mortgage of only $5,300 and no other debts.) Net interest expenses of Councils in 2012-13 represented only 1.1% of operating revenue. This is evidence of a cautious approach to debt within the Local Government Sector.

Regardless of the fact that debt levels and interest costs for the sector are very modest, individual Councils still need to control and manage these levels and costs. It is likely that many Councils could generate considerable savings and reductions in risk from a more holistic approach to managing their borrowings and investments.

A separate Information Paper in this series provides guidance to Councils on this topic.[1]

## What is debt?

Borrowings are not a form of revenue and do not replace the need to generate adequate revenue. Undertaking a borrowing creates both an asset (the funds that are provided) and a liability (the obligation to repay the money borrowed). Borrowing money does not therefore change the value of a Council's equity (i.e. the difference between assets and liabilities shown on a Council's balance sheet).

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[1] See Local Government Financial Sustainability Information Paper No. 15: *Treasury Management* at www.lga.sa.gov.au/FSP.

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There are two important implications for a Council's financial sustainability arising from borrowing money.  Firstly, interest expenses will be incurred which will have an unfavourable impact on the annual operating result, all things being equal.  Secondly, the Council incurs a liability to repay the money borrowed.

It is the consequences of the way borrowings are deployed that will ultimately determine their impact on a Council's financial sustainability.

**What does legislation require?**

Councils in South Australia are virtually unconstrained in relation to the source, quantum, term and type of their borrowings.  Section 134 of the *Local Government Act 1999* ("the Act") requires a Council to consider independent expert advice before entering into particularly complex and sophisticated types of financing arrangements[2] but Councils' interest in such arrangements traditionally has been negligible.  The Local Government Finance Authority (LGFA) and other financial institutions ensure Councils have considerable choice of borrowing products.

Section 48 of the Act requires a Council to develop and maintain prudential management policies, practices and procedures[3] for the assessment of all "projects".  If a project requires financing arrangements, then the project must be considered within the context of the Council's prudential management policy.  However the Act does not impose limits on financing options.

Under section 122 of the Act, a Council must have a long-term financial plan (LTFP) as part of its suite of strategic management plans (SMPs).[4]  These documents must address:
• the sustainability of a Council's financial performance and position;
• the maintenance, replacement or development needs for infrastructure within its area;
• proposals with respect to debt levels; and,
• the identification of any anticipated or predicted changes that will have a significant effect upon the costs of the Council's activities/operations.

**Why have debt?**

A well managed Council operating in a financially sustainable manner (i.e. its operating revenue is sufficient to meet the cost of providing services) is likely to be justified in having a considerable level of debt, and virtually all Councils need access to some debt from time to time.  Even if a Council's annual operating revenue matches or exceeds annual operating expenses for a period, this does not mean that the amount or timing of cash receipts will be sufficient to meet cash outlays.  Employees and suppliers need to be paid, for example, even if the first quarterly instalment of annual rates has not yet been received.  More significantly though, borrowings are usually needed to allow Councils to finance the acquisition of additional assets.

Additional debt does not allow a Council to acquire things it otherwise cannot afford.  It merely allows access to funds.  If a Council has always operated in a financially sustainable manner then it would have little need for additional net borrowings.  Apart from borrowings for normal short-term cash flow needs, or to cater for the premature failure of existing assets, such a Council is likely to borrow only if it has decided to add to its stock of assets.  A decision to do so would be based on

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[2] (a) interest rate swaps;
 (b) forward interest rate agreements;
 (c) interest rate options.

[3] See Local Government Financial Sustainability Information Paper No. 27: *Prudential Management* at www.lga.sa.gov.au/FSP.  This paper contains as an attachment, a model Prudential Management Policy.

[4] See LGA Financial Sustainability Information Paper 8: *Long-term Financial Plans* at www.lga.sa.gov.au/FSP.

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the Council being satisfied that it could better serve its community by acquiring additional assets (and incurring and accommodating the associated additional operating costs).

Governments traditionally have borrowed money to generate sufficient funds to enable them to create infrastructure to serve their communities.  Borrowing allows a Council to acquire assets earlier than would have otherwise been the case, but borrowing does, of course, entail a cost.

Some Councils not only utilise debt to acquire additional assets but also to replace and rehabilitate those assets that they already own.  In many instances it may be more cost-effective to do this than to incur the excessive maintenance costs that result from keeping older assets operational.[5] Where a Council commits to operating in a financially sustainable manner it will, over time, reduce the need for additional debt as the revenue raised will be available to support asset replacement needs.

**How much debt?**

For asset-intensive organisations like Councils, borrowings are a valid and appropriate option to help finance ongoing infrastructure requirements, particularly when acquiring new assets or enhancing existing assets to provide a higher, affordable level of services.  The 2005 *Independent Inquiry into the Financial Sustainability of Local Government* ("the Inquiry") revealed that aversion to debt by Councils often was resulting in failure to cost-effectively renew or replace assets when warranted. The Inquiry noted that the deferral of infrastructure renewal/replacement in most cases would be a 'worse sin' than borrowing to finance such renewal/replacement spending.

In highlighting the low level of debt of South Australian Councils, the Inquiry suggested that where Councils were otherwise unable to fund needed asset rehabilitation and replacement works they could in many cases improve their financial sustainability by borrowing, to enable such activities to be undertaken.

There is no specific amount of debt that is right for a Council.  Whether a Council has too much debt, or can afford more, depends on:

- its community's needs for services, and
- the Council's existing level of operating costs relative to revenue; and
- the Council's willingness and capacity to raise additional revenue if required.

Taking these factors into account, a Council with high debt levels may be more or less financially sustainable than one with low levels of debt.

Generally, a Council with an operating deficit has a correspondingly reduced capacity to raise additional debt (since interest costs will add to its operating deficit and therefore further jeopardise financial sustainability).  However, additional debt may be warranted where the Council is committed to reducing other expenses (e.g. the debt enables the replacement of old assets with new ones that have lower operating costs) or is willing to increase its revenues in future.

The preparation of a LTFP enables a Council to assess its future debt raising needs and capacity to service associated interest costs and other expenses, relative to projected revenue, while preserving or where necessary improving, its financial sustainability.

**Measuring debt levels**

Debt is just one type of financial liability.  It is unwise to focus just on this one type of liability.  Other examples of financial liabilities include accounts payable (e.g. goods or services received but

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[5] See: *'Debt is Not a Dirty Word: The Role and Use of Debt in Local Government'* published by the Australian Centre of Excellence for Local Government at www.acelg.org.au/news/use-debt-australian-local-councils

not yet paid for) and employee benefits owing (e.g. the value of annual and long service leave entitlements).

If two Councils are equal in all respects except:

- one has significant debt and no other liabilities; and,
- the other has an equivalent level of accounts payable and employee benefits owing but no debt;

then the financial positions of the two Councils are effectively identical.

Rather than narrowly focusing on a Council's level of debt, a far more meaningful measure is its net financial liabilities. This measure is calculated as the difference between its liabilities and the value of any financial assets it has (cash, investments, receivables etc.)[6]

The following table, incorporating data for the Local Government sector at 30 June 2012 and 30 June 2013, may assist with a better understanding:

| Net financial liabilities at 30 June | 2012 $ million | 2013 $ million |
|---|---|---|
| Gross borrowings | 565 | 569 |
| Less: Cash, cash equivalents and other financial assets | 352 | 338 |
| **Equals: Net Debt** | **213** | **231** |
| Add: Trade and other payables | 326 | 330 |
| Add: Employee entitlements and other provisions | 118 | 130 |
| Less: Trade and other receivables | 150 | 155 |
| **Equals: Net financial liabilities** | **507** | **536** |

**Liquidity**

Governments, unlike private sector firms, have the power to tax citizens to raise revenue. Their revenue raising capacity is therefore much more certain than organisations that must convince potential customers to buy their products or services in order to generate revenue. The uncertainty associated with revenue projections in the business world means that lenders, shareholders and boards of management place considerable emphasis on the financial liquidity (available cash) of private firms. A commonly utilised financial indicator in the private sector is the 'current ratio' (the ratio of current assets to current liabilities). Such concepts and ratios are not relevant assessment measures for South Australian Councils because current legislation does not constrain their revenue raising or borrowing. Furthermore SA Councils have ready access to a competitive and wide range of borrowings. Councils (unless they have no asset management backlogs) should be optimising their treasury management practices and financial sustainability by having negligible cash and investments at most times and raising additional funds, through borrowings, only when cash flow needs necessitate.

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[6] For a further discussion of net financial liabilities and the setting of target ranges for the net financial liabilities ratio (being net financial liabilities as a proportion of operating revenue) see LGA Financial Sustainability Information Paper No. 9: *Financial Indicators* at www.lga.sa.gov.au/FSP

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**When to borrow?**

Councils have operated in an accrual accounting[7] environment since the 1990's but some Councils still manage debt (and other financial liabilities) no differently than from the days of cash accounting[8].

Many Councils traditionally have borrowed money with a single-purpose loan, to finance a particular project or activity. However, it is better to take a holistic approach to managing debt and financial investments and borrow money only when (and to the extent that) there is insufficient cash and liquid investments to carry out planned and budgeted activities and services at the time that they are scheduled. Decisions about what to do (including how much revenue to raise) should be based on maintaining or improving financial sustainability (including having regard to interest costs from any necessary borrowings). Councils need to budget on an accrual basis to ensure sustainability but they still need to undertake cash flow projections to determine if, when, and how much (and in some instances for how long) they need to borrow to meet cash flow needs.

It makes no sense for Councils to borrow money when they already have sufficient cash and liquid investments available to meet immediate and foreseeable funding needs. A rational person would pay off credit card debt in full if possible (and avoid high interest charges) rather than make a minimum monthly payment and keep money in the bank (either for a rainy day or some future specific purpose). Councils should operate in the same rational manner.

Usually (and certainly on average) the interest rate charged on borrowings is higher than that earned on cash and liquid investments. If the average difference was say, 1.5%, then any Council which was planning to borrow, but had cash and investments of at least equivalent value, would be better off (by 1.5% of its outstanding loan balances) if it used this money to remove the need for such borrowings.

The SA Local Government sector has in recent years held cash and investments (at the end of each reporting period) on average of over $300 million per annum with borrowings of well in excess of that.[9] If, during 2012-13, Councils instead had applied their cash and investments to obviate the need to borrow, the sector is likely to have benefited by reduced interest costs of $3.5 million.[10]

In the past, some Councils used their cash and investments to avoid the need to raise additional debt through a mechanism known as 'internal borrowings'. While the over-arching concept is sound, it can encourage a misleading 'silo' approach to managing borrowings and financial assets. It is fading from use in today's environment where Councils are increasingly managing their budgets on an accrual basis and managing all their financial assets and liabilities holistically.

**What sort of debt? - Interest rate risk exposures**

A Council is exposed to risk whenever it takes out a borrowing, regardless of whether it involves fixed or variable interest rates. Minimising exposure to interest rate risk requires a balance of both fixed and variable interest rate borrowings. Accrual accounting enables Councils to consider all types of borrowings based on what is most cost-effective for their financing needs. This flexibility enables Councils to manage their interest rate exposures in a deliberate fashion. Regardless of the level of its debt, it is desirable that each Council seeks to minimise interest costs in a risk-averse manner over the medium to longer term.

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[7] Accrual accounting recognises revenues when they are earned and expenses as they are incurred.

[8] Cash accounting recognises events as having occurred only when payments are made or received.

[9] At 30 June 2013, South Australian Local Governments held a total of $338 million in cash and investments and $569 million of borrowings.

[10] This figure is calculated on the assumption of an average interest rate "gap" of 1.5% between the rate received on investments, and the rate paid on borrowings.

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Financial Sustainability Information Paper No. 15: *Treasury Management*[11] provides comprehensive guidance for Councils on this topic.

## What about credit agency ratings?

Major corporations often pay to have a respected independent agency rate their credit worthiness ('Triple A' rating being highest). A higher rating usually allows them to access more and cheaper borrowings (because they are a better credit risk). State governments also commission such assessments, not only because a sound rating enables them to access cheaper borrowings but also to demonstrate to potential investors and the community at large the strength of their financial policies and the local economy.

Most people perceive that a rating is driven by the amount of debt on the entity's balance sheet. This is only one factor. More critical is whether revenue is more or less than current and future projected expenses. Governments which enjoy a "Triple A" rating invariably have demonstrated a commitment to, and achievement of, budgeted operating surpluses – i.e. operating sustainably.

While it is crucial that Councils take action to ensure long-term financial sustainability there is no need or value for a Council to seek a credit agency ranking. The LGFA enjoys a State Government guarantee of its borrowings on behalf of Councils (for which it pays a fee). This provides the LGFA with the same credit rating as the State Government and ensures that interest rates paid by Councils on their borrowings from the LGFA are based on the credit rating of the State. It is extremely unlikely that an individual Council could obtain a better credit rating than the LGFA to enable it to borrow more cheaply.

## What are the issues for Councils?

Provided that a Council is committed to strategies that ensure financial sustainability and has good long-term financial planning, a Council can better serve its community by making appropriate use of debt, in order to help finance, as required, outlays for new, additional assets, and asset rehabilitation and replacement.

Debt should be managed holistically and only sourced when funding is needed, and not for a single specific project. Cash and investments where available should be used in preference to acquiring additional debt.

Any Council that has debt and/or investments is exposed to risk of financial loss as a result of movements in interest rates. To spread risk Councils should consider the range of different borrowing arrangements set out in Financial Sustainability Information Paper No. 15: *Treasury Management*.[12]

## Acknowledgements

Development of this paper has benefited from contributions by:
- John Comrie of JAC Comrie Pty Ltd; and
- John Wright

and funding from the Local Government Research and Development Scheme.

[11] Available at: www.lga.sa.gov.au/FSP
[12] Available at: www.lga.sa.gov.au/FSP

*Financial Sustainability*

# Information Paper 15

# **Treasury Management**

## Revised February 2015

## Introduction

This Information Paper is one of a series of Information Papers about Financial Sustainability and Financial Governance in Local Government.

The series of Information Papers was originally published in 2006 to 2011 as part of the Financial Sustainability Program.  The history of that program and a complete list of Information Papers and other resources, including a glossary of terms and abbreviations, is provided on the LGA's "Financial Sustainability" web page: www.lga.sa.gov.au/FSP.

The entire series of Papers was revised in early 2012, and again in early 2015 to take account of legislative changes and other developments.  These Papers are addressed to, and written primarily for the benefit of Council Members and staff, but they are also available as a resource for the general public and students of Local Government.

## Background

Most Councils have capacity to better serve communities by making greater use of debt and achieving financial savings and reductions in risk from a more holistic approach to managing their borrowings and investments.  These benefits often can be achieved through some relatively simple improvements in financial governance.

In the past it was commonly accepted practice for Councils to raise borrowings for specific purposes and at the same time set aside funds for specific future expenditures.  The *Local Government Act 1999* now requires a longer-term financial planning focus.  This, and a requirement to use accrual accounting, have been catalysts for changes in recommended treasury management practices.

This information paper discusses the key elements of treasury management and includes, at Attachment 1, a Model Treasury Management Policy that enables Councils to embrace the recommended treasury management practices.  It also includes, at Attachment 2, some examples that illustrate the application of the treasury management principles set out in the model policy.

This information paper should be read in conjunction with the *Local Government Act 1999* and other LGA Financial Sustainability information papers, including:

- No. 9 - *Financial Indicators*
- No. 10 – *Debt*

available at www.lga.sa.gov.au/FSP.

This information paper provides support to Councils as they formulate their own policy framework for treasury management decisions.  It provides a structure within which Councils can consider and record their treasury management decisions.  Councils should consider the content of the paper and adapt the Model Treasury Management Policy at Attachment 1 to suit their individual circumstances.  In particular some text is italicised and included in square brackets.  In these areas Councils should insert specific detail relevant to their own circumstances.  Once adopted, Councils should review their treasury management policies on a regular basis (say annually).

## What is treasury management?

Treasury management refers to the way in which borrowings are raised and cash and investments are managed.  In addition to changes in the level of borrowings and changes in

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interest rates, a Council's treasury management practices also can have a significant effect on its interest costs.

Councils have flexibility with respect to the maturity of their borrowings (i.e. when borrowings are scheduled for repayment) and, more importantly, how frequently the interest rate on an individual borrowing is re-set. This flexibility enables Councils to manage their interest rate exposures in a deliberate fashion.

Regardless of the level of a Council's borrowings, it is desirable that each Council undertakes treasury management to minimise interest costs, in a risk averse manner, over the medium to longer term.

## What does legislation require?

### *Borrowings*

Councils in South Australia are virtually unconstrained in relation to the source, quantum, term and type of their borrowings. Section 134 of the *Local Government Act 1999* ("the Act") requires a Council to consider independent expert advice before entering into particularly complex and sophisticated types of borrowing arrangements[1] but Councils' interest in such arrangements traditionally has been negligible. The Local Government Financing Authority (LGFA) and other financial institutions ensure Councils have considerable choice of borrowing products.

Section 48 of the Act requires a Council to develop and maintain prudential management policies, practices and procedures[2] for the assessment of all "projects". If a project requires financing arrangements, then the project must be considered within the context of the Council's prudential management policy. However the Act does not impose limits on financing options.

Under section 122 of the Act, a Council must have a long-term financial plan (LTFP) as part of its suite of strategic management plans (SMPs).[3] These documents must include:
- the sustainability of a Council's financial performance and position;
- the maintenance, replacement or development needs for infrastructure within its area;
- proposals with respect to debt levels; and,
- the identification of any anticipated or predicted changes that will have a significant effect upon the costs of the Council's activities/operations.

Section 44 of the Act provides that a Council cannot delegate the power "to borrow money or to obtain other forms of financial accommodation". Many Councils therefore, ensure that all proposed borrowings for a year are approved at the time the annual budget is adopted.

### *Investments*

Under Section 47 of the Act a Council is prohibited from directly acquiring shares in a company.

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[1] (a) interest rate swaps;
   (b) forward interest rate agreements;
   (c) interest rate options;

[2] See Local Government Financial Sustainability Information Paper No. 27: *Prudential Management Requirements* at www.lga.sa.gov.au/FSP. This paper contains as an attachment, a model Prudential Management Policy.

[3] See LGA Financial Sustainability Information Paper 8: *Long-term Financial Plans* at www.lga.sa.gov.au/FSP.

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

**Treasury management and financial sustainability**

A Council should be committed to operating in a financially sustainable manner. It should make expenditure decisions in line with the directions set out in its SMPs and the scheduled works in its Infrastructure and Asset Management Plan (I&AMP) while setting out its financing requirements in its LTFP.

Whether a borrowing needs to be raised, and if so the nature of it, is a separate decision to the expenditure one and it is made in accordance with the criteria specified in Councils' Treasury Management policy.

A Council should not make an operating or capital expenditure decision that would generate (or increase) an ongoing operating deficit without concurrently committing to other strategies that negate this impact (e.g. by increasing other revenue and/or decreasing other expenses). If a Council has an operating deficit it cannot normally afford more borrowings. If nothing else changes the financing costs alone exacerbate the existing operating deficit. If a Council has a projected long-run operating deficit it does not have the capacity to provide additional services and should not embark on such a course until it has developed a strategy to address the deficit and reflected this in its LTFP.

If a Council has a projected long-term operating surplus then it may be able to afford additional services without increased revenue but it would need to compare the proposal with the benefits and net costs of other alternatives, because there are always more demands and opportunities than available resources.

Even when operating in a financially sustainable manner, it will often be necessary for a Council to borrow money. This could occur for example in a year where the Council makes a decision, in accordance with its I&AMP, to increase its stock of assets or to replace/update existing assets. It also may be necessary for a Council to borrow for short periods during any year when operating outlays occur ahead of revenue inflows.[4]

Furthermore, a new borrowing may be affordable if the funds are required to help reduce a Council's operating deficit (e.g. the borrowing has resulted from the need for abnormally high levels of expenditure on maintaining/replacing assets which will lead to a reduction in future operating expenses).

**Financing decisions**

The traditional approach to determining expenditure affordability (based for example on cash costs of a project) and associated debt financing strategies has risks. These are often 'hidden' or under-recognised.

If a Council undertakes a borrowing while at the same time holding surplus financial assets there is an opportunity cost arising from the difference between the borrowing and investment interest rates achieved on each. If interest rates then fall (or increase), after

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[4] See: *'Debt is Not a Dirty Word: The Role and Use of Debt in Local Government'* published by the Australian Centre of Excellence for Local Government at www.acelg.org.au/news/use-debt-australian-local-councils

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locking into a long-term fixed interest rate borrowing, there is a further effective (but unrecorded) opportunity cost (or gain).

In general, it is nearly always more cost effective for a Council to meet current expenditure needs by first using any surplus cash and investments currently available (even if these are surplus only for a short term) before undertaking a new borrowing (even if this simply defers the need to raise the borrowing for a short period of time).

## Capital outlays

There is a 'cost of capital' (interest paid on a borrowing or investment income forgone) associated with all capital outlays. Where a Council wishes to track all costs associated with a capital project (for example for reporting purposes or pricing decisions) its costing information should recognise the 'cost of capital' utilised in the venture regardless of whether specific borrowings were raised for such purposes or not.

In determining the impact of a capital outlay on Council's finances in the future it is best to ignore financing arrangements. An expenditure evaluation decision must come first and is always separate from the financing decision. A simple and appropriate approach is to assess the affordability of capital projects in terms of their annual long-run impact on the Council's operating result. This would involve estimating the annualised long-run costs (e.g. depreciation, cost of capital, operating and maintenance costs etc) and comparing this with the increase in rate or other operating revenue required to leave the Council's operating result unaffected on average over time.

## Financial indicators

LGA Financial Sustainability Information Paper 9: '*Financial Indicators*' provides information on the financial sustainability indicators recommended for use by South Australian Councils in monitoring their financial performance and position. Councils may adopt a more or less conservative target for the Net Financial Liabilities ratio than suggested in that paper, depending on their financial governance capabilities, current and projected needs and financial capacity (and the soundness of their LTFPs and I&AMPs). The target ratio chosen by a Council needs to be managed in the context of the other financial targets, and in particular the Operating Surplus ratio target.

Adoption of the traditionally used 'debt servicing ratio' (interest or interest and principal repayments expressed as a percentage of either rate revenue or total operating revenue) as a financial indicator or target) is strongly discouraged. It is far less meaningful in the context of Councils' operating environment than the Net Financial Liabilities ratio. Furthermore its calculated result (when the numerator is based on both interest and principal repayments) is highly dependent on the term of duration and required pattern of repayment of borrowings raised.

## Reserves

Councils should manage their finances holistically and in a strategically optimum way rather than practicing 'shoebox accounting' whereby monies are earmarked for particular needs and therefore are not available for others. All unrestricted revenues and investments should be applied to meet planned expenditure outlays and extinguish borrowings where possible.

Councils may, however, choose to use 'reserve accounting' as a useful means of recognising and planning for future proposals. A Council may therefore establish various equity accounts (or 'reserves') within its balance sheet to identify an allocation for future purposes. However,

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it should not have separate bank/investment accounts for these 'reserves' unless required to do so under law, or as a condition of funding provided by an external funding body.

There are very few circumstances where a Council is legally required to quarantine funds. A typical case might involve some type of trust fund e.g. developer contributions for car parks. Councils can and should use funds traditionally earmarked, by way of example, for Community Wastewater Management Systems, Plant Replacement, Open Space Reserves, Long Service Leave and other typically cash backed balance sheet liability or equity accounts as part of their overall financing strategies. Nothing prevents Councils from using these funds to "finance" other activities and thereby achieving savings (because of the margin between borrowing and investment rates) until they are required for the original purpose. At this time a new borrowing could be raised if required.

**Interest rate risk exposures**

A Council is exposed to risk whenever it takes out a borrowing, regardless of whether it involves fixed or variable interest rates. Minimising exposure to interest rate risk requires a balance of both fixed and variable interest rate borrowings. Councils should set range limits for both fixed and variable interest rate borrowings having regard to cost effectiveness, risk management criteria and flexibility.

Future interest rate movements (particularly over the medium and longer-term) are always uncertain.

Locking into a long-term fixed interest rate borrowing, for example, effectively means that a Council is taking a view (effectively, a type of gamble) that variable rates over the period of the borrowing will be higher than the fixed rate negotiated. If a Council took out a fixed interest loan and interest rates on average fell over the duration of the loan, then the Council would become worse off compared to the position it would have been in, if it had taken out a variable interest rate loan over the same period (and vice-versa). Such a Council might not have been intending to gamble on interest rate movements, or appreciate that it was doing so, but choosing a fixed-interest rate borrowing does not remove risk. It removes only one risk; the risk of higher average rates for the term of the loan.

It is not possible for Councils to structure their overall portfolio of borrowings and investments in a way which is 'neutral' to interest rate changes. That is to say, Councils' interest rate risks cannot be eliminated. Councils must therefore structure their portfolio of borrowings and investments to achieve a balance between interest costs and the risk of interest rate changes. This means having a mix of interest rate exposures.

Fixed Interest Rate Borrowings

On average over time, fixed interest rate borrowings normally are slightly more expensive than variable rate ones because of the certainty they offer.

Fixed interest rate borrowings most commonly come in two forms:- 'credit foncier' and 'interest only'. Some lenders such as the LGFA also will structure fixed interest borrowings to suit the particular needs of a Council.

*Credit Foncier Borrowings*
In the public sector prior to the implementation of accrual accounting, credit foncier borrowings were widely considered to be the most appropriate form of borrowing on grounds of inter-generational equity. They were often used to finance the acquisition of long-term assets. The regular repayment of principal on such borrowings was effectively treated as a surrogate for depreciation notwithstanding that the principal

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repayments on borrowings may not have borne any close relationship with actual depreciation (e.g. the life of asset may have been much longer than the borrowing period).

Under accrual accounting, principal repayments are not treated as an expense. Intergenerational equity is achieved by accurately recognising all operating expenses (including depreciation) and pricing/taxing to match them with operating revenue. Where an accrual break-even operating result is being achieved, the cost of consumption of assets is being met by ratepayers who benefit from their availability and use.

While the use of credit foncier borrowings does ensure the repayment of an individual borrowing it does not necessarily ensure a reduction in a Council's overall indebtedness. Where existing borrowings are being repaid, while at the same time new borrowings are raised, the overall value of outstanding borrowings may not vary significantly from year to year. In this case, in effect, the new borrowings would be largely offsetting regular principal repayments on the existing borrowings (although they would not have been explicitly intended for this purpose) because of the structure of the portfolio of borrowings.

Councils should be mindful of the above issues in determining the extent of any credit foncier borrowings in their overall portfolio of fixed interest rate borrowings.

*Interest Only Borrowings*

Interest only borrowings avoid regular principal repayments i.e. instead, the total principal would be repayable at maturity, at which time the borrowing can be repaid or rolled over, depending on a Council's projected cash flow needs.

Interest-only borrowings are a simpler and more appropriate form of debt for a Council that manages its finances on an accrual accounting basis. Such an approach avoids the need to continually arrange new borrowings to effectively provide finance to meet regular principal repayments on existing borrowings. It also results in significantly fewer borrowings, making the treasury management task easier.

## Variable Interest Rate Borrowings

A Council's treasury management strategy should aim to keep debt levels both during a year and over periods of years as low as its budget and Long-term Financial Plan allow (and its budget and Long-term Financial Plan should be based on best meeting community needs in an equitable and financially sustainable manner).

There is usually a margin between borrowing and investment rates and Councils can generate savings by structuring their portfolios of borrowings so that cash inflows that are surplus to short or medium term needs can be applied in the first instance to reduce the level of borrowings that would otherwise be necessary. This means repaying borrowings wherever, and as soon as, surplus (even short-term) cash flow allows. This is more readily and effectively achievable with variable interest rate borrowings.

*Long-term Interest Only Borrowings*

Councils will have periods during a year when they have significant funds available for investment and may have significant amounts that are available on an ongoing basis.

If a Council includes in its debt structure, a long-term interest only borrowing where interest rates are re-set every three or six months, a proportion of principal will be able to be repaid if any surplus funds are available at the time rates are reset.

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An even more flexible product is the LGFA Cash Advance Debenture. (Other financial institutions offer similar products.) Such a borrowing facility will typically have a long-term maturity date, the interest rate will vary from time to time (e.g. when there is a movement in official short term interest rates) and the amount of principal outstanding at any time would not be repayable until maturity. The outstanding balance on the facility may vary significantly during a year and between years with the timing and extent of cash inflows and outflows. A Council may repay or redraw funds up to the maximum value of the borrowing facility at any time. It effectively enables the Council to earn an implicit rate of interest on its surplus funds equal to the borrowing rate (typically more than 1.5% higher than rates earned on investing surplus funds) and draw additional funds whenever required.

The savings that are able to be generated from utilising variable interest rate borrowings in this way are likely over time to far more than offset interest rate risks from having a large proportion of Councils' debt portfolios at variable interest rates.

Proportion of Fixed Interest Rate and Variable Interest Rate Borrowings

Councils may choose, from time to time, to vary the proportions of their debt taken up by fixed or variable interest rate borrowings. In so doing they should have a clear understanding of the likely impact on net interest costs and their exposure to interest rate risks. For example a Council may prefer to increase its proportion of variable interest rate borrowings because this should, on average over the longer term, reduce its overall net interest costs and the Council is comfortable (having regard to its financial capacity and position) with the additional cost volatility from interest rate movements that this will bring.

If a Council has variable interest rate borrowings, a rise in interest rates will have a negative budget impact (and vice versa). However when compared with total operating costs, the impact normally will be small.

If a Council aims to achieve, say, a 50:50 split on average between the value of fixed and variable interest rate borrowings, it is inevitable that there will be specific short periods of time where the weighting will be heavily in favour of either fixed or variable rate borrowings (e.g. particularly where a large receipt is received earlier than expected or a large payment is delayed). In some instances this will be unavoidable (and may be to Council's financial advantage).

Councils should therefore establish a target range within which the proportions of their fixed and variable rate borrowings will lie. Good cash flow planning and good treasury management will minimise the duration of periods where the weighting of borrowings is outside of this target range.

A policy of having at least 30% of borrowings (say on average over a year) with a fixed interest rate and at least 30% with a variable interest rate can be represented diagrammatically as follows:

**OPTIMUM**

| fixed | fixed or variable | variable |
|---|---|---|

0%                                30%                         70%                     100%

**PROPORTION OF TOTAL BORROWINGS**

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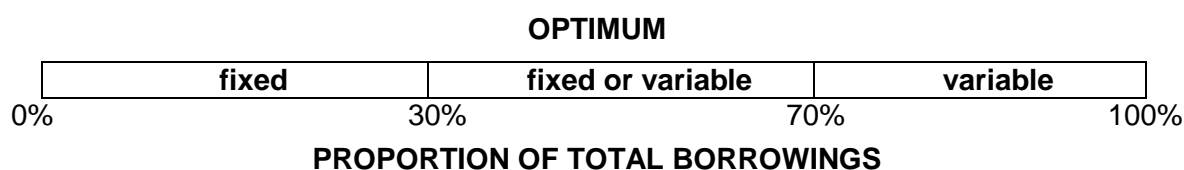
## Investments

As there usually is a margin between borrowing and investment rates, a Council should seek to avoid holding investments (and particularly considerable investments over extended periods of time) if the Council has outstanding borrowings. The Council should instead apply the funds to retire some of its outstanding borrowings. A Council's ability to achieve this will depend on the nature of both its borrowings and its investments.

Interest rates offered on medium/longer term investments are often slightly higher than for short-term investments, but the difference is not usually significant enough to offset the difference between borrowing and investment rates. For this reason it is important that a Council ensures that funds are invested only for a short-term period, so that the funds can be applied, whenever possible, to cost-effectively defer the need to raise a new borrowing or reduce the level of a Council's variable interest-rate borrowing facility. Unless there is considerable understanding and certainty about the timing and value of future cash inflows and outflows, the most practical and cost-effective strategy is likely to be to invest any funds 'at call'.

## What are the issues for Councils?

Every Council should consider developing and adopting a policy about treasury and debt management. Such a policy should have regard to issues raised in this paper, balanced against the needs and preferences identified in the Council's strategic management plans.[5]

## Reporting

Councils may choose to report on their treasury management performance more frequently than annually e.g. biannually or quarterly in line with budget reviews. More frequent reporting than this is unlikely to prove worthwhile. The report on a Council's treasury management performance should be submitted through its Audit Committee.

## Qualification

This paper is intended to provide a general overview of the principles of sound treasury and debt management in the context of the typical current operating environment of the South Australian Local Government sector. Some described concepts and situations have been simplified to meet the needs of a general audience and in order to keep the paper brief. Councils should not rely on the proposals suggested in this paper when making treasury management decisions without comprehensive consideration of their specific circumstances and needs.

## Acknowledgements

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- Mr John Wright
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[5] A model draft Treasury Management Policy is provided as Attachment 1 to this Information Paper.

**Attachment 1: Model Treasury Management Policy**

# *[Council Name]*

**POLICY NAME:** **Treasury Management**

**APPROVED BY:** *[Council]*
**DATE:** *[Date]*

**SUBSEQUENT AMENDMENTS**
**DATE:** *[Date]*
**AUTHORISATION:** *[Authorisation]*
**SECTIONS AMENDED:** *[Reference to aspects amended]*

**REVIEW DATE:** *[Date of next review]*

**DOCUMENT OWNER:** *[Position responsible for maintenance of the document]*

## 1.  INTRODUCTION

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

Council is committed to to operating in a financially sustainable manner and maintains a Long-term Financial Plan (updated at least annually) to assist it to determine affordable service levels and revenue raising needs. This Plan also provides projections of future cashflow availability and needs.

## 2.  POLICY OBJECTIVES

This Treasury Management Policy establishes a decision framework to ensure that:
- funds are available as required to support approved outlays;
- interest rate and other risks (e.g. liquidity and investment credit risks) are acknowledged and responsibly managed;
- the net interest costs associated with borrowing and investing are reasonably likely to be minimised on average over the longer term.

## 3.  POLICY STATEMENTS

### 3.1  Treasury Management Strategy

Council's operating and capital expenditure decisions are made on the basis of:
- identified community need and benefit relative to other expenditure options;
- cost effectiveness of the proposed means of service delivery; and

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- affordability of proposals having regard to Council's long-term financial sustainability (including consideration of the cost of capital and the impact of the proposal on Council's Net Financial Liabilities ratio[6]).

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

- maintain target ranges for its Net Financial Liabilities ratio;
- not retain and quarantine money for particular future purposes unless required by legislation or agreement with other parties;
- borrow funds in accordance with the requirements set out in its Long-term Financial Plan;
- apply any funds that are not immediately required to meet approved expenditure (including funds that are required to be expended for specific purposes but are not required to be kept in separate bank accounts) to reduce its level of borrowings or to defer and/or reduce the level of new borrowings that would otherwise be required.

### 3.2 Interest Rate Risk Exposures

Council has set range limits for both fixed and variable interest rate borrowings in order to minimise net interest costs on average over the longer term and at the same time manage interest rate movement risks within acceptable limits.

#### 3.2.1 Fixed Interest Rate Borrowings

To ensure an adequate mix of interest rate exposures, Council will restructure its portfolio of borrowings, as old borrowings mature and new ones are raised, to progressively achieve and thereafter maintain on average in any year, not less than *[x% - Council to determine percentage but may wish to consider a value of the order of 30%]* of its gross debt in the form of fixed interest rate borrowings.

> *Decision Required:*
>
> *Council will need to determine the <u>minimum</u> proportion of its gross debt that it wishes to hold, at any time, in the form of fixed interest rate borrowings. In determining this minimum proportion, Council will need to take account of, and achieve its preferred balance between:*
> - *interest costs;*
> - *the risk of interest rate changes;*
> - *flexibility.*

In order to spread its exposure to interest rate movements, Council will aim to have a variety of maturity dates on its fixed interest rate borrowings over the available maturity spectrum.

In circumstances where Council needs to raise new fixed interest rate borrowings it will consider using medium to long-term borrowings (3 years or more duration) that:

- have a fixed interest rate;
- require interest payments only; and
- allow the full amount of principal to be repaid (or rolled over) at maturity.

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[6] The LGA's Financial Sustainability Information Paper No 9 *Financial Indicators* at www.lga.sa.gov.au/FSP provides further information on this (and other) financial sustainability indicators and associated targets.

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Council also will ensure that no more than *[x% - Council to determine percentage but may wish to consider a value of the order of 25%]* of its fixed interest rate borrowings mature in any year.

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*Decision Required:*

*Council will need to determine the <u>maximum</u> proportion of its fixed interest rate borrowings that it wishes to have maturing in any year in order to spread its exposure to interest rate movements.*

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### 3.2.2 Variable Interest Rate Borrowings

Council will restructure its portfolio of borrowings, as old borrowings mature and new ones are raised, to progressively achieve, and then maintain, not less than *[x% - Council to determine percentage but may wish to consider a value of the order of 30%]* of its gross debt on average in any year in the form of variable interest rate borrowings.

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*Decision Required:*

*Council will need to determine the <u>minimum</u> proportion of its gross debt that it wishes to hold, at any time, in the form of variable interest rate borrowings. In determining this minimum proportion, Council will need to take account of, and achieve its preferred balance between:*
* *interest costs;*
* *the risk of interest rate changes;*
* *flexibility.*

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

## 3.3 Investments

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

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

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

Council management may from time to time invest surplus funds in:

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- deposits with the <u>Local Government Financing Authority</u>; and/or
- bank interest bearing deposits.

Any other investment requires the specific approval of Council. Where Council authorises any investments of a type outside of those specified above, the amount so invested will be cumulatively limited to no more than *[x% - Council to determine percentage but may wish to consider a value of the order of 20%]* of the average level of funds expected to be available for investment by Council over the duration of the specific authorised investments.

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*Decision Required:*

*Council will need to determine the proportion of its investment funds that will be placed in various investment types. In determining this proportion Council will need to take account of:*
- *investment risk;*
- *likely return;*
- *relevant legislative requirements.*

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### 3.4 Reporting

At least once a year Council's Audit Committee shall receive a specific report regarding treasury management performance relative to this policy document. The report shall highlight:

- for each Council borrowing and investment - the quantum of funds, its interest rate and maturity date, and changes in the quantum since the previous report; and,
- the proportion of fixed interest rate and variable interest rate borrowings at the end date of the reporting period and an estimate of the average of these proportions across this period along with key reasons for significant variances compared with the targets specified in this policy.

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**Attachment 2**

**Illustrative Questions and Answers on the Application of the
Model Treasury Management Policy**

**QUESTION 1**
*Some Councils have outstanding a lot of small value fixed interest rate borrowings (typically taken out for 5 to 15 year periods). They also hold various (often numerous) investments that are 'ear-marked' for specific purposes. What sort of structure of borrowings should such a Council aim to progressively achieve?*

**Answer:**
Ideally the Council would, over time, move to a reduced number of fixed interest rate borrowings. These borrowings could, for example, be of similar value with maturity dates spread over a period of, say, ten years. Only one variable interest rate borrowing facility would be necessary and with a suggested maturity date of at least ten years. The amount of the facility could be set at, say, 70 per cent or more of the maximum level of the Council's estimated net financial liabilities as shown in its Long-term Financial Plan.

**QUESTION 2**
*How should a Council go about phasing in changes in practices consistent with the model treasury management policy?*

**Answer:**
If the value of a Council's borrowings exceeds the value of its investments it is likely to be better off by applying surplus funds to reduce the level of outstanding principal under its variable interest rate borrowing facility (such facilities, e.g. the LGFA's Cash Advance Debenture, typically allow part or full repayment of the outstanding principal at any time without penalty). Accordingly, many Councils may find it unnecessary to hold any investments.

If the value of a Council's investments exceeds its variable interest borrowings it should use the investment funds to pay down its variable interest borrowings to zero and retain the balance as an investment until these funds can be applied to avoid new borrowings that would otherwise be necessary. There is no value in seeking to 'cash out' outstanding fixed interest rate borrowings. This will not generate savings as any lender that agrees to do so would seek to be financially compensated and be left no worse off.

Councils that have utilised their investments and still require additional borrowings should look first to ensure that their level of variable interest rate borrowings is in line with the suggested target (between, say, 30% and 70% of total borrowings on average over a 12 month period) rather than raise additional fixed interest rate borrowings.

Where a Council's existing level of variable interest rate borrowings is already within the target range and/or proposed new borrowings are relatively large the Council should look to raise a combination of fixed and variable interest rate borrowings to ensure that the proportions of both are expected to remain within its target ranges in future. Nevertheless in so doing it may find it simpler to raise all of the new borrowing as a variable interest rate one in the first instance and then convert a proportion to a fixed interest rate by adding it to an existing fixed interest rate borrowing when it matures and needs to be rolled over. This would help the Council to avoid building up a large portfolio of small value fixed interest rate borrowings.

Councils are required to prepare Long-term Financial Plans which will show the extent of expected movements in their forecast stock of borrowings for the budget year and for each year of the Long-term Financial Plan. Councils should use this information to help plan the timing, duration, magnitude and mix of new fixed and variable interest rate borrowings (including any necessary as a result of the maturing of existing borrowings).

In addition to managing borrowing needs between years, Councils also need to optimise treasury management within a budget year. Each year they will have periods where they have high levels of net cash inflows (e.g. at times when rates or Grants Commission payments are due) and other times where they have net cash outflows. Their portfolio of borrowings should be structured to enable surplus funds received during periods of net cash inflows to be used to repay borrowings (even if for only a short periods) rather than to be invested if borrowings also exist. This can best be achieved by repaying variable interest rate borrowings during periods of net cash inflow and drawing additional such borrowings during periods of net cash outflow. As a result a Council that averages a 50:50 split between fixed and variable interest rate borrowings over a year may experience periods where there is a heavy weighting of fixed or variable interest rate borrowings in its total portfolio and periods where its portfolio of borrowings is considerably higher or lower than its budgeted end of year position.

# A guide to the responsible use of debt

## Introduction

Councils that found themselves with the requirement for significant levels of debt in the 1980s and early 1990's when interest rates were at historic highs, felt under pressure to minimise borrowings. The legacy of those times has been a factor in councils being averse to borrowing, even when interest rates are at historic lows. Yet the effective use of debt has meant that communities have been able to enjoy a wide range of services, from improved transport networks to CWMS schemes to recreational facilities, which have been paid for over time through structured borrowings, prudent rate increases and reasonable user charges.

The South Australian Local Government sector as a whole has very low levels of debt relative to their income and assets they are responsible for. If the sector's debt was represented by an individual's debt on their home loan, it would equate to something like $15,000 worth of debt on a $500,000 property. The LGFA applies stringent credit criteria to assess the ability of a council to meet its repayment requirements for any borrowings. Recently, applying those criteria on a state-wide basis, the LGFA calculated that the sector could comfortably borrow an extra 2 or 3 times current debt levels to provide further benefits for local communities.

This paper has been written by the LGFA to give a better understanding about the responsible use of debt by the South Australian Local Government sector.

The paper has been prepared for mayors, chairs, councillors and council management teams and sets out to answer some of the questions commonly asked by councils during our visitation program.

Debt is a renewable resource and is an effective financial tool that can be utilised by councils, when required.

**Councils should not be afraid of debt, they should embrace its' responsible use.**

# Use of Debt

Councils are infrastructure intensive organisations.  For some councils the issues are largely the renewal of existing infrastructure; for some councils the issues are largely the provision of infrastructure to meet the demands of a growing population and for other councils the issues are largely the need to improve and upgrade infrastructure that does not meet the needs of a modern community. South Australian councils prepare long-term financial and asset management plans. These plans indicate to councils their need for funds to acquire, upgrade and renew their infrastructure. The prudent use of debt can allow councils to bring forward their plans to acquire, upgrade and renew their infrastructure and provide their communities with the services in an equitable manner.

Debt should be a key element in a council's long-term financial plan as its correct use helps with the acquisition of planned infrastructure and the renewal of existing infrastructure as it supports intergenerational rating equity. This ensures that ratepayers in the future, who will benefit from a council's infrastructure, effectively contribute to its provision or replacement rather than this burden falling just on ratepayers at the time of acquisition or replacement. To 'save' for infrastructure means that ratepayers who receive no benefit from the infrastructure are effectively 'paying' for it. One of the benefits of using debt financing is that interest costs and any principal repayments on borrowings are spread, to some extent, over the life of the asset and paid for by ratepayers who benefit from the services provided by the infrastructure.

## Intergenerational Equity:

The term 'intergenerational equity' often arises in a discussion about local government financial performance and financial sustainability. It is important to bear in mind in such discussions that local government service provision is very asset intensive. Many local government services involve the provision of assets (e.g. roads) that provide benefits to communities over a long period of time.

Intergenerational equity in a local government context is often considered in the context of whether payment for the cost of services is recovered over time broadly in accordance with the benefits enjoyed by service recipients. In the case of the road example above it wouldn't be intergenerationally equitable if it was paid for by ratepayers over a short-term (e.g. by funds from ratepayers in one year) yet benefitted ratepayers over many years (the ratepayers over time will change and are not the same as the ratepayers when the road was built – even if they don't change it may be difficult or unfair to expect a person to pay 'up front' for services they will benefit from over many years).

Of course, an assessment of whether council rating and service provision policies are intergenerationally equitable can't be determined by looking at a single asset. Councils have many assets built at different points in time. The best assessment of whether a council's rating and charging decisions are intergenerationally equitable relative to service provision is by comparing underlying ongoing operating revenue with underlying ongoing operating expenses. Operating expenses include depreciation which simplistically results in the capital cost of an asset being recognised progressively over its useful life. If an organisation maintains a breakeven/small surplus operating result it is likely to be operating on an intergenerationally equitable basis. Large operating surpluses or deficits over several ongoing years imply a council is not operating on an intergenerationally equitable basis.

## Council Debt versus Individuals Debt:

Councils have a significant advantage over individuals and private corporations in both access to debt and in servicing the debt. Councils taxing powers to raise rates provide them with a high level of certainty in their incomes. The fact that the LGFA secures loans over the general revenue of councils indicates the importance of that power to tax. Another important advantage is that a council is considered to have an unlimited life as an organisation; it will remain an 'on-going' entity.

Interestingly, there are very few business corporations in existence that have no or low debt policies. Well managed corporations will be continually scanning the environment in which they operate and their growth or expansion plans will include the use of profits, debt and equity as funding mechanisms. Although councils are corporations in their own right, with many in the state actually being very large corporations, they do not have the same flexibility in the way they finance their operations. Instead they must finance their infrastructure plans and requirements from rate income, government grants, their own cash resources and via the prudent use of debt. Just like corporations sometimes need to borrow to undertake investments so do councils. Borrowing for either cashflow or specific infrastructure projects is a normal operating activity and the local government sector should develop the same attitude.

## Long-Term Infrastructure and Long-Term Debt:

Councils are encouraged to have treasury management policies and to consider borrowings as an organisational response to the need for funds for capital projects or cashflow, without specifically borrowing for a particular project. The term of any borrowings, whether fixed interest or whether floating interest rate borrowings are sought should be determined under the Councils' Treasury Management policy.

*(LGA Financial Sustainability Information Paper No. 15 includes an illustrative model treasury management policy.)*

## Interest Rate Risk:

Interest rate risk is the potential loss in an investment or borrowing decision resulting from movements in interest rates. For example, investing surplus funds at a fixed interest rate when the next movement in interest rates is up or borrowing at a fixed interest rate when the next movement in interest rates is down.

It is not possible to avoid interest rate risk. Trying to anticipate interest rate movements is purely speculative and should not be practised by councils. The best that can be done is to pursue an investment or borrowing policy that attempts to minimise the adverse effect of movements in interest rates. If looking primarily at the interest rate risk associated with a council borrowing funds, interest rate risk can be managed by having a balanced portfolio of fixed and variable interest rate debt so that the adverse impact of movements in interest rates are minimised and that in the medium to long-term a Council's interest rate expense risk exposure is optimised.

Over the past 50 years, the Reserve Banks of Australia has only moved interest rates higher in periods of high inflation. Because increases to council rate revenue are usually linked to inflation, rate revenue should increase during times of high interest rates, which should offset the higher interest costs associated with floating rate debt. Despite this inherent risk mitigation councils would be adversely affected by large unexpected interest rate rises that occur within a year.

## Financial viability of a Council:

Elected bodies around the state are usually concerned about fostering strong communities and maintaining/providing the appropriate infrastructure in a financially responsible way. However, what constitutes a strong viable council can often be misunderstood.

*Debt levels and net financial liabilities ratio:*

As described in this document there are many reasons why a Council will use debt, so looking at a Council's level of debt in isolation is a poor way to judge its overall financial performance and long-term viability.

Newly elected members often grapple with the large dollar figures of debt that a council may have but they should remember that even though an average sized Council may have around $10 million dollars of debt they also have total assets of around $360 million.

When people in the sector talk about debt they usual consider a council's net debt as a percentage of a year's operating income. The resulting ratio is the net financial liabilities ratio which equals total liabilities (including debt & other commitments) less financial assets (deposits and investments) divided by the operating income for the year.

The LGA recommends that net financial liabilities ratio is between zero and 100% of total operating income, but possibly higher in some circumstances.

There is no right or wrong target range for the net financial liabilities ratio. Different councils (or the same council at different points of time in its long-term financial plan) could appropriately have very different target ranges and each could be equally responsible and financially sustainable, depending upon their circumstances.

*Operating result:*

An operating surplus (or deficit) arises when operating income exceeds (or is less than) operating expenses for a period (usually a year). Just like any household or other organisation, a council's long-term financial sustainability is dependent upon ensuring that, on average over time, its expenses are less than associated income. In essence, this means that current day citizens fully meet the cost of services provided for them by their council in most circumstances.

If a council was operating with a significant deficit over several years and its strategic management and long-term financial plans did not provide clear proposals for this to be turned around then it would be inevitable that the council would face major financial shocks in the future. The council effectively would be in the same position as an individual or family living beyond their means. Sooner or later they would be caught by the consequences. For a council, the problem would likely come to a head when existing major assets failed. The council would then need to choose between large rate rises or not replacing assets thereby effectively lowering its standards of service to its community.

Focusing on a council's underlying operating result, over a number of years, is the best way to judge its financial performance as the operating result reflects the council's cost of service provision including the cost of maintaining existing assets, as the result allows for asset depreciation.

# Resources

Comrie, J., (2014), *Debt is Not a Dirty Word: Role and Use of Debt In Local Government,* UTS Sydney

Hope, D., (2002), *Debt – A Renewable Resource*, Unpublished

LGA-SA, (2015), *Financial Sustainability Information Paper No 15 – Treasury Management*, LGA-SA, Adelaide

LGA-SA, (2015), *Financial Sustainability Information Paper No 10 – Debt*, LGA-SA, Adelaide

## REPORTS FOR NOTING

### Internal Audit Program - Implementation of Recommendations

| | |
|---|---|
| **Originating Officer** | Governance Officer - Victoria Moritz |
| **Corporate Manager** | Manager Corporate Governance - Kate McKenzie |
| **General Manager** | General Manager Corporate Services - Vincent Mifsud |
| **Report Reference** | FAC181211R12 |

## REPORT OBJECTIVE

To provide the Finance and Audit Committee (FAC) with an update of the status of recommendations from the 2017/18 Internal Audit program.

## EXECUTIVE SUMMARY

The FAC was provided with a status report at its previous meeting on 2 October 2018 regarding the City of Marion's Internal Audit Program. It was reported that all five audits for the 2017/18 financial year had commenced in various stages;

- Volunteer management – completed February 2018 (FAC270218R7.2)
- Contractor management – completed May 2018 (FAC290518R7.3)
- NDIS - completed May 2018 (FAC290518R7.3)
- Regulatory – Fines and Enforcement - completed August 2018 (FAC180821R03)
- Planning Assessment - completed August 2018 (FAC180821R03)

The recommendations from these reports continue to be monitored by the FAC. A short summary of the status of recommendations for each audit is provided at Appendix 1. The relevant outstanding recommendations and agreed actions for items that have been commented on are included into the summary to give context to the comments made against each project.

There are five over due recommendations and all of these have commenced.

## RECOMMENDATION

**That the Finance and Audit Committee;**

1. **Notes the status of the Internal Audit Program (Appendix 1)**

## Attachment

| # | Attachment | Type |
|---|---|---|
| 1 | Appendix 1 - Internal Audit Program Implementation of Recommendations | PDF File |

**Internal Audit Program Implementation of Recommendations**

**2015/16 Program**

| Project | Findings | On Track | Overdue | Completed | Not Commenced | Comments | Relevant Outstanding Recommendations and Agreed Action |
|---|---|---|---|---|---|---|---|
| **Capital Works Program (2015/16)** | 8 | 1 | | 7 | | The remaining recommendation had an initial due date of September 2016 but was extended to June 2018 to allow more time for implementation given its complexity and integration/implementation across the organisation.<br><br>This action has been progressing through the Asset Management Program and Project Management system. Phase 1 of the project was completed by due date of 30 June, however we are now in phase 2 which has a new completion date of April 2019. This system manages projects across the entire organisation including Council's capital works program.<br><br>Funding for the implementation of a Project Management System for a live phase is in the 2018/19 Annual Business Plan. As a result, the new system is planned to be implemented in this financial year.  This means the recommendation will not be fully realised until 30 June 2019.  The amended due date has been agreed by the General Manager. | **5.**<br>**Recommendation:** It is recommended that Marion implements a simple, standardised project management framework which describes key phases that a project must go through. For example purposes only:<br>• Project initiation (asset management plan/ad-hoc)<br>• Project evaluation (concept, feasibility/business case)<br>• Program development (budgeting, prioritisation, programming)<br>• Program/project delivery (procurement, design, construct)<br>• Project completion and handover<br>The project management framework should be designed to accommodate the proposed two-year capital works program, with two key phases including an initial phase where projects are initiated, evaluated and estimated in year one, and procured/built in year two (for example).<br>This recommendation may include leveraging the existing City of Marion S-Guide project management framework, and tailoring and/or implementing across the City of Marion to achieve better consistency and approach to project management.<br>Improved consistency in project management should provide the City of Marion with sustained benefits including reduction and minimisation in carry overs.<br>**Action:**  This work is currently underway with a project management system being developed including tools, templates, training, governance arrangements, monitoring and reporting. |

**2016/17 Program**

| Project | Findings | On Track | Overdue | Completed | Not Commenced | Comments | Recommendations and Agreed Action |
|---|---|---|---|---|---|---|---|
| **Corporate Performance Reporting (2016/17)** | 4 | 1 | | 3 | | Three Recommendations have been complete and one is outstanding. A strategic session has been booked with the SLT in February 2019 to discuss various metrix and how to measure and report. The second part of this recommendation is being progressed via the Innovations and Strategy Team. The due date has been re-aligned to March 2019. Both have commenced and are considered low risk. | 3.2<br>**Recommendation:** Through the implementation of the recommended 'Strategic Reporting Framework (refer to 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.<br>**Action: Agreed**<br>3.3<br>**Recommendation:** CoM investigates the ability to optimise the use of the systems, through development of purpose built reporting (eg. From Authority) to reduce the level of manual manipulation of data.<br>**Action: Agreed** |
| **Accounts Receivable (2016/17)** | 4 | | 1 | 3 | | There has been no change since the last updated was provided. Revised Sundry Debtors policy has been drafted incorporating different levels of delegation. This will go to ELT for approval and be in operation before 31/12/18 . This is low risk and the final recommendation for this review. | **Recommendation:**<br>*Invoicing*<br>CoM consider updating the delegations for non-financial changes to debtors invoicing to a lower level. This may reduce some of the administrative effort currently required to make small updates to invoices.<br>*Write-offs*<br>CoM consider updating the delegations for write-offs based on a scaled approach. This may reduce some of the administrative effort currently required to write-off low value long-outstanding debtor balances. |

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| | | | | | | | **Action:**<br>As part of the Sundry Debtors policy and procedure review management will look at having certain adjustments and credits authorised at a lower level where minor adjustments are required. This could include where proof of duplication of invoicing exists, or where non-financial adjustments are required.<br><br>Delegations for write-offs at a scaled level will also be reviewed so that minor balances do not need the same high-level approval that they currently do. |
| **ICT – Cyber Security Maturity (2016/17)** | 6 | 2 | | 4 | | Majority of the audit has been completed. Two recommendations are outstanding. The policies and procedures are complete with ELT endorsing these on 12 September 2018. The other part of this recommendation relates to documentation and contract wording. Further discussions held with CQR on 25 Oct. CQR are drafting various standard conditions, special conditions and specification requirements that could be used in council's tendering processes. This is a low risk recommendation.<br><br>The other recommendation is also low risk and relates to documentation recovery strategies. A revised due date has been set in consultation between Risk and ICT as May 2019. CQR (through the risk management team) were procured to facilitate a review all Recovery Strategies. A total of 11 workshops were held across this business in late November and are being finalised in December 2018. | 3.4<br>**Recommendation:** Consider formally defining the requirements for third party cyber security obligations and including related clauses into each significant contract. This should include consideration of data ownership and storage, technical controls, backups, monitoring, notification of security incidents, and any associated security compliance requirements. A "right to audit" clause should also be considered for inclusion in contracts with technical service providers. Existing third party contracts should then be reviewed to determine compliance and any potential concerns moving forward should be renegotiated where possible. Continual due diligence and assurance activities on third parties should be performed to ensure that they adhere to CoM's minimum requirements.<br>**Action:** This will be further investigated and implemented where necessary<br>4.2<br>**Recommendation:** 2. Ensure that defined recovery objectives have been validated with IT to ensure that these are achievable.<br>**Action:** Recovery strategies have been developed by relevant business units but validation is required with ICT to ensure they are realistic and achievable |
| **Property Portfolio Management (2016/17)** | 7 | | 3 | 4 | | There are three recommendations outstanding. These items are not on track. Two are low risk and one is moderate. All three items are 80% or more complete. | 1.3<br>**Recommendation:** Contractor management approaches are improved to ensure contractors are managed effectively.<br>Action: The current Asset Management Plan is being reviewed to incorporate the building condition audit, DDA, Asbestos |

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| | | | | | 1.3 comments:<br><br>Asset Management Plan was reviewed and it was determine to engage an external consultant to undertake a building condition audit to enable further refinement to the Asset Management Plan. It is anticipated the outcomes of the building condition audit will be available in March 2019. New contracts have been established and regular meetings are being held with the key contactors e.g. plumber, electrician, security.<br><br>3.1 comments:<br>Finance to change the set up of the Land and Property budget which will assist with improving management and reporting. To date this has not occurred, current staff are working with Finance to amend the set up of the budget.<br><br>5.1 comments:<br>Leases are being renewed in line with the new policy. New reporting requirements have commenced.<br><br>Lessees on the new policy will need to start to provide new report format in the 3rd quarter. Letters of offer are being sent to the clubs to transfer them onto a new lease agreement. | Management Work. This plan will guide the budget development for 2017/18. In addition a Service Review on maintenance has commenced (due to report to Finance and Audit Committee in August) the deliverables will include; * Process Map core services - the core services will be defined and mapped; *Gathering of relevant data and analysis; * Benchmark with neighbouring councils and the industry providers to ascertain best practice; * Review of teams productivity in relation to maintenance of facilities to identify service and activity innovations, reducing manual processes where possible; * Review of Council's maintenance replacement/renewal program; * Identify service improvements and cost efficiencies, * Establish service levels and KPI's for the program to enable ongoing monitoring and evaluations of performance; * Report - a final report with recommendations will be prepared for Council and Finance & Audit Committee to review with any changes to the service to be provided in a report to Council.<br>3.1<br>**Recommendation:** The Land & Property Team and Finance Team workshop improvements to improve the flow of information. This could include regular reports being issued by the Land & Property Team to the Finance Team in respect to any changes in the period and vice versa in relation to finance.<br>**Action:** Working with Finance to review processes and identify efficiencies. Regular meetings bi monthly will be set up with finance and the Leasing officer to progress this.<br>5.1<br>**Recommendation:** It is recommended the CoM continues to undertake reviews of leases performed by the Lease Officer and remaining clubs of their obligations to provide up to date documents including insurance, financials and a budget in accordance with the terms of their lease agreements.<br>**Action:** Currently letters are sent out in October each year requesting information eg AGM, finances (this is not a requirement in all leases) and followed up in January. Staff in the property team have been allocated specific organisations to liaise with on a regular basis, which will assist in developing a stronger relationship and enable support to be provided in meeting leasing obligations. Community capacity activities are supporting clubs to |

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| | | | | improve governance practices eg. workshops on running an AGM. The new leasing and licencing policy will assist with improving this through; *Reporting required to obtain subsidy, *Consistent lease template requiring information, * Working with clubs to set up systems to be able to provide the required information. Consideration is being given to setting up a standard charter of accounts. |

## 2017/18 Program

| Project | Findings | On Track | Overdue | Completed | Not Commenced | Comments | Recommendations and Agreed Action |
|---|---|---|---|---|---|---|---|
| **Volunteer Management (2017/18)** | 9 | | | 9 | | All actions are now complete. The guidelines are now finalised and were distributed to staff and volunteers. | |
| **NDIS (2017/18)** | 1 | 1 | | | | No further update. Report has been discussed with Elected Members at an Elected Member Forum. Members indicated that staff are to continue their 'watching brief' and that any future direction was the responsibility for the new Council. | |
| **Contractor Mgmt (2017/18)** | 5 | 4 | 1 | | | Item 1.4 is considered not on track and is considered high risk. This item is 60% complete and a pilot for using skytrust for contractor management has commenced. | **1.4**<br>**Recommendation:**<br>CoM investigates options to leverage SkyTrust functionality in relation to transiting paper-based/manual forms and checklists to online forms which can be completed and automatically stored in SkyTrust. In addition, clear delineation in terms of document management between SkyTrust and SharePoint would be required.<br>**Action:**<br>Investigation of options (by 31 July 2018) for transitioning paper-based forms, including a specific list of forms and activities |

| Name | Total | Outstanding | | Completed | | Comment | Recommendation/Action |
|---|---|---|---|---|---|---|---|
| | | | | | | | currently undertaken manually, for recommendation to the Executive Leadership Team to consider. Once approved, a supplementary SkyTrust Implementation Plan will be devised for 2019. |
| Regulatory Fines and Enforcements (2017/18) | 2 | 1 | | 1 | | There is one recommendation outstanding. This item is well progressed and almost complete. The Metrics have been identified. Performance and Innovation Team have scheduled the development of formal systems for metrics. | 1.1 **Recommendation:** It is recommended that the CoM investigate undertaking once or a combination of the following solutions: - Work with Civica to implement reporting functionalities in Authority that will not be removed with a software update to Authority. - Allocate internal resources to develop reporting functionalities for Authority - Invest in a different information Technology solution than Civica, that has the ability to generate meaningful reporting. **Action:** There are a number of initiatives being purchased in the 2018-19 financial year which will address this finding. Council has funded a data warehouse initiative in 2018-19 Annual Business Plan which will improve the organisation's access to data and better support work areas to monitor performance. The Community Safety Inspectorate Service Review undertaken in 2018 included the following recommendation: Develop a comprehensive suite of key metrics and reports that management and Council can use to monitor performance. |
| Development Assessment (Planning) (2017/18) | 8 | 6 | | 2 | | Two recommendations have been completed in entirety. There are six outstanding. Two have been completed in part and all are well progressed. The due dates for one of these items has been re-aligned. The Internal delegation process is complete and all staff advised. Internal delegation policy yet to be drafted and implemented. As noted in the Business Arising Statement, the Manager Development and Regulatory Services has resigned and the recruitment for this role is processing. | 1.6 **Recommendation:** As assessment should be undertaken by one staff member and delegated authority exercised by another to seek to avoid mistakes. **Action:** The Delegations Policy required under the Development Act will be developed as a priority and staff will be trained as required. The Policy can be developed in the Caretaker Period but can't be adopted by the Council until after the elections. The other delegations will be implemented as required. These recommendations will be progressed by the Manager, Development and Regulatory Services in conjunction with the Governance Department. |

## Project Management Framework Update

| | |
|---|---|
| **Originating Officer** | Project Management Leader - Annmarie Mabarrack |
| **Corporate Manager** | Manager Innovation and Strategy - Fiona Harvey |
| **General Manager** | General Manager City Development - Abby Dickson |
| **Report Reference** | FAC181211R13 |

### REPORT OBJECTIVE

To provide the Finance and Audit Committee with an update on the City of Marion's Project Management Framework.

### EXECUTIVE SUMMARY

A City of Marion Project Management Framework (PMF) is in development and is being implemented in conjunction with a new Enterprise Project Management System.  Both the framework and system have been developed over the past 12 months in consultation with many staff across the organisation, with support from a Project Management Working Group and a Project Steering Committee.

The PMF is an outstanding action of the 2015/16 Service Review of the Capital Works Program. This report provides a high-level overview of the PMF to date with the draft framework due for finalisation at the end of January 2019.

### RECOMMENDATION

**That the Finance and Audit Committee notes:**

> **1. The update on the implementation of the City of Marion Project Management Framework.**

### GENERAL ANALYSIS

An outcome from the Capital Works internal audit conducted in 2015/16 recommended that Marion implements a simple, standardised Project Management Framework (PMF) which describes key phases that project must go through.

In response to this recommendation, and to quickly build reporting functionality and accountability for projects, in 2016 an in-house excel system was implemented to manage all projects. Whilst this system was limited in its functionality it begun the focus on project management discipline.

The next significant iteration of improved project management has occurred throughout 2018 with the Project Management Leader working with key staff from across the organisation to develop a simple, standardised and scalable PMF. Council also committed funds in the 2018/19 Annual Business Plan for the procurement of a Enterprise Project Management (EPM) System to support the implementation of the PMF.

A Project Team and a Project Management Working Group along with a Project Management Steering Committee have been formed to support the development and key decision making processes for the Implementation of the PMF and the EPM system.

The City of Marion has been working through the iterative development and implementation of its PMF and EPM system to support staff and Council to manage our diverse, complex activities, projects and programs across many business areas, whilst also ensuring that we meet our governance, statutory and financial reporting requirements and progressing the strategic vision and goals.

Introducing an effective PMF through an EPM system brings benefits to the City of Marion including:

- A common process and language with a standardised and scalable methodology for all projects, regardless of size and type;
- Greater visibility of issues, risks and mitigation strategies;
- More reliable timing, costing and delivery against expectations and strategic commitments;
- Benefits to community and the ability to demonstrate performance to project partners, elected members and stakeholders;
- Increased efficiency in use of staff time (communication and reporting);
- Improved accountability and governance
- Improved oversight of the entire Council's "portfolio"
- Standardisation of project management documents and templates
- Establishment of a single repository for all project information supporting knowledge management such as lessons learned and post implementation reviews
- Capacity building and up-skilling in project management

The PMF is in development and to date has been adapted from two national standard approaches:

- The Project Management Institutes (PMI) Project Management Body Of Knowledge (PMBOK)

- Projects IN Controlled Environments (PRINCE)

Through consultation with the Engineering and Field Services team, aspects of the "S-Guide" have also been incorporated into the PMF.

Throughout the consultation with key staff from across the organisation, a number of project management workflows have been designed and built within the EPM system based on best practice project management principles (PMBOK & PRINCE), staff experience, knowledge, tools, check-lists (refer Appendix 1). Project budgets within the financial systems are also being integrated with the EPM system to enable project financial management and reporting to occur as part of broader project reporting. The project framework and workflows also include embedding a range of change management principles, cross-functional organisational frameworks and strategies (e.g. corporate risk matrix, community engagement framework and our 10-year strategic plan outcomes). These all form part of the PMF which is being finalised as we move through the transition to the new EPM system.

To date we have transferred all of the projects (125 projects) that were in the in house Work Area Planning Tool and have trained all current Project Owners.

The EPM System has captured all elements of the PMF and incorporates:
- Project Governance
    - Roles & Responsibilities
    - Approval (phase gates) based on contractual delegations
- Project Risk & Issue management (corporate risk matrix)
- Integration with Project Financials
- Asset Management Lifecycle
- Community Engagement Framework
- Grant Management Process
- 10 Year Strategic Plan Outcomes
- Scheduling ability
- Parent/Child Projects (account for our Capital Works)
- Reporting/Dashboard Capability
- Resource Management

Appendix 1 highlights the current high level Project Management Lifecycle (PML) that has been developed in-conjunction with staff. This is the basis of the current PMF and EPM system workflows.

The whole 'project management framework' project is due for completion by June 2019, with the documented PMF due for completion by end of January 2019. Other elements of the project continuing through to (at least) June 2019 include staff training, building tailored reports, assessing other attributes of the EMF system such as community dashboards, and preparing for the upload of new information relating to the 2019-2023 Business Plan being developed by Council over the next 6 months.

## Attachment

| # | Attachment | Type |
|---|------------|------|
| 1 | Project lifecycle appendix 1 | PDF File |

Appendix 1

## Project Lifecycle

| Start the Project | Organising & Planning | Implement & Carry out the works | Ending the Project |
|---|---|---|---|
| **Initiate** | **Plan** | **Deliver** | **Close** |
| ❖ Project Details<br>❖ Project Overview<br>❖ Strategic Alignment<br>❖ Project Linkages<br>❖ Assessment & Prioritisation<br>❖ Proposed Budget | ❖ Detailed Scope<br>❖ Roles & Responsibilities<br>❖ Project Schedule<br>❖ Risk Analysis<br>❖ Stakeholder Analysis<br>❖ Engagement Plan<br>❖ Concept Design<br>❖ Design/Survey<br>❖ Procurement<br>❖ Implementation Budget | ❖ Final Agreed Scope<br>❖ Roles & Responsibilities<br>❖ Revised Delivery Schedule<br>❖ Revised Risk & Issue Analysis<br>❖ Final Budget<br>❖ Project Implementation | ❖ Review Project Outcomes<br>❖ Project Handover<br>❖ Evaluation Performance<br>❖ Capture Lessons Learned<br>❖ Close the Loop with Project Stakeholders<br>❖ Financial Acquittal<br>❖ Formal Project Closure |
| *Sign off SLT & GM - to determine if supported to progress to ELT/Council Assessment (\*Decision Gate)* | **Monitor & Control**<br>❖ Schedule<br>❖ Risk/Issues<br>❖ Cost/Budget Management<br>❖ Contract Management<br>❖ Quality Management<br>❖ Project Reporting | | |

**\*PMO manages outcome with direction from ELT**

◆ *Phase Gate - Sign off SLT & GM based contractual delegations*

▮ Project Phase   ▮ Process Group

❖ *Project process*

**WORKSHOP / PRESENTATION ITEMS**

**OTHER BUSINESS**

**MEETING CLOSURE**