

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, 08 October 2019 at 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 20 August 2019

Originating Officer Governance Officer - Angela Porter

Corporate Manager Manager Corporate Governance - Kate McKenzie

Report Reference: FAC191008R01

RECOMMENDATION:

That the minutes arising from the Finance and Audit Committee Meeting held on 20 August 2019 be taken as read and confirmed.

ATTACHMENTS:

#	Attachment	Type
1	FAC190820 - Final Minutes v2	PDF File

FAC190820 - FINANCE AND AUDIT COMMITTEE MEETING

Tuesday, 20 August 2019 at 04:00 PM

Council Administration Centre, 245 Sturt Road, Sturt



PRESENT:

Mr Greg Connor (Chair), Ms Natalie Johnston, Councillor Gard and Councillor Clancy

In Attendance

Mr Tony Lines	Acting Chief Executive Officer
Ms Fiona Harvey	Acting General Manager City Development
Mr Ray Barnwell	Acting General Manager Corporate Services
Ms Jaimie Thwaites	Unit Manager Governance and Council Support
Ms Cass Gannon	Acting Manager Innovation and Strategy
Mr Dave Harman	Acting Manager Finance
Mr Mathew Allen	Manager Engineering and Field Services
Ms Annmarie Mabarrack	Acting ICT Manager
Ms Melissa Nottle-Justice	Business Improvement Officer
Ms Catrin Johnson	Senior Assets Project and Strategy Officer
Ms Liz Byrne	Manager Community Connections
Mr Brendan Lyons	Team Leader – Asset Systems
Mr Eric Beere	KPMG
Mr Justin Jamieson	KPMG

OPEN MEETING

The Chair opened the meeting at 04:00 PM

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)

Nil declarations were made

CONFIRMATION OF MINUTES

Confirmation of the minutes for the Finance and Audit Committee Meeting held on 28 May 2019

Report Reference: FAC190820R01

Moved Councillor Gard

Seconded Councillor Clancy

1. That the minutes arising from the Finance and Audit Committee Meeting held on 28 May 2019 be taken as read and confirmed.

Carried Unanimously

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BUSINESS ARISING**Business Arising Statement****Report Reference:** FAC190820R02

The Committee noted the Business Arising Statement highlighting the following:

- Customer Experience Training for Elected Members will be considered as part of the Elected Member Training and Development Plan.
- Confirmed that the Chief Executive Officer has signed and sent the acknowledgement of engagement letters (Report Reference FAC190528R11)
- Noted the Terms of Reference for the Finance and Audit Committee will be revised and presented to Council in October / November for consideration with the appointment of Elected Member representative on Council Committees.

Moved Ms Johnson**Seconded Councillor Clancy**

1. That the Finance and Audit Committee note the report.

Carried Unanimously**CONFIDENTIAL ITEMS****Service Review - Corporate Information and Communication Technology - Report****Report Reference:** FAC190820F01**Moved Councillor Clancy****Seconded Councillor Gard**

1. That pursuant to Section 90(2) and (3)(a) and (d) of the *Local Government Act 1999*, the Finance and Audit Committee orders that all persons present, with the exception of the following persons: Tony Lines, Ray Barnwell, Fiona Harvey, Steph Roberts, Annmarie Mabarrack, Jaimie Thwaites, Cass Gannon and Mel Nottle-Justice be excluded from the meeting as the Committee receives and considers information relating to the *Service Review – Corporate Information and Communication Technology – Report*, upon the basis that the Committee is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential given the information, relates to personnel matters and commercial information of a confidential nature.

Carried Unanimously

4.05pm the meeting went into confidence

Moved Councillor Gard**Seconded Ms Johnston**

That the Finance and Audit Committee:

1. In accordance with Section 91(7) and (9) of the Local Government Act 1999 the Committee orders that this report, any attachment to this report and the minutes arising from this report having been considered in confidence under Section 90(2) and (3)(a) and 90(2) and 3(d) of the Act except when required to effect or comply with Council's resolution(s) regarding this matter, be kept confidential and not available for public inspection for a period of 12 months from the date of this meeting. This confidentiality order will be reviewed at the General Council Meeting in August 2020.

Carried Unanimously

4.25pm the meeting came out of confidence

REPORTS FOR DISCUSSION

The Chair sought leave of the meeting to move forward the report on the Internal Audit Program 2018/19. Leave was granted.

Internal Audit Program 2018/19
Report Reference FAC190820R11

Mr Justin Jamieson (KPMG) and Mr Eric Beere (KPMG) entered the meeting and provided an overview of the Cyber Security final report as part of the internal audit plan.

Mr Beere advised that the City of Marion's maturity rating is well above the sector average and the rating has increased since the last assessment performed in 2016/17. The engagement of CQR by Council means technical cyber security elements are well positioned. The key findings are outlined on Page 5 of KPMG's report (Page 98 of the agenda). It is important that cyber security is a whole of business issue and not just something driven by ICT.

The Committee queried if cyber security is on the corporate risk register and it was confirmed that it is. They also queried the target dates to complete recommendations and advised that 2020 was generally too far out so these dates should be reviewed and brought forward where appropriate.

4.32pm Councillor Clancy left the meeting**4.34pm Councillor Clancy re-entered the meeting**

When asked if CQR provided satisfactory surveillance quality, Mr Jamieson advised that they should broaden the picture to more than just ICT. The defenses are sound but the risks are always present. It was also confirmed that Council needs to comply with the Notifiable Data Breach Scheme.

The Committee noted the action relating to cyber security and contracts from a previous audit is still outstanding. This action is picked up again on page 12 of the report (Page 105 of the agenda) and needs to be completed.

Elected Member Report**Report Reference:** FAC190820R03

Councillor Clancy advised the Committee that Council had rescinded the motion on Onkaparinga Boundary Reform based on advice regarding the potential cost of pursuing the motion.

Desktop Review of Infrastructure Construction - Scoping Summary**Report Reference:** FAC190820R04

Manager Engineering and Field Services entered the meeting and provided an overview of the report. It was highlighted that the review will be conducted on the entire assets cycle and will include all the major assets groups such as roads, streetscapes, signage etc. The Desktop review will be carried out in conjunction with Charles Sturt and Port Adelaide Enfield Councils. It is believed improvement can be made in some areas so evidence will be sought on the ways to make improvements and inform the service rates. Enabling mobility in the field and improved quality are also desired outcomes of the review.

The Committee noted the report and sought the following clarification:

- The consultant (Erika Comrie) is costed through the cross council project.
- The aim is to bring back the report in October / November 2019.

Service Review Program and Recommendations - Progress Update**Report Reference:** FAC190820R05

The Acting Manager Innovation and Strategy entered the meeting and advised the Committee that since the last meeting, the number of service reviews with actions outstanding have reduced from 6 and 5.

The Committee sought an update on a number of items and the following information was provided:

- Living Kaurna Cultural Centre – Council has resolved to continue to work with Kaurna on the matter, with the aim to achieve a 51% Kaurna / 49% Council management model. An update on the item is due to Council in January.
- Records Management – The new Team Leader started last week so outstanding actions will be progressed.

Service Review - Neighbourhood/Community Centres - Scope**Report Reference:** FAC190820R06

The Manager Community Connections provided an overview of the report noting that the last review on the Neighbourhood Centres was done in July 2012. Currently the City of Marion has 4 Neighbourhood Centres which all receive a good amount of external funding. The timing of the service review has taken into account the trial being conducted over the warmer months to extend the opening hours of some of the centres.

The Committee noted the report and provided the following comments:

- Suggest look at what services could be provided that currently the National Disability Insurance Scheme cannot do through their current structures as it may provide the ability to get non rate income while providing a service to the community. It was noted that Council already works with Baptist Care in this space.
- Look outside for opportunities, not just at the bricks and mortar but the service profile.
- Encourage an agile approach to the service review that focuses on opportunities for improvement.

Asset Management Strategy

Report Reference: FAC190820R07

The Senior Assets Project and Strategy Officer provided an overview of the report noting that the aim of the document is to set the scene and direction for the organisation in relation to Asset Management.

The Committee noted the report, praised the intent of the document and provided the following feedback:

- Define the term asset sustainability ratio to ensure the reader will clearly understand the meaning
- On the spider web diagram the meaning of the term 'Significant Improvement' could be clearer
- Better define the measurements (including revising those that are statements not measurements)
- Change the term 'adequate funding' (for example to sustainable)
- Define acronyms (eg SLA, AMP etc)
- Explain / define 'whole of life / whole of council'
- Needs to be simpler and in plain English as a public document.

The Committee will be interested to see how the strategy is actually delivered.

Insurance and Claims Management 2018-19 Annual Report

Report Reference: FAC190820R08

The Committee noted the report and made the following comments:

- The report demonstrates that Council is in a good value insurance scheme.
- More details are requested on what are the two biggest claims.
- Further information on the mitigating factors to be provided in future reports.
- The different figures in tables 1 and 3 were explained. One figure is the claim value of vehicles incidents and the other is the claim value against property claims where a vehicle was involved (eg may include fence damaged by a vehicle etc).

Work Health & Safety - Annual Performance Report 2019

Report Reference: FAC190820R09

The Committee noted that it was unfortunate the Loss Time Injury (LTI) Key Performance Indicator was not met. It was highlighted that although the number of LTI's had increased the number of days lost had reduced, meaning people were returning to work sooner. When someone is injured the focus has changed to what can they do as opposed to what they cannot. Work is being undertaken internally to create a more meaningful list of light duties that staff can undertake if required at City Services.

Business Continuity Management Policy and Framework**Report Reference:** FAC190820R10

In response to a question, the Committee was advised that the Business Impact Assessment and Maximum Outage Times are addressed in other documents.

Moved Councillor Clancy**Seconded Ms Johnston**

That the Finance and Audit Committee:

1. Recommends that the revised Business Continuity Management Policy be submitted to Council for consideration and adoption

Carried Unanimously**REPORTS FOR NOTING****Internal Audit Program - Implementation of Recommendations****Report Reference:** FAC190820R12

The Finance and Audit Committee noted the status of the Internal Audit Program and highlighted the Corporate Performance Reporting and Contractor Management recommendations that remain outstanding.

Project Management Framework Update**Report Reference:** FAC190820R13

The Acting General Manager City Development entered the meeting and highlighted that all capital works projects are now in the system and the first reports will be run this month. 30-40 new users have been introduced to the system so changes to documentation will be considered as feedback is received for these users. It was highlighted that the benefit is that all projects are in the one place, real time reporting is now possible and project and program risk reporting is captured in the new system.

The Committee sought and was provided clarification on the following:

- All projects are categorized within the framework
- There is a checklist at the initiation of a project which outlines the requirements for developing the project plan
- The creation of document templates has occurred within the Project Management System
- The implementation of the framework has taken some time to ensure a focus on the change management and impacts on people.

Asset Valuation Process and Outcomes for 2018/19**Report Reference:** FAC190820R14

The Acting Finance Manager entered the meeting and gave an overview of the report. It was noted there was little movement in the asset valuations for the 2018/19 year (0.3%) and the valuation also captured the addition of contributed assets at Tonsley. The valuation cycle with regard to the timing of full and desktop valuations was discussed and it was confirmed that it is more efficient to perform the comprehensive valuations at once rather than stagger over a couple of years.

The Committee noted the report.

Impact of AASB 16 Leases on Council**Report Reference:** FAC190820R15

The Acting Finance Manager entered the meeting and gave an overview of the report.

The Committee noted the report.

WORKSHOP / PRESENTATION ITEMS

Nil

OTHER BUSINESS

Nil

MEETING CLOSURE - Meeting Declared Closed at 5.35pm**CONFIRMED THIS 8 OCTOBER 2019**

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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 - Sorana Dinmore
Report Reference	FAC191008R02

REPORT OBJECTIVE

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

RECOMMENDATION

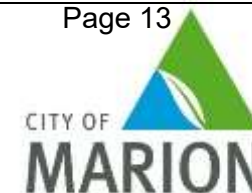
That the Finance and Audit Committee note the report.

Attachment

#	Attachment	Type
1	FAC191008 - Business arising statement	PDF File

CITY OF MARION

BUSINESS ARISING FROM FINANCE AND AUDIT COMMITTEE MEETINGS

AS AT 3rd OCTOBER 2019

	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
1.	February 2019	Internal Audit Program 2018/19 Customer Experience Consider Customer Experience Training as part of the Elected Member Training and Development Plan.	K Cocks/ K McKenzie	TBA	This item is being considered as part of the Elected Member Training and Development Plan.	

* Completed items to be removed are shaded

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 Followed by 7.00 – 9.00 pm (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
Overdue 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 – Reviews and Monitoring	Review and Feedback
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback
Review of the FAC Terms of Reference and Skills Matrix	Review and Recommendation to Council
Corporate Reporting Framework	Review and Feedback
Annual Report on Business Continuity	Review and Feedback

Corporate Risk Profile	Review and Feedback
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TUESDAY, 20 August 2019 (Joint Workshop with Council)

Topic	Action
Elected Member Report	Communication Report
Annual Review of WHS Program	Review and Feedback
Project Management Framework Update	
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
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 Internal auditors in camera	Seeking feedback from Auditors
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

CONFIDENTIAL ITEMS - Nil

REPORTS FOR DISCUSSION

Elected Member Report

Originating Officer	Manager Corporate Governance - Kate McKenzie
Corporate Manager	Manager Corporate Governance - Kate McKenzie
General Manager	General Manager Corporate Services - Sorana Dinmore
Report Reference	FAC191008R03

REPORT OBJECTIVE

Section 3.5 of the Finance and Audit Committee Terms of Reference states "where the Council makes a decision relevant to the Finance and Audit Committees Terms of Reference, the Elected Member Representative will report the decision to the Audit Committee at the next Committee meeting and provide relevant context".

RECOMMENDATION

That the Finance and Audit Committee:

1. Note this report

GENERAL ANALYSIS

Since the last FAC meeting, Council has met three (3) times. At these three (3) meetings, the Council made the following decisions that relate to the Finance and Audit Committee Terms of Reference in chronological order:

DISCUSSION

27 August 2019 - General Council Meeting

It was noted at this meeting that Councillor Tim Pfeiffer tendered his resignation from Council due to work opportunities that were not located within Adelaide.

Corporate Risk Report - Quarter Four 2018/19 including Annual Risk Profile

Council considered the quarterly report on the Council's Risk profile and high risks. The report was noted.

2nd September 2019 - Special Council Meeting

Cove Sports and Community Committee Investigation - Confidential

Council considered a confidential report regarding matters at the Cove Football Club. If the FAC require further information, the Committee will be required to move into confidence

24th September 2019 - General Council Meeting

Coastal Walkway Audit - Project Update

Council considered a further report on the closure of the Coastal Walkway. Council noted that a further report will be presented to Council on 26 November 2019 regarding the outcomes of the investigations and a Plan to move forward regarding the repairs and funding for the walkway.

Business Continuity Management Policy and Framework

Council considered and adopted the revised Business Continuity Management Policy and Framework.

Annual Financial Statements for the year ended 30 June 2019

Originating Officer	Unit Manager Statutory Finance and Payroll - David Harman
Corporate Manager	Manager Finance - Ray Barnwell
General Manager	General Manager Corporate Services - Sorana Dinmore
Report Reference	FAC191008R04

REPORT OBJECTIVE

This report presents the City of Marion's Annual Financial Statements for the financial year ended 30 June 2019. Reports provided include:

1. Representation letters (Attachment 1) - audit of annual financial report for period 1 July 2018 to 30 June 2019. The purpose of these letters is to express an opinion as to whether the financial report is prepared in accordance with Australian Accounting Standards, the Local Government Act 1999 and other mandatory reporting requirements in Australia. These letters will be signed by Adrian Skull, CEO and Sorana Dinmore, General Manager Corporate Services once the statements have been adopted by Council.
2. Comparative analysis to prior year Audited Financial Statements and original adopted budget (Analytical Review) – Attachment 2
3. Annual Financial Statements for year ended 30 June 2019 – Attachments 3 to 5.
4. External Auditor (Deloitte Touché Tohmatsu) report to Council – Attachment 6.

These reports are provided for consideration by the Finance and Audit Committee prior to adoption of the 2018/19 Annual Financial Statements by Council at its meeting on 22 October 2019.

EXECUTIVE SUMMARY

The 2018/19 Annual Financial Statements demonstrate Council's ongoing strong financial performance, providing a sound basis for Council's long-term objectives set out in its Strategic Plan.

In summary, Council achieved an Operating Surplus of \$12.134m, which was \$7.740m greater than the surplus forecast in the original adopted 2018/19 budget. The key factors resulting in this higher than expected operating surplus are detailed at Attachment 2 (Analytical Review – against Adopted Budget 2018/19).

The Annual Financial Statements of the City of Marion, for the year ended 30 June 2019, have been completed with no audit findings with regards to the financial statements. Council's Auditors have indicated that they expect to issue an unmodified audit opinion subject to the satisfactory completion of the following matters:

- A subsequent events review up to the date of the audit opinion
- Receipt of management's signed representation letters

In accordance with its 'Terms of Reference' the Finance and Audit Committee provides independent advice and support to Council in helping it achieve its governance and prudential management obligations, including the review of Council's Annual Financial Statements to ensure they present fairly the state of affairs of the City of Marion.

This report has been prepared in accordance with section 127 of the Local Government Act and the Local Government Accounting Regulations.

In accordance with section 125 of the Local Government Act 1999 Council's external auditors have also assessed the Internal Financial Control environment in regards to Council's compliance with all material aspects of the Act.

As outlined in their Management Letter (Attachment 6) Deloitte carried over two of their previous year Internal Financial Control audit findings with two new recommendations made to further strengthen our Internal Control environment. All of these have been categorised as 'insignificant' under the risk matrix and management have agreed to appropriately respond to all of these recommendations. Council's Auditors have indicated that they expect to issue an unmodified audit opinion with regards to Council's Internal Financial Control environment.

As part of the annual audit process Council's external auditors perform a number of minor grant audits, which are required as part of each individual funding agreement.

Next Steps

Following the adoption of the 2018/19 Audited Financial Statements the 1st Budget Review 2019/20 process will be conducted, which includes:

- Adoption of the 2018/19 Carryovers & Unexpended Grants (noting that the funding relating to projects which have been retimed will be brought into the budget when required) as part of the First Budget Review;
- Reconciling and identifying the 2018/19 funding savings achieved against Council's adopted 2018/19 budget.

RECOMMENDATION

That the Finance and Audit Committee:

- 1. Recommends to Council that the audited Annual Financial Statements for the year ended 30 June 2019, as included at Attachments 3-5, be adopted.**
- 2. Notes Deloitte's management letter, as included at Attachment 6.**
- 3. Notes the comparative analysis to prior year Audited Financial Statements and original adopted budget (Analytical Review), as included at Attachment 2.**

GENERAL ANALYSIS

The Statements have been prepared in accordance with applicable Australian Accounting Standards and the Local Government Regulations.

The Local Government Accounting Regulations require that a Council must prepare its accounts for audit by the second Friday in October and on or before 30 November, supply a copy of the Audited Financial Statements to each of the following:

- The Minister
- The Local Government Grants Commission
- The Deputy Commonwealth Statistician and Government Statistician

Legal / Legislative / Policy: Local Government Act 1999, Local Government (Financial Management) Regulations 2011

DISCUSSION

Four main statements are prepared as part of the Annual Financial Statements as summarised below:

STATEMENT OF COMPREHENSIVE INCOME

The Statement of Comprehensive Income details Council's revenues and expenses for the reporting period and reveals an operating surplus (before capital revenues and contributed assets) of \$12.134m for 2018/19 compared to an operating surplus of \$10.904m for 2017/18.

Operating Income – prior year comparison

Total Operating income for 2018/19 was \$95.637m compared to \$92.566m in 2017/18. The increase of \$3.071m (3.31%) predominantly results from an increase in Rates of \$2.3m (from an adopted rate increase of 1.8% + growth) in addition to the advance receipt of 2019/20 and 2020/21 Supplementary Road grant funding of \$0.963m. A number of other smaller variances are outlined and further detailed in Attachment 2 ("Analytical Review – against Prior Year Actual").

Operating Expenses – prior year comparison

Total Operating expense for 2018/19 was \$83.503m compared to \$81.662m in 2017/18. The increase of \$1.841m (2.3%) predominantly relates to an increase in Materials, Contracts & Other Expenses of \$2.313m (7.5%) including election expenses, waste collection, utilities and a significant cash contribution (\$1.0m) to the Oaklands Crossing grade separation project.

Employee costs increased \$1.587m (4.8%) in 2018/19 from 2017/18 included annual increases from Enterprise Agreements (2.3% Salary and 2.5% Wages) and lower than average capitalised labour (where staff costs are allocated to capital works). In addition, there were increases to grant funded positions (\$170k) and Council approved positions (\$211k).

Further analysis is detailed in Attachment 2 - ("Analytical Review – against Prior Year Actual").

Capital Revenues and Revaluation – prior year comparison

Other key variances reported on the Statement of Comprehensive Income are Amounts Received Specifically for New or Upgraded Assets (up \$3.117m) predominantly relating to State Government Grants received for the Sam Willoughby International BMX Track (\$1.3m) and Birch Crescent Streetscape (\$1.8m). Physical resources received free of charge has increased by \$5.189m primarily due to contributed assets relating to the Tonsley redevelopment.

Variances against the 2017/18 Statement of Comprehensive Income are further detailed in Attachment 2 ("Analytical Review – against Prior Year Actual").

KEY OPERATING RATIOS

OPERATING SURPLUS RATIO	2019	2018	2017
Operating Surplus (before capital revenues)	13%	12%	13%

This ratio expresses the operating surplus/(deficit) as a percentage of total operating revenue. The target set in Council's Long Term Financial Plan is to "maintain a financial position at an average of between 0 and 10% over any five financial years".

Comment:

The Operating Surplus Ratio in the adopted budget for 2018/19 was 4.75% and this has been significantly impacted by the Grants Commission Supplementary Road Grant (\$963k) and reduction in depreciation expense following the 2017/18 comprehensive asset revaluation (\$2,087k).

RATE REVENUE RATIO	2019	2018	2017
Rate Revenue Operating Revenue	81%	81%	82%

This ratio expresses rate revenue as a percentage of operating revenue.

Although this ratio is not a prescribed ratio required by the 'Model Set of Accounts' it is a valuable indicator as it highlights Council's reliance on rates as a revenue source and the need for Council to seek alternative sources of income.

Comment:

To address the dependency of Council on rate revenue the following programs have been implemented:

- Creation of the External Funding Attraction Program, with a focus on internal training and development of Council officers to maximise grant opportunities.
- Annual review of Fees and Charges Schedule.

STATEMENT OF FINANCIAL POSITION

The Statement of Financial Position provides details of Council's assets, liabilities and equity as at 30 June 2019.

Infrastructure, Property, Plant & Equipment (IPP&E):

Council's IPP&E increased by \$19.313m (1.7%) compared to 2017/18 with the majority of the movement relating to Physical Assets Received Free of Charge of \$5.320m primarily relating to the Tonsley redevelopment and a net revaluation increase of \$2.055m.

The table below identifies the key contributors to the movement in Council's non-current assets which can mainly be attributed to revaluations of its Infrastructure assets.

	2019 \$000s	2018 \$000s	Increase/(Decrease) \$000s
Buildings	111,509	106,068	5,441
Infrastructure	664,171	652,385	11,786

Other variances when comparing 2018/19 against the 2017/18 Statement of Financial Position are further detailed in Attachment 2 ("Analytical Review – against Prior Year Actual").

KEY FINANCIAL POSITION RATIOS

WORKING CAPITAL RATIO	2019	2018	2017
Current Assets - (Less <u>Restricted Assets</u>) Current Liabilities - (Liabilities associated with Restricted Assets)	2.9	2.5	2.1

This ratio focuses on the liquidity position of Council, adjusting for restricted assets (e.g. unspent specific tied grants that would need to be excluded from Council's current assets as Council would be restricted from using this cash to meet short term liabilities).

Council's target for this ratio is between 1.0 and 1.1.

Comment:

Council's cash flow is in a strong position to undertake day to day operations, along with having sufficient cash to cover the balances in its Asset Sustainability Reserve. Council's significant cash reserves quarantined for future major projects and long term asset management objectives have impacted on this ratio.

ASSET RENEWAL FUNDING RATIO	2019	2018	2017
<u>Net Asset Renewals</u> Depreciation Expense	114%	75%	75%

Net asset renewal expenditure is defined as net capital expenditures on the renewal and replacement of existing assets, and excludes new capital expenditure on the acquisition of additional assets.

This ratio indicates whether the Council is renewing or replacing existing assets at the rate of consumption. A long term average ratio of 95-100% would indicate that Council is investing adequately in maintaining its asset base.

Comment:

Council's Long Term Financial Plan (LTFP) is set to achieve an average Asset Renewal Funding Ratio of 96% over the next three years, and 91% over the 10-year term of the LTFP. The higher than average ratio of 114% achieved in 2018/19 is due to the renewal of the Edwardstown Soldiers Memorial Recreation Centre.

ASSET CONSUMPTION RATIO	2019	2018	2017
<u>Carrying value of depreciable assets</u> Gross value of depreciable assets	77%	77%	78%

This ratio shows the consumption of the asset stock at a point in time (or the percentage of useful life remaining). Depreciation represents the reduction in value of the assets each year and therefore accumulated depreciation is the total reduction in the carrying value of the assets.

Council's target for this ratio is between 80-100%.

Comment:

A ratio higher than 80% indicates that Council's overall asset base has on average a relatively high remaining useful life. A result of between 40% and 80% is considered acceptable.

BORROWINGS

In assessing Council's financial position it is appropriate to consider liabilities in relation to borrowings. Borrowings are required by Council from time to time to finance strategic long-term assets for the orderly development of the City. Council's total borrowings as at the 30 June 2019 were \$6.805m a net decrease of \$1.100m over the level of borrowings in June 2018.

The following indicators are used to monitor Council's performance in relation to its current level of debt.

KEY DEBT RATIOS

NET FINANCIAL LIABILITIES RATIO	2019	2018	2017
<u>Net Financial Liabilities</u> Total Operating Revenue	(37%)	(33%)	(25%)

This ratio indicates the extent to which net financial liabilities of the council can be met by the council's total operating revenue and is based on the Net Financial Liabilities above.

Comment:

This result is due to Council's Financial Assets currently exceeding its Financial Liabilities predominantly as a result a substantial holding of cash and other financial assets allocated for unexpended grants and funding for capital projects carried over or retimed to 2019/20 and beyond totalling \$17.436m. Without these holdings this ratio would be (-19%). Council's capacity to meet its financial obligations from operating revenues is strong and it has capacity to meet future requirements identified in its Long Term Financial Plan.

INTEREST COVER RATIO	2019	2018	2017
<u>Net Interest Expense</u> Total Operating Revenue	(0.8%)	(0.6%)	(0.4%)

Net interest costs are defined as total interest expenses less total interest revenues. This ratio indicates the extent to which Council's commitment to interest expenses are met by total operating revenues.

Comment:

Negative ratios have been recorded for the past 4 years reflecting interest revenues being greater than interest expenses.

DEBT SERVICING RATIO	2019	2018	2017
<u>Principal + Interest</u> Total Operating Revenue	1.6%	1.9%	2.4%

This ratio identifies Council's ability to service its debt obligations from operating revenues, with a maximum target set at 5%.

Comment:

The ratio confirms that Council has a low debt holding and is well positioned for future borrowings outlined in its Long Term Financial Plan. The 1.6% result is below the maximum target of 5%.

STATEMENT OF CHANGES IN EQUITY

The Statement of Changes in Equity reconciles the opening and closing balances of Council's equity over the reporting period.

The balance of equity represents Council's net worth of \$1,197.9m as reflected in the Statement of Financial Position.

CASH FLOW STATEMENT

The Cash Flow Statement details the cash movements for the year ended and reconciles with Note 11 of the Annual Financial Statements.

The Statement indicates a decrease in Cash, Cash Equivalents and Investments of \$2.375m compared to 30 June 2018. As previously mentioned a sizable portion of the cash position is committed to unexpended grants, carryovers and retimed works. Council also retains significant cash reserves quarantined for future major projects and long term asset management objectives.

KEY CASH RATIOS

OPERATING CASH FLOW COVERAGE	2019	2018	2017
Cash Flow from Operations - (Loan Principal Repayments) Average Annual Optimal Level of Expenditure per Council's Asset Management Plans	139%	132%	147%

This ratio identifies Council's abilities to fund its operating and capital expenditure requirements without the need for significant sudden rate increases or service reductions, and whilst continuing to maintain intergenerational equity and the sustainable and responsible use of borrowings. Council's target for this ratio is between 100% and 105%.

Comment:

Council's operating cash flow coverage is sufficient to meet the asset renewal requirements included in its Long Term Financial Plan. This ratio has been impacted by higher than forecast investment returns with Council's significant cash reserves quarantined for future major projects and managing its long term asset management objectives.

RESERVE FUNDS

A review of the balances of Council's reserves indicates that they are at a level sufficient to meet their purpose and intent which are listed in Note 9 Reserves in Attachment 3. Council's current Reserve funds are made up of the following:

Grants and Carryovers Reserve: \$17.436m

This is made up of grant funded carryover projects and capital works carried over to 2019/20 or retimed to future years as required.

Open Space Reserve: \$2.186m

It is considered by management that the current balance of this fund is adequate to meet its intended purpose.

Asset Sustainability Reserve – General \$10.718m

The current balance in this fund is considered by management to be adequate to provide Council with the funding capacity to not only respond to a major infrastructure failure (\$2m is retained in this reserve for this specific purpose) but to also assist Council in managing its long term asset management objectives.

Asset Sustainability Reserve – Community Facility Partnership Fund (CFPP) \$6.015m

Funding has been specifically set aside in the Asset Sustainability Reserve for the renewal, upgrade and purchase of Council assets as specifically resolved by Council. It includes a balance set aside to encourage organisations leasing council facilities to seek partnership funding for the required renewal and upgrade of those facilities.

Asset Sustainability Reserve – Major New Projects **\$1.525m**

Funding has also been specifically set aside in the Asset Sustainability Reserve for major new projects. Council has endorsed a significant funding contribution to the Southern Region Soccer Facility from this reserve.

Water Reserve **\$0.531m**

This reserve has been established to quarantine revenue received and savings identified from the sale and use of treated stormwater from the Oaklands Wetland to further develop third party supply opportunities.

EQUITY ACCOUNTED INVESTMENTS

Council has part ownership in two equity accounted investments and is required to include its equity share in these in its Annual Financial Statements along with copies of these entities' Financial Statements.

Southern Region Waste Resource Authority (SRWRA)

SRWRA provides and operates services for the management of waste and waste facilities on behalf of its constituent councils – The Cities of Onkaparinga, Marion and Holdfast Bay – ensuring that a long term Waste Management Strategy exists in the southern region of Adelaide. The City of Marion has a 30% share in SRWRA.

Council Solutions

Council Solutions is a joint initiative of the Cities of Adelaide, Charles Sturt, Marion, Onkaparinga, Salisbury and Tea Tree Gully. Its purpose is to optimise the financial sustainability of its constituent councils through the benefits of collaborative strategic procurement and contract negotiation and management. The City of Marion has a 16.67% share in Council Solutions.

Attachment

#	Attachment	Type
1	1. Management Representation Letters	PDF File
2	2. Analytical Review	PDF File
3	3. Annual Financial Statements 2019 CoM	PDF File
4	4. SRWRA Annual Report 2019	PDF File
5	5. Council Solutions Financial statements 2019	PDF File
6	6. Deloitte Reports	PDF File

(client letterhead)

22 October 2019

Deloitte Touche Tohmatsu
11 Waymouth Street
Adelaide, SA 5000

This representation letter is provided in connection with your audit of the financial report of the Corporation of the City of Marion for the year ended 30 June 2019, for the purpose of expressing an opinion as to whether the financial report is presented fairly, in all material respects, in accordance with the Local Government Act 1999 including compliance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Local Government (Financial Management) Regulations 2001.

We confirm that:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated 27 May 2019, for the preparation of the financial report in accordance with the Local Government Act 1999 including compliance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Local Government (Financial Management) Regulations 2001; in particular the financial report is presented fairly, in all material respects, in accordance therewith.
2. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial report such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit;
 - Unrestricted access to the persons within the entity from whom you determined it necessary to obtain audit evidence; and
 - All requested information, explanations and assistance for the purposes of the audit.
3. All transactions have been recorded in the accounting records and are reflected in the financial report.
4. We are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
5. We have disclosed to you the results of our assessment of the risk that the financial report may be materially misstated as a result of fraud.
6. We have disclosed to you knowledge of any fraud or suspected fraud affecting the entity involving management, employees who have significant roles in internal control or others where the fraud could have a material effect on the financial report.
7. There have been no allegations of fraud, or suspected fraud, materially affecting the entity's financial report communicated by employees, former employees, analysts, regulators or others.
8. There have been no instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial report.
9. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

10. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
11. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Local Government Act 1999 including compliance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Local Government (Financial Management) Regulations 2001.
12. All known actual or possible litigation and claims whose effects should be considered when preparing the financial report have been disclosed to you and accounted for and disclosed in accordance with the Local Government Act 1999 including compliance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Local Government (Financial Management) Regulations 2001.
13. There are no uncorrected misstatements to the financial report as a whole.
14. All events occurring subsequent to the date of the financial report and for which the Local Government Act 1999 including compliance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Local Government (Financial Management) Regulations 2001 require adjustment or disclosure have been adjusted or disclosed within the financial report.
15. In respect of other information:
 - we have informed you of all the documents that we expect to issue that may comprise other information; and
 - The financial report and any other information obtained by you prior to the date of your auditor's report is consistent with one another, and the other information does not contain any material misstatements
16. The selection and application of accounting policies as described in Note [1] in the financial report are appropriate.
17. We have no plans or intentions that may affect the carrying value or classification of assets and liabilities.
18. Liabilities, both actual and contingent, have been properly recorded and, when appropriate, adequately disclosed in the financial report.
19. The entity has satisfactory title to, or control over all assets and there are no liens or encumbrances on such assets that have not been disclosed nor has any asset been pledged as collateral.
20. We have properly recorded and, when appropriate, adequately disclosed in the financial report the affects of any laws, regulations and contractual agreements on the financial report, including non-compliance.
21. We have communicated to you all deficiencies in internal control of which we are aware.
22. All post-employment benefits have been identified and properly accounted for and all events impacting the plans have been brought to the actuary's attention.

23. For defined benefit plans:

- (a) the actuarial assumptions underlying the valuation of the plan are in accordance with the Council's best estimate of future events and are consistent with our knowledge of the business;
- (b) the actuary's calculations have been based on complete and up-to-date member information; and
- (c) the amounts included in the financial report derived from the work of the actuary are in accordance with the requirements of AASB 119 "Employee Benefits".

24. For any transactions and structures, including "Special Purpose Vehicles/Entities" that we consider are appropriately classified as off-balance sheet, we have not withheld any information and documentation from you and there are no side agreements that we have not disclosed to you. In addition, there are no other relationships of a related party nature which would affect how these transactions and structures are accounted for, that we have not disclosed to you.

25. We have obtained all necessary information from subsidiaries that are not subject to Accounting Standards in Australia, to enable us to make appropriate adjustments for the purpose of preparing the financial report. Appropriate adjustments have been made to the information provided by the subsidiaries, to enable the preparation of the financial report.

26. We have disclosed to you all financial guarantees that we have given to third parties and we have accounted for these guarantees in accordance with the requirements of AASB 9 "Financial Instruments".

We understand that your audit was conducted in accordance with Australian Auditing Standards and was, therefore, designed primarily for the purpose of expressing an opinion on the financial report of the entity taken as a whole, and that your test of the financial records and other auditing procedures were limited to those which you considered necessary for that purpose.

Yours faithfully

Adrian Skull
Chief Executive Officer

Date

Sorana Dinmore
General Manager Corporate Services

Date

Appendix A to the Management Representation Letter
City of Marion 30 June 2019

Account Name	Account Number	Assets DR/(CR)	Liabilities DR/(CR)	Retained Earnings DR/(CR)	Other Equity DR/(CR)	Income Statement DR/(CR)	Total DR/(CR)
Known misstatements							
None noted							
Likely misstatements							
None noted							
Carry over effects of prior year misstatements							
None noted							
		0	0	0	0	0	0

Description of Disclosure Deficiency	Disclosure Title	Disclosure Number	Amount (where applicable)	Management Reason for Disclosure Deficiency (e.g., not deemed material for disclosure)
None noted				

(client letterhead)

22 October 2019

Lee Girolamo
Deloitte Touche Tohmatsu
11 Waymouth Street,
Adelaide, South Australia,
5000, Australia

Dear Lee Girolamo,

This representation letter is provided in connection with your reasonable assurance engagement for the purpose of you expressing an opinion as to whether, the requirement to design and implement internal controls in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and incurring of liabilities has been performed, in all material respects, in accordance Section 125 of the Local Government Act 1999 ("the Act") for the period 1 July 2018 to 30 June 2019.

We confirm that, to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purpose of appropriately informing ourselves:

1. We have provided you with:
 - (a) access to all information of which we are aware that is relevant to the purposes of your reasonable assurance engagement such as records, documentation and other matters;
 - (b) additional information that you have requested from us for the purpose of the reasonable assurance engagement; and
 - (c) unrestricted access to persons within the Corporation of the City of Marion from whom you determined it necessary to obtain evidence.
2. We have fulfilled our responsibilities, as set out in the terms of the reasonable assurance engagement letter dated 27 May 2019 for ensuring that the requirement to design and implement internal controls in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and incurring of liabilities has been performed, in accordance Section 125 of the Local Government Act 1999 ("the Act") for the period 1 July 2018 to 30 June 2019.
3. The effects of control deficiencies are immaterial, individually and in aggregate, to the requirement to design and implement internal controls in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and incurring of liabilities. A summary of such items is attached to this representation letter as Appendix A.
4. Significant assumptions used by us in making any material estimates are reasonable.
5. We have communicated to you all deficiencies in internal control relevant to the reasonable assurance engagement that are clearly not trivial or inconsequential of which we are aware.
6. We acknowledge that we are responsible for the underlying subject matter.

Yours sincerely,

Adrian Skull
Chief Executive Officer

Date

Sorana Dinmore
General Manager Corporate Services

Date

DRAFT

Appendix A to the Management Representation Letter - Internal Controls

30 June 2019

Control	Observation	Recommendation	Management Response
ASS-DEB-0012	There is no way of generating a report in the system which shows changes to debtor masterfile. It is possible to see the date a debtor was edited by clicking into each individual debtor however details of the change cannot be seen i.e. whether it was name, address etc.	Deloitte recommends that changes to the debtor master file are reviewed prior to the implementation of changes and supported with documented evidence of review.	Management has decided that the removal of a control is not appropriate. As the system remains to not be able to generate a report that shows changes to the Masterfile, this will continue to be a finding. Management will continue to pursue enhancement of existing reporting software to enable this exception reporting.
ASS-FIX-0031	It was noted that no formal reconciliation is currently performed on the asset listings that are provided to the valuers at year end. As the listings are not reconciled to the general ledger, the completeness of these listings cannot be ensured.	Deloitte recommends that the asset listings are reconciled to the general ledger and reconciliation be supported with documented evidence of review.	Management is aware that this is an issue and are in the process of working on fixing it. Management is aware of this issue and are in the process of assessing options for the replacement of its Asset Management System. This will extend to include that all control requirements can be met including links back to the general ledger.

Statement of Comprehensive Income	2018/19	2017/18	Variance	Variance	Favourable/ (Unfavourable)	Analysis
	\$000's	\$000's	\$000's	%		
Income						
Rates Revenues	77,175	74,864	2,311	3.1%	F	2018/19 Adopted Rate increase of 1.8% plus growth
Statutory Charges	2,277	2,305	(28)	(1.2%)	U	
User Charges	2,468	2,250	218	9.7%	F	Increase in sales income (\$151k) - Marion Outdoor Pool kiosk, Marion Cultural Centre and Cove Sports Club plus admission fees for Marion Outdoor Pool and Living Kaurua Cultural Centre up by (\$42k)
Grants, Subsidies & Contributions	10,917	9,954	963	9.7%	F	Receipt of Supplementary Road Grant for 2019/20 and 2020/21 in advance (\$963k)
Investment Income	1,214	1,112	102	9.2%	F	Higher than expected cash holdings throughout the year resulting in greater investment income - refer Investment Report
Reimbursements	641	654	(13)	(2.0%)	U	
Other Income	732	894	(162)	(18.1%)	U	Reduction in insurance recovery (\$119k) on prior year and sundry income (\$45k)
Net Gain - Equity Accounted Businesses	213	533	(320)	(60.0%)	U	Movement in equity accounted investments - refer Note 19 and SRWRA & Council Solutions Annual Financial Statements
Total Income	95,637	92,566	3,071	3.3%		
Expenses						
Employee Costs	34,861	33,274	1,587	4.8%	U	Includes annual increases from Enterprise Agreements of 2.3% Salary, 2.5% Wages in addition to an increase in Grant funded positions (\$170k) and council approved positions (211k)
Materials, Contracts & Other Expenses	33,157	30,844	2,313	7.5%	U	Increase in costs for SA Water (\$185k) , Waste Contract (\$296k), Admin Foyer Refurbishment (\$421k), Elections Expense (\$333k), contribution towards Oaklands Crossing design (\$1,000k)
Depreciation, Amortisation & Impairment	15,018	16,991	(1,973)	(11.6%)	F	Decrease in depreciation expense due to comprehensive revaluation in 2017/18
Finance Costs	467	541	(74)	(13.7%)	F	No new borrowings were taken out resulting in a decrease in interest expense
Net Loss - Equity Accounted Businesses	0	12	(12)	(100.0%)	F	Movement in equity accounted investments - refer Note 19 and Council Solutions Annual Financial Statements
Total Expenses	83,503	81,662	1,841	2.3%		
Operating Surplus/(Deficit)	12,134	10,904	1,230	11.3%		
Asset Disposal & Fair Value Adjustments	(2,149)	(1,311)	(838)	63.9%	U	Asset disposal related differences, including disposal of remaining assets at Edwardstown Oval.
Amounts Received Specifically for New or Upgraded Assets	4,639	1,522	3,117	204.8%	F	Relates predominantly to State Government grants received for the Sam Willoughby International BMX track (\$1.3m) and Birch Crescent Streetscape (\$1.8m)
Physical Resources Received Free of Charge	5,320	131	5,189	3961.1%	F	
Net Surplus/(Deficit)	19,944	11,246	8,698	77.3%		
Other Comprehensive Income						
Changes in Revaluation Surplus - IPP&E	2,055	(4,922)	6,977	(141.8%)	F	Reflects change in the valuation of assets following desktop revaluation of infrastructure assets undertaken by independent professional valuers in 2018/19
Total Other Comprehensive Income	2,055	(4,922)	6,977	(141.8%)		
Total Comprehensive Income	21,999	6,324	15,675	247.9%		

Statement of Financial Position

	2018/19	2017/18	Variance	Variance	Analysis
	\$000's	\$000's	\$000's	%	
ASSETS					
Current Assets					
Cash & Cash Equivalents	11,784	21,509	(9,725)	(45.2%)	Additional funds invested in term deposits at 30 June with over 90 day terms included below in Other Financial Assets
Trade & Other Receivables	8,312	5,878	2,434	41.4%	Predominantly reflects State (\$1.9m) and Federal (\$0.4m) grant funding invoiced and not received at year end.
Other Financial Assets	34,800	27,450	7,350	26.8%	Relates to funds invested in term deposits with over 90 day terms at 30 June.
Inventories	243	227	16	7.0%	
Total Current Assets	55,139	55,064	75	0.1%	
Non-Current Assets					
Equity Accounted Investments in Council Businesses	6,028	5,815	213	3.7%	Movement in equity accounted investments - refer Note 19 and SRWRA and Council Solutions Annual Financial Statements
Infrastructure, Property, Plant & Equipment	1,151,845	1,132,532	19,313	1.7%	Movements in valuation of assets, net of asset acquisitions, disposals and depreciation
Other Non-Current Assets	4,290	6,826	(2,536)	(37.2%)	Decrease in Work In Progress, predominantly relating to the multi-year redevelopment of Edwardstown Soldiers Memorial Oval
Total Non-Current Assets	1,162,163	1,145,173	16,990	1.5%	
TOTAL ASSETS	1,217,302	1,200,237	17,065	1.4%	
LIABILITIES					
Current Liabilities					
Trade & Other Payables	6,248	10,339	(4,091)	(39.6%)	Larger volume of capital works completed in June 2018, invoiced in June 2018
Borrowings	1,170	1,100	70	6.4%	Current borrowings have increased as no new loans were taken out in the period
Provisions	5,765	5,422	343	6.3%	
Total Current Liabilities	13,183	16,861	(3,678)	(21.8%)	
Non-Current Liabilities					
Borrowings	5,635	6,805	(1,170)	(17.2%)	Reduction in total borrowings in line with scheduled repayments of existing loans - no new borrowings taken out during 2018/19
Provisions	614	700	(86)	(12.3%)	
Total Non-Current Liabilities	6,249	7,505	(1,256)	(16.7%)	
TOTAL LIABILITIES	19,432	24,366	(4,934)	(20.2%)	
Net Assets	1,197,870	1,175,871	21,999	1.9%	
EQUITY					
Accumulated Surplus	397,167	380,504	16,663	4.4%	Refer Statement of Comprehensive Income & Statement of Change in Equity (movement in comprehensive income net of reserve transfers)
Asset Revaluation Reserves	762,292	760,237	2,055	0.3%	Reflects change in the valuation of assets following desktop revaluation of infrastructure assets undertaken by independent professional valuers in 2018/19
Other Reserves	38,411	35,130	3,281	9.3%	Increase in amounts held in reserves
Total Council Equity	1,197,870	1,175,871	21,999	1.9%	

Statement of Comprehensive Income	2018/19 \$000's	Original Budget \$000's	Variance \$000's	Variance %	Favourable/ (Unfavourable)	Analysis
Income						
Rates Revenues	77,175	77,173	2	0.0%	F	
Statutory Charges	2,277	2,121	156	7.4%	F	Parking fines (\$86k), and dog registration & fines (\$62k)
User Charges	2,468	2,175	293	13.5%	F	Increase in Marion Outdoor Pool admission charges (\$128k) and a number of minor increases
Grants, Subsidies & Contributions	10,917	8,658	2,259	26.1%	F	Advance payment of 2019/20 and 2020/21 Grants Commission Supplementary Road Grant (\$963k), Warradale Tennis Club Flood Lights (\$250k), Smart Cities & Suburbs (\$196k) and Move It Marion (\$141k)
Investment Income	1,214	704	510	72.4%	F	Actual interest reflects on actual cash holdings throughout the year - refer Investment Report
Reimbursements	641	540	101	18.7%	F	
Other Income	732	878	(146)	(16.6%)	U	Minor variances over a number of different areas
Net Gain - Equity Accounted Businesses	213	344	(131)	(38.1%)	U	Movement in equity accounted investments - refer Note 19 and SRWRA Annual Financial Statements
Total Income	95,637	92,593	3,044	3.3%		
Expenses						
Employee Costs	34,861	34,896	(35)	(0.1%)	F	
Materials, Contracts & Other Expenses	33,157	35,731	(2,574)	(7.2%)	F	Replacement of Asset Management System deferred to 2019/20 (\$978k)
Depreciation, Amortisation & Impairment	15,018	17,105	(2,087)	(12.2%)	F	Decrease in depreciation expense following comprehensive asset revaluation in 2017/18
Finance Costs	467	467	0	0.0%	F	
Net Loss - Equity Accounted Businesses	0	0	0	0.0%	F	Movement in equity accounted investments - refer Note 19 and Council Solutions Annual Financial Statements
Total Expenses	83,503	88,199	(4,696)	(5.3%)		
Operating Surplus/(Deficit)	12,134	4,394	7,740	176.1%	F	
Asset Disposal & Fair Value Adjustments	(2,149)	0	(2,149)	0.0%	U	Predominantly relates to demolition of Edwardstown Soldiers Memorial Recreation Oval buildings being replaced.
Amounts Received Specifically for New or Upgraded Assets	4,639	0	4,639	0.0%	F	Relates predominantly to Government grants and club contributions received for the Sam Willoughby International BMX track (\$1.3m), Birch Crescent Streetscape (\$1.8m), Morphettsville Park Sports Club Redevelopment (\$500k) and Vietnam Veterans RSL Clubhouse relocation (\$417k)
Physical Resources Received Free of Charge	5,320	0	5,320	0.0%	F	Contributed assets relating to the Tonsley redevelopment
Net Surplus/(Deficit)	19,944	4,394	15,550	353.9%	F	
Other Comprehensive Income						
Changes in Revaluation Surplus - IPP&E	2,055	0	2,055	0.0%	F	
Share of Other Comprehensive Income - Equity Accounted Council Business	0	0	0	0.0%		
Total Other Comprehensive Income	2,055	0	2,055	0.0%		
Total Comprehensive Income	21,999	4,394	17,605	400.7%	F	

City of Marion

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019



City of Marion

General Purpose Financial Statements for the year ended 30 June 2019

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City of Marion

General Purpose Financial Statements for the year ended 30 June 2019

Certification of Financial Statements

We have been authorised by the Council to certify the financial statements in their final form.

In our opinion:

- the accompanying financial statements comply with the *Local Government Act 1999*, *Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards,
- the financial statements present a true and fair view of the Council's financial position at 30 June 2019 and the results of its operations and cash flows for the financial year,
- internal controls implemented by the Council provide a reasonable assurance that the Council's financial records are complete, accurate and reliable and were effective throughout the financial year,
- the financial statements accurately reflect the Council's accounting and other records.

Adrian Skull
CHIEF EXECUTIVE OFFICER

Kris Hanna
MAYOR

Date:

City of Marion

Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018
Income			
Rates Revenues	2a	77,175	74,864
Statutory Charges	2b	2,277	2,305
User Charges	2c	2,468	2,250
Grants, Subsidies and Contributions	2g	10,917	9,954
Investment Income	2d	1,214	1,112
Reimbursements	2e	641	654
Other Income	2f	732	894
Net Gain - Equity Accounted Council Businesses	19	213	533
Total Income		95,637	92,566
Expenses			
Employee Costs	3a	34,861	33,274
Materials, Contracts & Other Expenses	3b	33,157	30,844
Depreciation, Amortisation & Impairment	3c	15,018	16,991
Finance Costs	3d	467	541
Net loss - Equity Accounted Council Businesses	19	-	12
Total Expenses		83,503	81,662
Operating Surplus / (Deficit)		12,134	10,904
Asset Disposal & Fair Value Adjustments	4	(2,149)	(1,311)
Amounts Received Specifically for New or Upgraded Assets	2g	4,639	1,522
Physical Resources Received Free of Charge	2i	5,320	131
Net Surplus / (Deficit) ¹		19,944	11,246
Other Comprehensive Income			
<i>Amounts which will not be reclassified subsequently to operating result</i>			
Changes in Revaluation Surplus - I,PP&E	9a	2,055	(4,922)
Total Other Comprehensive Income		2,055	(4,922)
Total Comprehensive Income		21,999	6,324

¹ Transferred to Statement of Changes in Equity

City of Marion

Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018
ASSETS			
Current Assets			
Cash and Cash Equivalents	5a	11,784	21,509
Trade & Other Receivables	5b	8,312	5,878
Other Financial Assets	5c	34,800	27,450
Inventories	5d	243	227
Total Current Assets		55,139	55,064
Non-Current Assets			
Equity Accounted Investments in Council Businesses	6a	6,028	5,815
Infrastructure, Property, Plant & Equipment	7a	1,151,845	1,132,532
Other Non-Current Assets	6b	4,290	6,826
Total Non-Current Assets		1,162,163	1,145,173
TOTAL ASSETS		1,217,302	1,200,237
LIABILITIES			
Current Liabilities			
Trade & Other Payables	8a	6,248	10,339
Borrowings	8b	1,170	1,100
Provisions	8c	5,765	5,422
Total Current Liabilities		13,183	16,861
Non-Current Liabilities			
Borrowings	8b	5,635	6,805
Provisions	8c	614	700
Total Non-Current Liabilities		6,249	7,505
TOTAL LIABILITIES		19,432	24,366
Net Assets		1,197,870	1,175,871
EQUITY			
Accumulated Surplus		397,167	380,504
Asset Revaluation Reserves	9a	762,292	760,237
Other Reserves	9b	38,411	35,130
Total Council Equity		1,197,870	1,175,871

City of Marion

Statement of Changes in Equity
for the year ended 30 June 2019

\$ '000		Accumulated Surplus	Asset Revaluation Reserve	Other Reserves	Total Equity
	Notes				
2019					
Balance at the end of previous reporting period		380,504	760,237	35,130	1,175,871
a. Net Surplus / (Deficit) for Year		19,944	-	-	19,944
b. Other Comprehensive Income					
- Gain (Loss) on Revaluation of I,PP&E	7a	-	2,055	-	2,055
Other Comprehensive Income		-	2,055	-	2,055
Total Comprehensive Income		19,944	2,055	-	21,999
c. Transfers between Reserves		(3,281)	-	3,281	-
Balance at the end of period		397,167	762,292	38,411	1,197,870
2018					
Balance at the end of previous reporting period		373,871	765,159	30,517	1,169,547
a. Net Surplus / (Deficit) for Year		11,246	-	-	11,246
b. Other Comprehensive Income					
- Gain (Loss) on Revaluation of I,PP&E	7a	-	(4,922)	-	(4,922)
Other Comprehensive Income		-	(4,922)	-	(4,922)
Total Comprehensive Income		11,246	(4,922)	-	6,324
c. Transfers between Reserves		(4,613)	-	4,613	-
Balance at the end of period		380,504	760,237	35,130	1,175,871

City of Marion

Statement of Cash Flows

for the year ended 30 June 2019

\$ '000	Notes	2019	2018
Cash Flows from Operating Activities			
<u>Receipts</u>			
Rates Receipts		76,887	74,602
Statutory Charges		2,305	2,335
User Charges		2,715	2,475
Grants, Subsidies and Contributions (operating purpose)		11,375	10,222
Investment Receipts		1,214	1,112
Reimbursements		701	711
Other Receipts		3,818	5,665
<u>Payments</u>			
Payments to Employees		(34,991)	(33,446)
Payments for Materials, Contracts & Other Expenses		(39,842)	(35,993)
Finance Payments		(467)	(541)
Net Cash provided by (or used in) Operating Activities	11b	23,715	27,142
Cash Flows from Investing Activities			
<u>Receipts</u>			
Amounts Received Specifically for New/Upgraded Assets		4,639	1,522
Sale of Replaced Assets		2,233	529
Sale of Surplus Assets		132	318
Distributions Received from Equity Accounted Council Businesses		-	765
<u>Payments</u>			
Expenditure on Renewal/Replacement of Assets		(19,412)	(13,223)
Expenditure on New/Upgraded Assets		(12,582)	(8,687)
Net Purchase of Investment Securities		(7,350)	(15,550)
Net Cash provided by (or used in) Investing Activities		(32,340)	(34,326)
Cash Flows from Financing Activities			
<u>Receipts</u>			
Nil			
<u>Payments</u>			
Repayments of Borrowings		(1,100)	(1,197)
Repayment of Bonds & Deposits		-	(23)
Net Cash provided by (or used in) Financing Activities		(1,100)	(1,220)
Net Increase (Decrease) in Cash Held		(9,725)	(8,404)
plus: Cash & Cash Equivalents at beginning of period	11	21,509	29,913
Cash & Cash Equivalents at end of period	11	11,784	21,509
Additional Information:			
plus: Investments on hand - end of year	5a	34,800	27,450
Total Cash, Cash Equivalents & Investments		46,584	48,959

The above statement should be read in conjunction with the accompanying Notes and Significant Accounting Policies.

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City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

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City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted by Council in the preparation of these consolidated financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

1 Basis of Preparation

1.1 Compliance with Australian Accounting Standards

This general purpose financial report has been prepared on a going concern basis using the historical cost convention in accordance with Australian Accounting Standards as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and relevant South Australian legislation.

The financial report was authorised for issue by certificate under regulation 14 of the *Local Government (Financial Management) Regulations 2011* dated 31 May 2018.

1.2 Historical Cost Convention

Except as stated below, these financial statements have been prepared in accordance with the historical cost convention.

1.3 Critical Accounting Estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates and requires management to exercise its judgement in applying Council's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are specifically referred to in the relevant sections of these Notes.

1.4 Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000).

2 The Local Government Reporting Entity

City of Marion is incorporated under the South Australian *Local Government Act 1999* and has its principal place of business at 245 Sturt Road, Sturt. These financial statements include the Council's direct operations and all entities through which Council controls resources to carry on its functions. In the process of reporting on the Council as a single unit, all transactions and balances between activity areas and controlled entities have been eliminated.

Other entities in which Council has an interest but does not control are reported in Note 19.

3 Income Recognition

Income is measured at the fair value of the consideration received or receivable. Income is recognised when the Council obtains control over the assets comprising the income, or when the amount due constitutes an enforceable debt, whichever first occurs.

Where grants, contributions and donations recognised as incomes during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the amounts subject to those undischarged conditions are disclosed in these notes. Also disclosed is the amount of grants, contributions and receivables recognised as incomes in a previous reporting period which were obtained in respect of the Council's operations for the current reporting period.

In recent years the payment of untied financial assistance grants including supplementary road grants has varied from the annual allocation as shown in the table below:

	Cash Payment Received	Annual Allocation	Difference
2016/17	\$4,091,214	\$2,700,069	+\$1,391,145
2017/18	\$3,399,489	\$3,269,242	+\$130,247
2018/19	\$4,416,029	\$3,380,264	+\$1,035,765

Because these grants are untied, the Australian Accounting Standards require that payments be recognised upon receipt. Accordingly, the operating

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

Note 1. Summary of Significant Accounting Policies (continued)

results of these periods have been distorted compared to those that would have been reported had the grants been paid in the year to which they were allocated.

The Operating Surplus Ratio disclosed in Note 15 has also been calculated after adjusting for the distortions resulting from the differences between the actual grants received and the grants entitlements allocated.

4 Cash, Cash Equivalents and other Financial Instruments

Cash Assets include all amounts readily convertible to cash on hand at Council's option with an insignificant risk of changes in value with a maturity of three months or less from the date of acquisition.

Receivables for rates and annual charges are secured over the subject land, and bear interest at rates determined in accordance with the Local Government Act 1999. Other receivables are generally unsecured and do not bear interest.

All receivables are recognised initially at the transaction price, less the expected lifetime credit losses to be recognised.

All financial instruments are recognised at amortised cost. A detailed statement of the accounting policies applied to financial instruments forms part of Note 13.

5 Inventories

Inventories held in respect of stores have been valued by using the weighted average cost on a continual basis, after adjustment for loss of service potential. Inventories held in respect of business undertakings have been valued at the lower of cost and net realisable value.

6 Infrastructure, Property, Plant & Equipment

6.1 Initial Recognition

All assets are initially recognised at cost. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition.

All non-current assets purchased or constructed are capitalised as the expenditure is incurred and depreciated as soon as the asset is held "ready for use". Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including architects' fees and engineering design fees and all other costs incurred. The cost of non-current assets constructed by the Council includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overhead.

6.2 Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Council for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life. Examples of capitalisation thresholds applied during the year are given below. No capitalisation threshold is applied to the acquisition of land or interests in land.

Category	Individual Threshold
Infrastructure	\$5,000
Land	N/a
Land Improvements	\$5,000
Buildings	\$5,000
Furniture and Fittings	\$3,000
Equipment	\$3,000
Other	\$3,000

Thresholds are also applied to Aggregated Assets in determining whether the value is considered material.

Category	Aggregated Threshold
Infrastructure	
Reserve Lighting	\$250,000
Reserve Pathways	\$500,000
Buildings	
Bus Shelters	\$1,000,000
Shelters/Gazebos	\$250,000
Fencing	\$500,000

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

Note 1. Summary of Significant Accounting Policies (continued)

Furniture and Fittings	\$25,000
Equipment	
Irrigation	\$1,000,000
LED Lighting	\$1,000,000
Other	
BBQs	\$250,000
Reserve Furniture	\$500,000
Drink Fountains	\$50,000
Reserve Bollards	\$250,000
Reserve Bins	\$100,000
City Band Instruments	\$100,000
Council Artwork	\$100,000

6.3 Subsequent Recognition

All material asset classes are revalued on a regular basis such that the carrying values are not materially different from fair value. Significant uncertainties exist in the estimation of fair value of a number of asset classes including land, buildings and associated structures and infrastructure. Further detail of these uncertainties, and of existing valuations, methods and valuers are provided at Note 7.

6.4 Depreciation of Non-Current Assets

Other than land, all infrastructure, property, plant and equipment assets recognised are systematically depreciated over their useful lives on a straight-line basis which, in the opinion of Council, best reflects the consumption of the service potential embodied in those assets.

Depreciation methods, useful lives and residual values of classes of assets are reviewed annually.

Major depreciation periods for each class of asset are listed below. Depreciation periods for infrastructure assets have been estimated based on the best information available to Council, but appropriate records covering the entire life cycle of these assets are not available, and extreme care should be used in interpreting financial information based on these estimates.

	Short Life Years	Long Life Years
<i>Furniture & Equipment</i>		
Office Equipment	3 to 10	N/a
Office Furniture	15	N/a
Vehicles and Heavy Equipment	3 to 15	N/a
Other Plant & Equipment	7 to 25	N/a
LED Lighting	50	N/a
Irrigation – Equipment	10	N/a
Irrigation - Pipework	60	N/a
<i>Buildings</i>		
Sub Structure	N/a	80 to 200
Super Structure	40 to 80	N/a
Roofing	40	N/a
Services	40 to 50	N/a
Fitout	30 years	N/a
<i>Infrastructure</i>		
Sealed Roads – Surface	25 to 40	N/a
Road Base	60 to 100	200
Road Formation	200	N/a
Kerb	70 - 105	200
Footpath – Bitumen/Rubber	20 to 40	60 to 100
Footpath – Concrete	50 to 85	N/a
Footpath – Paved	50 to 85	N/a
Other Road Structures	20 to 100	20 to 40
Traffic Signs	15 to 20	N/a
Bridges	80 to 140	200
Stormwater Pipes Concrete	100 to 175	200
Stormwater Pipes PVC	60 to 100	N/a
Stormwater Pipes Ribloc	60 to 100	200
Junction Boxes	100 to 175	200
Pollutant Traps	100 to 175	200
Box Culverts	100 to 175	200
Headwalls	100 to 175	200
Drainage Pits	100 to 175	200
<i>Other Infrastructure</i>		
Wetland Assets	15-100	250 years
Car Parks	25 to 40	N/a
Lighting	15-25	N/a
Recreation Pathways	30-40	N/a
Sports Floodlights	25	N/a

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

Note 1. Summary of Significant Accounting Policies (continued)

Other Assets		
Playground Equipment	20	N/a
Reserve Furniture	25	N/a
Band Instruments	30	N/a
Civic Art Structures	15 to 80	N/a

6.5 Impairment

Assets whose future economic benefits are not dependent on the ability to generate cash flows, and where the future economic benefits would be replaced if Council were deprived thereof, are not subject to impairment testing.

Other assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount (which is the higher of the present value of future cash inflows or value in use).

Where an asset that has been revalued is subsequently impaired, the impairment is first offset against such amount as stands to the credit of that class of assets in Asset Revaluation Reserve, any excess being recognised as an expense.

6.6 Borrowing Costs

Borrowing costs in relation to qualifying assets (net of offsetting investment revenue) have been capitalised in accordance with AASB 123 "Borrowing Costs". The amounts of borrowing costs recognised as an expense or as part of the carrying amount of qualifying assets are disclosed in Note 3, and the amount (if any) of interest revenue offset against borrowing costs in Note 2.

7 Payables

7.1 Goods & Services

Creditors are amounts due to external parties for the supply of goods and services and are recognised as liabilities when the goods and services are received. Creditors are normally paid 30 days after the month of invoice. No interest is payable on these amounts.

7.2 Payments Received in Advance & Deposits

Amounts other than grants received from external parties in advance of service delivery, and security deposits held against possible damage to Council assets, are recognised as liabilities until the service is delivered or damage reinstated, or the amount is refunded as the case may be.

8 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period to which it relates, and is recorded as part of "Payables".

9 Employee Benefits

9.1 Salaries, Wages & Compensated Absences

Liabilities for employees' entitlements to salaries, wages and compensated absences expected to be paid or settled within 12 months of reporting date are accrued at nominal amounts (including payroll based oncosts) measured in accordance with AASB 119.

Liabilities for employee benefits not expected to be paid or settled within 12 months are measured as the present value of the estimated future cash outflows (including payroll based oncosts) to be made in respect of services provided by employees up to the reporting date. Present values are calculated using government guaranteed securities rates with similar maturity terms.

9.2 Superannuation

The Council makes employer superannuation contributions in respect of its employees to the Statewide Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently. No changes in accounting policy have occurred during either the current or previous reporting periods. Details of the accounting policies

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

Note 1. Summary of Significant Accounting Policies (continued)

applied and Council's involvement with the schemes are reported in Note 18.

10 Leases

Lease arrangements have been accounted for in accordance with Australian Accounting Standard AASB 117.

In respect of finance leases, where Council substantially carries all of the risks incident to ownership, the leased items are initially recognised as assets and liabilities equal in amount to the present value of the minimum lease payments. The assets are disclosed within the appropriate asset class and are amortised to expense over the period during which the Council is expected to benefit from the use of the leased assets. Lease payments are allocated between interest expense and reduction of the lease liability, according to the interest rate implicit in the lease.

In respect of operating leases, where the lessor substantially retains all of the risks and benefits incident to ownership of the leased items, lease payments are charged to expense over the lease term.

11 Equity Accounted Council Businesses

Council participates in cooperative arrangements with other Councils for the provision of services and facilities. Council's interests in cooperative arrangements, which are only recognised if material, are accounted for in accordance with AASB 128 and set out in detail in Note 19.

12 GST Implications

In accordance with Interpretation 1031 "Accounting for the Goods & Services Tax"

- Receivables and Creditors include GST receivable and payable.
- Except in relation to input taxed activities, revenues and operating expenditures exclude GST receivable and payable.
- Non-current assets and capital expenditures include GST net of any recoupment.

- Amounts included in the Statement of Cash Flows are disclosed on a gross basis.

13 New accounting standards and interpretations

In the current year, Council adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. The adoption of the new and revised Standards and Interpretations has not resulted in any material changes to Council's accounting policies.

City of Marion has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective.

AASB 7 Financial Instruments - Disclosures and AASB 9 Financial Instruments commenced from 1 July 2018 and have the effect that non-contractual receivables (e.g. rates & charges) are now treated as financial instruments. Although the disclosures made in Note 13 Financial Instruments have changed, there are no changes to the amounts disclosed.

Some Australian Accounting Standards and Interpretations have been issued but are not yet effective. Those standards have not been applied in these financial statements. Council will implement them when they are effective.

The standards that are expected to have a material impact upon Council's future financial statements are:

Effective for annual reporting periods beginning on or after 1 July 2019

- AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities.

AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, in conjunction with AASB 15, and AASB 2016-8. These Standards supersede the majority of income recognition

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

Note 1. Summary of Significant Accounting Policies (continued)

requirements relating to public sector NFP entities, previously in AASB 1004 Contributions.

Identifiable impacts at the date of this report are:

Some grants received by the Council will be recognised as a liability, and subsequently recognised progressively as revenue as the Council satisfies its performance obligations under the grant. At present, such grants are recognised as revenue upfront.

Grants that are not enforceable and/or not sufficiently specific will not qualify for deferral, and continue to be recognised as revenue as soon as they are controlled. Council receives several grants from the Federal Government and State Government for which there are no sufficiently specific performance obligations these are expected to continue being recognised as revenue upfront assuming no change to the current grant arrangements.

Depending on the respective contractual terms, the new requirements of AASB 15 may potentially result in a change to the timing of revenue from sales of the Council's goods and services such that some revenue may need to be deferred to a later reporting period to the extent that the Council has received payment but has not met its associated performance obligations (such amounts would be reported as a liability in the meantime).

Prepaid rates will not be recognised as revenue until the relevant rating period starts. Until that time these receipts will be recognised as a liability (unearned revenue). There will be no impact upon the recognition of other fees and charges.

Transition method

The Council intends to apply AASB 15, AASB 1058 and AASB 2016-8 initially on 1 July 2019, using the modified retrospective approach. The recognition and measurement principles of the standards will be retrospectively applied for the current year and prior year comparatives as though the standards had always applied, consistent with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

The Council intends to apply the practical expedients available for the full retrospective method. Where revenue has been recognised in full under AASB 1004, prior to 1 July 2019, but where AASB 1058 would have required income to be recognised beyond that date, no adjustment is required. Further, Council is not required to restate income for completed contracts that start and complete within a financial year. This means where income under AASB 1004 was recognised in the comparative financial year (i.e. 2018/19), these also do not require restatement.

The following list identifies all the new and amended Australian Accounting Standards, and Interpretation, that were issued but not yet effective at the time of compiling these illustrative statements.

The standards are expected to have a material impact upon Council's future financial statements are:

Effective for annual reporting periods beginning on or after 1 January 2019

- AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities, which will commence from 1 July 2019, affect the timing with which revenues, particularly special purpose grants, are recognised. Amounts received in relation to contracts with sufficiently specific performance obligations will in future only be recognised as these obligations are fulfilled.
- AASB 1058 Income of Not-for-Profit Entities (Appendix D)

The standards are not expected to have a material impact upon Council's future financial statements are:

Effective for annual reporting periods beginning on or after 1 January 2019

- AASB 16 Leases, which will commence from 1 July 2019, requires that the right of use conveyed by leasing contracts - except leases with a maximum term of 12 months and leases for non-material amounts - be recognised as a form of Infrastructure, Property, Plant and

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

Note 1. Summary of Significant Accounting Policies (continued)

Equipment, and that the lease liability be disclosed as a liability.

- AASB 16 Leases (Appendix D)
- AASB 1059 Service Concession Arrangements: Grantors
- AASB 1059 Service Concession Arrangements: Grantors (Appendix D)
- AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities
- AASB 2017-1 Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments
- AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments
- AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation
- AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures
- AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle
- AASB 2018-2 Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement
- AASB 2018-3 Amendments to Australian Accounting Standards – Reduced Disclosure Requirements
- AASB 2018-4 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors

- AASB 17 Insurance Contracts
- AASB 17 Insurance Contracts (Appendix D)

14 Comparative Figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

15 Disclaimer

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstance.

Effective for annual reporting periods beginning on or after 1 January 2021

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

Note 2. Income

\$ '000	Notes	2019	2018
(a). Rates Revenues			
General Rates			
General Rates		76,747	74,161
Less: Mandatory Rebates		(1,802)	(1,357)
Less: Discretionary Rebates, Remissions & Write Offs		(3)	(3)
Total General Rates		74,942	72,801
Other Rates (Including Service Charges)			
Natural Resource Management Levy		1,933	1,801
Total Other Rates		1,933	1,801
Other Charges			
Penalties for Late Payment		300	262
Total Other Charges		300	262
Total Rates Revenues		77,175	74,864
(b). Statutory Charges			
Development Act Fees		821	899
Town Planning Fees		71	74
Animal Registration Fees & Fines		558	531
Parking Fines / Expiation Fees		827	801
Total Statutory Charges		2,277	2,305
(c). User Charges			
Hall & Equipment Hire		252	285
Sales - General		524	373
Sundry		898	887
Admission Fees		502	460
Rental Income		292	245
Total User Charges		2,468	2,250
(d). Investment Income			
Interest on Investments			
- Local Government Finance Authority		1,201	1,103
- Banks & Other		13	9
Total Investment Income		1,214	1,112

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

Note 2. Income (continued)

\$ '000	Notes	2019	2018
(e). Reimbursements			
Private Works		248	250
Other		393	404
Total Reimbursements		641	654
(f). Other Income			
Insurance & Other Recoupments - Infrastructure, IPP&E		56	175
Sundry		97	145
Donations & Contributions income		579	574
Total Other Income		732	894
(g). Grants, Subsidies, Contributions			
Amounts Received Specifically for New or Upgraded Assets		4,639	1,522
Total Amounts Received Specifically for New or Upgraded Assets		4,639	1,522
Other Grants, Subsidies and Contributions		8,360	8,433
Individually Significant Item - Additional Grants Commission Payment (refer below)		2,557	1,521
Total Other Grants, Subsidies and Contributions		10,917	9,954
Total Grants, Subsidies, Contributions		15,556	11,476

The functions to which these grants relate are shown in Note 12.

(i) Sources of grants

Commonwealth Government	5,254	4,256
State Government	9,329	7,133
Other	973	87
Total	15,556	11,476

(ii) Individually Significant Items

Grant Commission (FAG) Grant Recognised as Income	1,594	1,521
Grants Commission - Supplementary Road Grant recognised as income	963	-

2019: In June 2019, Council received payment of the first two instalments of the 2019/20 Grants Commission Financial Assistance Grants. This was offset by the 2017/18 Grants Commission payment received in June 2018.

In June 2019, Council also received payment of the 2019/20 and 2020/21 Grants Commission Supplementary Road Grant. This had a material affect on council's operating result in the 2018/19 financial year.

2018: In June 2018, Council received payment of the first two instalments of the 2018/19 Grants Commission Financial Assistance Grants. This was offset by the 2017/18 Grants Commission payment received in June 2017.

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

Note 2. Income (continued)

\$ '000	Notes	2019	2018
(h). Conditions over Grants & Contributions			
Grants and contributions which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows:			
Unexpended at the close of the previous reporting period		4,028	2,839
<i>Less:</i>			
<i>Expended during the current period from revenues recognised in previous reporting periods</i>			
Other		(1,632)	(443)
Subtotal		(1,632)	(443)
<i>Plus:</i>			
<i>Amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>			
Other		5,018	1,632
Subtotal		5,018	1,632
Unexpended at the close of this reporting period		7,414	4,028
Net increase (decrease) in assets subject to conditions in the current reporting period		3,386	1,189
(i). Physical Resources Received Free of Charge			
Roads, Bridges & Footpaths		5,207	112
Stormwater Drainage		-	12
Buildings		20	-
Other		93	7
Total Physical Resources Received Free of Charge		5,320	131

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

Note 3. Expenses

\$ '000	Notes	2019	2018
(a). Employee Costs			
Salaries and Wages		29,425	28,259
Employee Leave Expense		2,858	2,571
Superannuation - Defined Contribution Plan Contributions	18	2,693	2,540
Workers' Compensation Insurance		701	806
Less: Capitalised and Distributed Costs		(816)	(902)
Total Operating Employee Costs		34,861	33,274
Total Number of Employees (full time equivalent at end of reporting period)		365	360
(b). Materials, Contracts and Other Expenses			
(i) Prescribed Expenses			
Auditor's Remuneration			
- Auditing the Financial Reports		37	34
Bad and Doubtful Debts		6	3
Elected Members' Expenses		344	329
Operating Lease Rentals - Cancellable Leases		613	483
Subtotal - Prescribed Expenses		1,000	849
(ii) Other Materials, Contracts and Expenses			
Contractors		14,502	14,022
Energy		1,831	2,022
Maintenance		3,532	3,046
Legal Expenses		281	249
Levies Paid to Government - NRM levy		1,918	1,799
Levies - Other		230	174
Parts, Accessories & Consumables		3,497	3,031
Professional Services		959	1,342
Sundry		3,502	2,485
Insurance		520	521
Fringe Benefits Tax		182	181
Advertising		109	138
Printing & Postage		286	333
Memberships & Subscriptions		259	260
Bank Fees & Charges		166	200
Telecommunication Charges		182	192
Library Materials		201	-
Subtotal - Other Material, Contracts & Expenses		32,157	29,995
Total Materials, Contracts and Other Expenses		33,157	30,844

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

Note 3. Expenses (continued)

\$ '000	Notes	2019	2018
(c). Depreciation, Amortisation and Impairment			
(i) Depreciation and Amortisation			
Buildings & Other Structures		3,507	4,884
Infrastructure		8,642	8,493
- Other		1,051	1,409
Plant & Equipment		1,233	1,210
Furniture & Fittings		79	77
Intangible Assets		59	58
Other Assets		534	965
Subtotal		15,105	17,096
(ii) Impairment			
Nil			
Less: Capitalised and Distributed costs		(87)	(105)
Total Depreciation, Amortisation and Impairment		15,018	16,991
(d). Finance Costs			
Interest on Loans		467	541
Total Finance Costs		467	541

Note 4. Asset Disposal & Fair Value Adjustments

Infrastructure, Property, Plant & Equipment

(i) Assets Renewed or Directly Replaced			
Proceeds from Disposal		2,299	688
Less: Carrying Amount of Assets Sold		(4,452)	(2,053)
Gain (Loss) on Disposal		(2,153)	(1,365)
(ii) Assets Surplus to Requirements			
Proceeds from Disposal		66	159
Less: Carrying Amount of Assets Sold		(62)	(105)
Gain (Loss) on Disposal		4	54
Net Gain (Loss) on Disposal or Revaluation of Assets		(2,149)	(1,311)

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

Note 5. Current Assets

\$ '000	Notes	2019	2018
(a). Cash & Cash Equivalents			
Cash on Hand at Bank		684	309
Short Term Deposits & Bills, etc.		11,100	21,200
Total Cash & Cash Equivalents		11,784	21,509
(b). Trade & Other Receivables			
Rates - General & Other		2,576	2,315
Rates Postponed for State Seniors		186	159
Accrued Revenues		208	328
Debtors - General		4,130	1,501
GST Recoupment		680	988
Prepayments		532	587
Total Trade & Other Receivables		8,312	5,878
(c). Other Financial Assets (Investments)			
Other Financial Assets (Term Deposits with over 90 days to maturity)		34,800	27,450
Total Other Financial Assets (Investments)		34,800	27,450
Amounts included in other financial assets that are not expected to be received within 12 months of reporting date are disclosed in Note 13			
(d). Inventories			
Stores & Materials		243	227
Total Inventories		243	227

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

Note 6. Non-Current Assets

\$ '000	Notes	2019	2018
(a). Equity Accounted Investments in Council Businesses			
Southern Region Waste Resource Authority	19	5,890	5,739
Council Solutions	19	138	76
Total Equity Accounted Investments in Council Businesses		6,028	5,815
(b). Other Non-Current Assets			
Capital Works-in-Progress		4,146	6,660
Computer Software & Licences		1,215	1,178
Less Accumulated Amortisation		(1,071)	(1,012)
Total Other Non-Current Assets		4,290	6,826

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

Note 7a (i). Infrastructure, Property, Plant & Equipment

\$ '000	Fair Value Level	as at 30/6/2018				Asset Movements during the Reporting Period							as at 30/6/2019			
		At Fair Value	At Cost	Acc. Dep'n	Carrying Value	Asset Additions		WDV of Asset Disposals	Depreciation Expense (Note 3c)	Adjustments & Transfers	Revaluation Decrements to Equity (ARR) (Note 9)	Revaluation Increments to Equity (ARR) (Note 9)	At Fair Value	At Cost	Acc. Dep'n	Carrying Value
						New / Upgrade	Renewals									
Land	2	351,995	-	-	351,995	489	-	(665)	-	-	-	-	351,330	489	-	351,819
Buildings & Other Structures	3	168,688	2,399	65,019	106,068	1,970	8,757	(1,772)	(3,507)	(7)	-	-	166,292	12,253	67,036	111,509
Infrastructure	3	756,151	2,055	139,601	618,605	8,741	7,248	-	(8,642)	-	-	2,055	778,466	2,055	152,514	628,007
- Other	3	42,819	3,164	12,203	33,780	1,094	2,939	(598)	(1,051)	-	-	-	41,637	7,151	12,624	36,164
Plant & Equipment		-	21,872	9,164	12,708	326	3,848	(1,330)	(1,233)	7	-	-	-	22,792	8,466	14,326
Furniture & Fittings		-	1,774	967	807	10	81	-	(79)	-	-	-	-	1,865	1,046	819
Other Assets		11,290	537	3,258	8,569	1,194	120	(148)	(534)	-	-	-	10,964	1,851	3,614	9,201
Total Infrastructure, Property, Plant & Equipment		1,330,943	31,801	230,212	1,132,532	13,824	22,993	(4,513)	(15,046)	-	-	2,055	1,348,689	48,456	245,300	1,151,845
Comparatives		1,294,926	58,420	217,684	1,135,662	9,454	11,534	(2,158)	(17,038)	-	(31,114)	26,192	1,330,943	31,801	230,212	1,132,532

Note 7a (ii). Investment Property

Nil

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

Note 7b. Valuation of Infrastructure, Property, Plant & Equipment & Investment Property

\$ '000

Valuation of Assets

The fair value of assets and liabilities must be estimated in accordance with various Accounting Standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a "level" in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Refer to Note 7a for the disclosure of the Fair Value Levels of Infrastructure, Property, Plant and Equipment Assets.

Information on Valuations

Certain land, and the buildings and structures thereon, are shown above as being based on fair value hierarchy level 2 valuation inputs. They are based on prices for similar assets in an active market, with directly or indirectly observable adjustments for specific advantages or disadvantages attaching to the particular asset.

Valuations of Crown land, community land and land subject to other restrictions on use or disposal, shown above as being based on fair value hierarchy level 3 valuation inputs, are based on prices for similar assets in an active market, but include adjustments for specific advantages or disadvantages attaching to the particular asset that are not directly or indirectly observable in that market, or the number and / or amount of observable adjustments of which are so great that the valuation is more fairly described as being based on level 3 valuation inputs.

There is no known market for buildings, infrastructure and other assets. These assets are valued at depreciated current replacement cost. This method involves:

- The determination of the cost to construct the asset (or its modern engineering equivalent) using current prices for materials and labour, the quantities of each being estimated based on recent experience of this or similar Councils, or on industry construction guides where these are more appropriate.
- The calculation of the depreciation that would have accumulated since original construction using current estimates of residual value and useful life under the prime cost depreciation method adopted by Council.

This method has significant inherent uncertainties, relying on estimates of quantities of materials and labour, residual values and useful lives, and the possibility of changes in prices for materials and labour, and the potential for development of more efficient construction techniques.

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

Note 7b. Valuation of Infrastructure, Property, Plant & Equipment & Investment Property (continued)

\$ '000

Valuation of Assets (continued)

Other Information

At 1 July 2004 upon the transition to AIFRS, Council elected pursuant to AASB 1.D5 to retain a previously established deemed cost under GAAP as its deemed cost. With subsequent addition at cost, this remains as the basis of recognition of non-material asset classes.

Upon revaluation, the current new replacement cost and accumulated depreciation are re-stated such that the difference represents the fair value of the asset determined in accordance with AASB 13 Fair Value Measurement: accumulated depreciation is taken to be the difference between current new replacement cost and fair value. In the case of land, current replacement cost is taken to be the fair value.

Highest and best use

All of Council's non financial assets are considered as being utilised for their highest and best use.

Transition to AASB 13 - Fair Value Measurement

The requirements of AASB 13 Fair Value Measurement have been applied to all valuations undertaken since 1 July 2013 as shown by the valuation dates by individual asset classes below.

Fair value hierarchy level 2 valuations: Land is shown above as being based on fair value hierarchy level 2 valuation inputs. They are based on prices for similar assets in an active market, with directly or indirectly observable adjustments for specific advantages or disadvantages attaching to the particular asset.

Fair value hierarchy level 3 valuations of valuations of buildings, infrastructure and other assets : There is no known market for these assets and they are valued at depreciated current replacement cost. This method involves:

The determination of the cost to construct the asset (or its modern engineering equivalent) using current prices for materials and labour, the quantities of each being estimated based on recent experience of this or similar Councils, or on industry construction guides where these are more appropriate.

The calculation of the depreciation that would have accumulated since original construction using current estimates of residual value and useful life under the prime cost depreciation method adopted by Council.

This method has significant inherent uncertainties, relying on estimates of quantities of materials and labour, residual values and useful lives, and the possibility of changes in prices for materials and labour, and the potential for development of more efficient construction techniques.

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

Note 7b. Valuation of Infrastructure, Property, Plant & Equipment & Investment Property (continued)

\$ '000

Valuation of Assets (continued)

Land & Land Improvements

Council being of the opinion that it is not possible to attribute a value sufficiently reliably to qualify for recognition, land under roads has not been recognised in these reports. A comprehensive revaluation was carried out by independent valuation for the previous reporting period, 30 June 2018.

Freehold land and land over which Council has control, but does not have title, is recognised on the cost basis. No capitalisation threshold is applied to the acquisition of land or interests in land.

Land improvements, including bulk earthworks with an assessed unlimited useful life, are recognised on the cost basis. Additions are recognised at cost.

Estimated future costs of reinstatement of land, capitalised in accordance with AASB 116.16(c), are reviewed annually (see Note 1) and depreciated over the estimated remaining life of the relevant asset. Currently there are no assets that require this treatment.

Buildings & Other Structures

A comprehensive revaluation was carried out by independent valuation for the previous reporting period, 30 June 2018.

Infrastructure

A desktop revaluation of infrastructure assets (roads, footpaths, kerbs, drains, bridges, traffic devices and traffic signs) was carried out by independent valuation for this reporting period, 30 June 2019.

A comprehensive revaluation was carried out by independent valuation for the previous reporting period, 30 June 2018 for other infrastructure assets such as car parks, lighting, walking trails and reserve pathways

All acquisitions made after the respective dates of valuation are recorded at cost.

Plant, Equipment & Equipment

These assets are recognised on the cost basis.

All other Assets

A comprehensive revaluation was carried out by independent valuation for the previous reporting period, 30 June 2018.

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

Note 8. Liabilities

\$ '000	Notes	2019 Current	2019 Non Current	2018 Current	2018 Non Current
(a). Trade and Other Payables					
Goods & Services		5,332	-	9,537	-
Payments Received in Advance		22	-	21	-
Accrued Expenses - Employee Entitlements		742	-	744	-
Accrued Expenses - Other		14	-	18	-
Other		138	-	19	-
Total Trade and Other Payables		6,248	-	10,339	-

(b). Borrowings

Loans	1,170	5,635	1,100	6,805
Total Borrowings	1,170	5,635	1,100	6,805

All interest bearing liabilities are secured over the future revenues of the Council

(c). Provisions

Employee Entitlements (including oncosts)	5,765	614	5,422	700
Total Provisions	5,765	614	5,422	700

Note 9. Reserves

\$ '000	1/7/2018	Increments (Decrements)	Transfers	Impairments	30/6/2019
(a). Asset Revaluation Reserve					
Land	250,696	-	-	-	250,696
Buildings & Other Structures	84,875	-	-	-	84,875
Infrastructure	3,896	2,055	-	-	5,951
- Stormwater Drainage	97,742	-	-	-	97,742
- Other	298	-	-	-	298
- Roads, Bridges, Footpaths	318,547	-	-	-	318,547
Other Assets	5,073	-	-	-	5,073
JV's / Associates - Other Comprehensive Income	(890)	-	-	-	(890)
Total Asset Revaluation Reserve	760,237	2,055	-	-	762,292
Comparatives	765,159	(4,922)	-	-	760,237

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

Note 9. Reserves (continued)

\$ '000	1/7/2018	Tfrs to Reserve	Tfrs from Reserve	Other Movements	30/6/2019
(b). Other Reserves					
Open Space Reserve	1,218	987	(19)	-	2,186
Grants/Carry Forward Projects Reserve	12,256	15,948	(10,768)	-	17,436
Asset Sustainability Reserve	21,656	3,099	(6,175)	(322)	18,258
Water Reserve	-	209	-	322	531
Total Other Reserves	35,130	20,243	(16,962)	-	38,411
Comparatives	30,517	19,228	(14,615)	-	35,130

PURPOSES OF RESERVES

Asset Revaluation Reserves

The asset revaluation reserve is used to record increments and decrements arising from changes in fair value of non current assets (less any subsequent impairment losses, where applicable).

Open Space Reserve

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

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

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

Grants and Carryovers Reserve

Purpose - this reserve was created for:

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

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

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

Use of Fund - monies are utilised in accordance with the original purpose.

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

Note 9. Reserves (continued)

\$ '000

(b). Other Reserves (continued)

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

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

Water Reserve

Purpose - this reserve is established to quarantine revenue received and savings identified from the sale and use of treated stormwater from Oaklands Wetland to further develop third party supply opportunities.

Use of Fund - Reserve transfers require approval at Executive level.

Note 10. Assets Subject to Restrictions

\$ '000

Notes

2019

2018

The uses of the following assets are restricted, wholly or partially, by legislation or other externally imposed requirements. The assets are required to be utilised for the purposes for which control was transferred to Council, or for which the revenues were originally obtained.

Cash & Financial Assets

Unexpended amounts received from Federal Government

Other

7,414

4,028

Total Cash & Financial Assets

7,414

4,028

Total Assets Subject to Externally Imposed Restrictions

7,414

4,028

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

Note 11. Reconciliation to Statement of Cash Flows

\$ '000	Notes	2019	2018
(a). Reconciliation of Cash			
Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:			
Total Cash & Equivalent Assets	5	11,784	21,509
Balances per Statement of Cash Flows		11,784	21,509
(b). Reconciliation of Change in Net Assets to Cash from Operating Activities			
Net Surplus/(Deficit)		19,944	11,246
Non-Cash Items in Income Statements			
Depreciation, Amortisation & Impairment		15,018	16,991
Equity Movements in Equity Accounted Investments (Increase)/Decrease		(213)	(521)
Non-Cash Asset Acquisitions		(5,320)	(131)
Grants for Capital Acquisitions (Treated as Investing Activity Receipts)		(4,639)	(1,522)
Net (Gain) Loss on Disposals		2,149	1,311
Other		-	2
		26,939	27,376
Add (Less): Changes in Net Current Assets			
Net (Increase)/Decrease in Receivables		(2,434)	(38)
Net (Increase)/Decrease in Inventories		(16)	21
Net (Increase)/Decrease in Other Current Assets		22	58
Net Increase/(Decrease) in Trade & Other Payables		(1,053)	(457)
Net Increase/(Decrease) in Unpaid Employee Benefits		257	182
Net Cash provided by (or used in) operations		23,715	27,142
(c). Non-Cash Financing and Investing Activities			
Acquisition of assets by means of:			
- Physical Resources Received Free of Charge	2i	5,320	131
Amounts recognised in Income Statement		5,320	131
Total Non-Cash Financing & Investing Activities		5,320	131
(d). Financing Arrangements			
Unrestricted access was available at balance date to the following lines of credit:			
Corporate Credit Cards		75	75
LGFA Cash Advance Debenture Facility		11,000	11,000

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Council also has immediate access to a short-term draw-down facility, and variable interest rate borrowings under a cash advance facility, both from the Local Government Finance Authority of SA.

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

Note 12a. Functions

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 12(b).									
	INCOME		EXPENSES		OPERATING SURPLUS (DEFICIT)		GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)	
	Actual 2019	Actual 2018	Actual 2019	Actual 2018	Actual 2019	Actual 2018	Actual 2019	Actual 2018	Actual 2019	Actual 2018
\$ '000										
Leader in the Delivery of the Community Vision										
Development Assessment	981	1,042	3,646	3,823	(2,665)	(2,781)	9	-	-	-
Crime Prevention	2	1	353	388	(351)	(387)	1	-	-	-
Community Support & Development	6,675	5,269	10,548	10,130	(3,873)	(4,861)	4,833	3,399	121,809	116,030
Public & Environment Health	105	87	897	895	(792)	(808)	58	35	-	-
General Inspection	1,422	1,359	1,680	1,610	(258)	(251)	1	-	-	-
Public Infrastructure	3,522	3,503	19,502	18,988	(15,980)	(15,485)	2,879	2,910	686,220	676,208
Open Space	606	711	14,091	13,288	(13,485)	(12,577)	185	468	291,518	290,111
Public Conveniences	4	3	608	607	(604)	(604)	1	-	3,402	3,172
Strategic Projects	106	182	1,329	1,356	(1,223)	(1,174)	6	-	47	-
Asset Management	-	-	-	-	-	-	-	-	15,765	15,967
Neighbourhood Centres	749	778	2,600	2,481	(1,851)	(1,703)	492	521	7,749	7,820
Cultural Development	401	353	3,400	3,453	(2,999)	(3,100)	9	2	14,638	14,852
Libraries	412	675	7,113	7,483	(6,701)	(6,808)	313	558	14,485	14,612
Waste & Recycling	118	96	8,468	7,956	(8,350)	(7,860)	34	9	5,890	5,739
Trees	-	48	1,722	1,405	(1,722)	(1,357)	3	-	-	-
Economic Development	139	195	912	1,002	(773)	(807)	121	200	-	-
Total Leader in the Delivery of the Community Vision	15,242	14,302	76,869	74,865	(61,627)	(60,563)	8,945	8,102	1,161,523	1,144,511
Organisation of Excellence										
Governance	-	1	3,997	4,191	(3,997)	(4,190)	25	-	-	-
Service Quality	-	-	93	168	(93)	(168)	-	-	507	589
Total Organisation of Excellence	-	1	4,090	4,359	(4,090)	(4,358)	25	-	507	589
Treasury	80,182	77,730	2,544	2,426	77,638	75,304	1,947	1,852	55,272	55,137
Total Functions/Activities	95,424	92,033	83,503	81,650	11,921	10,383	10,917	9,954	1,217,302	1,200,237

Revenues and expenses exclude net gain (loss) on disposal or revaluation of assets, net gain (loss) from joint ventures & associated entities, amounts received specifically for new or upgraded assets and physical resources received free of charge.

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

Note 12b. Components of Functions

\$ '000

The activities relating to Council functions are as follows:

PUBLIC INFRASTRUCTURE

Includes the design, development and maintenance of footpaths, streets, drainage and kerb and water table, as well as street signs, traffic control devices and line-marking ensuring that local neighbourhoods are safe and accessible with good amenity

WASTE & RECYCLING

Services including domestic kerbside collection, hard rubbish collection, street sweeping and general litter collection to maintain cleanliness and amenity

OPEN SPACE

Parks, reserves, ovals and streetscape development and maintenance providing well maintained public spaces for use by all members of the community

LIBRARIES

Providing opportunities for learning and social activities for all ages and interests

ASSET MANAGEMENT

Management and maintenance of Council properties enabling them to be utilised by members of the community for various purposes such as meetings, social activities and programs

COMMUNITY SUPPORT & DEVELOPMENT

Services such as home and community care, youth services, support for volunteers and community transport providing direct support to groups within the community

COMMUNITY DEVELOPMENT

Recreation, sport and leisure facilities, services and activities that provide opportunities for community members to socialise and undertake physical activity

DEVELOPMENT ASSESSMENT

Building and planning services which ensure that houses are safely constructed and designed and developed in a manner which is sympathetic to the local neighbourhood

CULTURAL DEVELOPMENT

Supporting community involvement in arts and cultural activity and expression, celebrating diversity, indigenous people and those from culturally and linguistically diverse backgrounds. This includes the Marion Cultural Centre and Living Kaurna Cultural Centre providing cultural and artistic experiences for the community

TREES

Provision of street trees and revegetation programs to improve amenity and promote, where possible, the use of indigenous plants

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

Note 12b. Components of Functions (continued)

\$ '000

NEIGHBOURHOOD CENTRES

Providing opportunities for learning and social activities for all ages and interests

PUBLIC & ENVIRONMENTAL HEALTH

Services such as food safety and public health inspections, immunisation and enforcement of certain environmental regulations as well as Planning, information, advice and demonstration to promote environmentally sensitive practices by both Council and the community

ECONOMIC DEVELOPMENT

Planning and support for existing and potential businesses to assist businesses to adapt to changing circumstance and provide an employment base for the Marion community

STRATEGIC PROJECTS

Major projects such as the Marion South Plan and State Aquatic Centre aimed at providing improved services and facilities for the Community

CRIME PREVENTION

Services such as graffiti removal and working with other agencies to improve the safety and amenity of the community

GENERAL INSPECTION

Services include dog and cat control, pest control, parking control and the enforcement of by-laws to ensure that the community is safe and orderly

PUBLIC CONVENIENCES

Services such as provision and maintenance of public toilets in close proximity to highly frequented reserves and other open space areas

Organisation of Excellence

To lead in the delivery of the Community Vision, the organisation must maintain its sustainability. This underpins our Corporate Vision of "An Organisation of Excellence". To achieve this, the following essential support services are funded in the budget.

Excellence in Governance

Elected Member Support

Provision of services which enable Elected Members to undertake their role in making decisions for the Council and community, including Council meetings, elections, council receptions and Sister City activities

Strategic, corporate and sustainability planning and policy development

To ensure that Council is progressing towards achieving the Community Vision 2040 and its strategic social, cultural, and economic and environmental sustainability goals in a transparent and accountable manner, working with our Local, State, and Federal Government partners

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

Note 12b. Components of Functions (continued)

\$ '000

Financial services

Including budgeting, rating, accounts management and payroll, which ensure sound and transparent financial management which enables Council to provide adequate services and facilities and appropriately address community needs

Risk management policy, development and internal audit

Activities to ensure that Council is continuously improving its management systems

External relations, communication and community engagement

Enables the community to be appropriately and adequately informed about the activities and decisions of the Council

Service Quality

Customer service

In particular the Customer Service Centre, which enables Council staff to liaise with the community to address issues and concerns directly with Council, as well as provide the community with information and referral to other services provided in the region

Information technology

Provides support to Council staff for their technological needs to enable them to contribute towards delivery of the Community Vision as well as access by the community to Council information and services through the internet and email

Information Management

Enables Council to keep adequate and appropriate records of activities and decisions

Employer of Choice

Human Resources

Services that provide support for staff to undertake their roles to deliver the Community Vision

Occupational Health & Safety

Services to ensure that work is undertaken in a manner that is safe for the staff and community

Note 13. Financial Instruments

Recognised Financial Instruments

Bank, Deposits at Call, Short Term Deposits

Accounting Policy:

Carried at amortised cost; Interest is recognised when earned.

Terms & Conditions:

Deposits are returning fixed interest rates between 1.75% and 2.38% (2018: 2.15% and 2.35%). Short term deposits have an average maturity of 86 days and an average interest rate of 2.28% (2018: 98 days and 2.34%).

Carrying Amount:

Approximates fair value due to the short term to maturity.

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

Note 13. Financial Instruments (continued)

\$ '000

Recognised Financial Instruments**Receivables****Rates & Associated Charges**

(including legals & penalties for late payment)

Accounting Policy:

Carried at amortised cost. No expected credit loss is recognised as these are secured over the subject land.

Terms & Conditions:

Secured over the subject land, arrears attract interest of 2% (2018: 2%). Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State.

Carrying Amount:

Approximates fair value.

Receivables**Fees & Other Charges****Accounting Policy:**

Carried at amortised cost less expected credit loss. The expected credit losses on these financial assets are estimated using a provision matrix based on the historical credit loss experience.

Terms & Conditions:

Unsecured, and do not bear interest. Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries.

Carrying Amount:

Approximates fair value (after deduction of any allowance).

Receivables**Other Levels of Government****Accounting Policy:**

Carried at amortised cost.

Terms & Conditions:

Amounts due have been calculated in accordance with the terms and conditions of the respective programs following advice of approvals, and do not bear interest. All amounts are due by Departments and Agencies of State and Federal Governments.

Carrying Amount:

Approximates fair value.

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

Note 13. Financial Instruments (continued)

\$ '000

Recognised Financial Instruments**Liabilities****Creditors and Accruals****Accounting Policy:**

Liabilities are carried at amortised cost for goods and services received, whether or not billed to the Council.

Terms & Conditions:

Liabilities are normally settled on 30 day terms.

Carrying Amount:

Approximates fair value.

Liabilities**Interest Bearing Borrowings****Accounting Policy:**

Carried at amortised cost. Interest is charged as an expense as it accrues.

Terms & Conditions:

Secured over future revenues, borrowings are repayable over 10 to 15 years; interest is charged at fixed rates between 5.8% and 6.85% (2018: 5.80% and 6.85%).

Carrying Amount:

Represents fair value.

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

Note 13. Financial Instruments (continued)

\$ '000	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
2019					
Financial Assets					
Cash & Equivalents	11,784	-	-	11,784	11,784
Receivables	4,338	-	-	4,338	4,338
Other Financial Assets	34,800	-	-	34,800	34,800
Total Financial Assets	50,922	-	-	50,922	50,922

Financial Liabilities					
Payables	6,248	-	-	6,248	6,248
Current Borrowings	1,570	-	-	1,570	1,170
Non-Current Borrowings	-	4,812	2,074	6,886	5,635
Total Financial Liabilities	7,818	4,812	2,074	14,704	13,053

\$ '000	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
2018					
Financial Assets					
Cash & Equivalents	21,509	-	-	21,509	21,509
Receivables	1,829	-	-	1,829	1,829
Other Financial Assets	27,450	-	-	27,450	27,450
Total Financial Assets	50,788	-	-	50,788	50,788

Financial Liabilities					
Payables	10,339	-	-	10,339	10,339
Current Borrowings	1,570	-	-	1,570	1,100
Non-Current Borrowings	-	5,301	3,155	8,456	6,805
Total Financial Liabilities	11,909	5,301	3,155	20,365	18,244

The following interest rates were applicable
to Council's Borrowings at balance date:

	30 June 2019		30 June 2018	
	Weighted Avg Interest Rate	Carrying Value	Weighted Avg Interest Rate	Carrying Value
Fixed Interest Rates	6.14%	6,805	6.16%	7,905
		6,805		7,905

Net Fair Value

All carrying values approximate fair value for all recognised financial instruments. There is no recognised market for the financial assets of the Council.

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

Note 13. Financial Instruments (continued)

\$ '000

Risk Exposures

Credit Risk represents the loss that would be recognised if counterparties fail to perform as contracted. The maximum credit risk on financial assets of the Council is the carrying amount, net of any allowance for doubtful debts. All Council investments are made with the SA Local Government Finance Authority and are guaranteed by the SA Government. Except as detailed in Notes 5 & 6 in relation to individual classes of receivables, exposure is concentrated within the Council's boundaries, and there is no material exposure to any individual debtor.

Market Risk is the risk that fair values of financial assets will fluctuate as a result of changes in market prices. All of Council's financial assets are denominated in Australian dollars and are not traded on any market, and hence neither market risk nor **currency risk** apply.

Liquidity Risk is the risk that Council will encounter difficulty in meeting obligations with financial liabilities. In accordance with the model Treasury Management Policy (LGA Information Paper 15), liabilities have a range of maturity dates. Council also has available a range of bank overdraft and standby borrowing facilities that it can access.

Interest Rate Risk is the risk that future cash flows will fluctuate because of changes in market interest rates. Council has a balance of both fixed and variable interest rate borrowings and investments. Cash flow fluctuations are managed holistically in seeking to minimise interest costs over the longer term in a risk averse manner.

Note 14. Commitments for Expenditure

\$ '000

Notes

2019

2018

Capital Commitments

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Land	1	69
Buildings	1,212	533
Infrastructure	2,041	1,237
Plant & Equipment	1,411	21
Other	63	274
	4,728	2,134

These expenditures are payable:

Not later than one year	4,728	2,134
Later than one year and not later than 5 years	-	-
Later than 5 years	-	-
	4,728	2,134

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

Note 15. Financial Indicators

	Amounts	Indicator	Prior Periods	
\$ '000	2019	2019	2018	2017

These Financial Indicators have been calculated in accordance with *Information paper 9 - Local Government Financial Indicators* prepared as part of the LGA Financial Sustainability Program for the Local Government Association of South Australia.

1. Operating Surplus Ratio

Operating Surplus	12,134	13%	12%	13%
Total Operating Income	95,637			

This ratio expresses the operating surplus as a percentage of total operating revenue.

2. Net Financial Liabilities Ratio

Net Financial Liabilities	(35,464)	(37%)	(33%)	(25%)
Total Operating Income	95,637			

Net Financial Liabilities are defined as total liabilities less financial assets (excluding equity accounted investments in Council businesses). These are expressed as a percentage of total operating revenue.

Adjustments to Ratios

In recent years the Federal Government has made advance payments prior to 30th June from future year allocations of financial assistance grants, as explained in Note 1. These Adjusted Ratios correct for the resulting distortion in key ratios for each year and provide a more accurate basis for comparison.

Adjusted Operating Surplus Ratio	10%	10%	12%
Adjusted Net Financial Liabilities Ratio	(37%)	(33%)	(25%)

3. Asset Renewal Funding Ratio

Net Asset Renewals	17,179	114%	75%	75%
Infrastructure & Asset Management Plan required expenditure	15,018			

Net asset renewals expenditure is defined as net capital expenditure on the renewal and replacement of existing assets, and excludes new capital expenditure on the acquisition of additional assets.

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

Note 16. Uniform Presentation of Finances

\$ '000	2019	2018
<p>The following is a high level summary of both operating and capital investment activities of the Council prepared on a simplified Uniform Presentation Framework basis.</p> <p>All Councils in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis.</p> <p>The arrangements ensure that all Councils provide a common 'core' of financial information, which enables meaningful comparisons of each Council's finances.</p>		
Income	95,637	92,566
<i>less</i> Expenses	(83,503)	(81,662)
Operating Surplus / (Deficit)	12,134	10,904
Net Outlays on Existing Assets		
Capital Expenditure on Renewal and Replacement of Existing Assets	(19,412)	(13,223)
<i>add back</i> Depreciation, Amortisation and Impairment	15,018	16,991
<i>add back</i> Proceeds from Sale of Replaced Assets	2,233	529
Subtotal	(2,161)	4,297
Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets (including Investment Property & Real Estate Developments)	(12,582)	(8,687)
<i>add back</i> Amounts Received Specifically for New and Upgraded Assets	4,639	1,522
<i>add back</i> Proceeds from Sale of Surplus Assets (including Investment Property, Real Estate Developments and Non-Current Assets Held for Resale)	132	318
Subtotal	(7,811)	(6,847)
Net Lending / (Borrowing) for Financial Year	2,162	8,354

City of Marion

Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

Note 17. Operating Leases

\$ '000	2019	2018
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Lease Payment Commitments of Council

Council has entered into non-cancellable operating leases for various items of computer and other plant and equipment.

No contingent rentals were paid during the current or previous reporting periods.

No lease imposes any additional restrictions on Council in relation to additional debt or further leasing.

Leases in relation to computer and office equipment permit Council, at expiry of the lease, to elect to re-lease return or acquire the equipment leased

No lease contains any escalation clause

Commitments under non-cancellable operating leases that have not been recognised in the financial statements are as follows:

Not later than one year	331	279
Later than one year and not later than 5 years	306	292
Later than 5 years	145	142
	<u>782</u>	<u>713</u>

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

Note 18. Superannuation

\$ '000

The Council makes employer superannuation contributions in respect of its employees to Statewide Super (formerly Local Government Superannuation Scheme). There are two types of membership, each of which is funded differently. Permanent and contract employees of the South Australian Local Government sector with Salarylink benefits prior to 24 November 2009 have the option to contribute to the Accumulation section and/or Salarylink. All other employees (including casuals) have all contributions allocated to the Accumulation section.

Accumulation only Members

Accumulation only members receive both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of ordinary time earnings in accordance with superannuation guarantee legislation (9.50% in 2018/19; 9.50% in 2017/18). No further liability accrues to the Council as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Salarylink (Defined Benefit Fund) Members

Salarylink is a defined benefit scheme where the benefit payable is based on a formula determined by the member's contribution rate, number of years and level of contribution and final average salary. Council makes employer contributions to Salarylink as determined by the Fund's Trustee based on advice from the appointed Actuary. The rate is currently 6.3% (6.3% in 2017/18) of "superannuation" salary.

In addition, Council makes a separate contribution of 3.2% of ordinary time earnings for Salarylink members to their Accumulation account. Employees also make member contributions to the Salarylink section of the Fund. As such, assets accumulate in the Salarylink section of the Fund to meet the member's benefits, as defined in the Trust Deed, as they accrue.

The Salarylink section is a multi-employer sponsored plan. As the Salarylink section's assets and liabilities are pooled and are not allocated by each employer, and employees may transfer to another employer within the local government sector and retain membership of the Fund, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided by AASB 119.32(b), Council does not use defined benefit accounting for these contributions.

The most recent actuarial investigation was conducted by the Fund's actuary, Louise Campbell, FIAA, of Willie Towers Watson as at 30 June 2017. The Trustee has determined that the current funding arrangements are adequate for the expected Salarylink liabilities. However, future financial and economic circumstances may require changes to Council's contribution rates at some future time.

Contributions to Other Superannuation Schemes

Council also makes contributions to other superannuation schemes selected by employees under the "choice of fund" legislation. All such schemes are of the accumulation type, where the superannuation benefits accruing to the employee are represented by their share of the net assets of the scheme, and no further liability attaches to the Council.

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

Note 19. Interests in Other Entities

\$ '000

All joint ventures and associates are required to prepare Annual Financial Statements that comply with the SA Local Government Model Financial Statements.

	Council's Share of Net Income		Council's Share of Net Assets	
	2019	2018	2019	2018
Joint Ventures	213	521	6,028	5,815
Total	213	521	6,028	5,815

(i) JOINT VENTURES, ASSOCIATES AND JOINT OPERATIONS

(a) Carrying Amounts

Name of Entity	Principal Activity	2019	2018
Southern Region Waste Resource Authority (SRWRA)	Waste Disposal	5,890	5,739
Council Solutions	Procurement	138	76
Total Carrying Amounts - Joint Ventures & Associates		6,028	5,815

Southern Region Waste Resource Authority (SRWRA)

The Southern Region Waste Resource Authority was established under Section 43 of the Local Government Act to provide and operate services for the management of waste and waste facilities under its control on behalf of its constituent councils.

The SRWRA owns and operates the Southern Region Waste Disposal Depot on behalf of the Cities of Holdfast Bay, Marion and Onkaparinga.

The City of Marion has an equal voting right and a 30% interest in the assets and liabilities of SRWRA. For the year ended 30 June 2019, the net assets of SRWRA total \$19,633,000. The City of Marion interest, totalling \$5,890,000 is disclosed below.

In 2006 the decision was taken to equity account for this investment due to a change in the operations of the business. Initial balances were brought to account through accumulated surplus.

Council Solutions

Established by the Cities of Adelaide, Charles Sturt, Marion, Onkaparinga, Salisbury and Tea Tree Gully in December 2012, this regional joint venture has been established for the purposes of providing a centre of excellence in procurement and to provide services to the Constituent Councils

The City of Marion has a 16.67% interest in the assets and liabilities of Council Solutions. For the year ended 30 June 2019, the net assets of Council Solutions total \$829,000. The City of Marion interest, totalling \$138,000 is disclosed below.

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

Note 19. Interests in Other Entities (continued)

\$ '000

(b) Relevant Interests

Name of Entity	Interest in Operating Result		Ownership Share of Equity		Proportion of Voting Power	
	2019	2018	2019	2018	2019	2018
Southern Region Waste Resource Authority (SRWRA)	30%	30%	30%	30%	30%	30%
Council Solutions	17%	17%	17%	17%	17%	17%

(c) Movement in Investment in Joint Venture or Associate

	Southern Region Waste Resource Authority (SRWRA)		Council Solutions	
	2019	2018	2019	2018
Opening Balance	5,739	5,971	76	88
Share in Operating Result	151	533	62	(12)
Distributions Received	-	(765)	-	-
Council's Equity Share in the Joint Venture or Associate	5,890	5,739	138	76

(d). Share of Joint Operations Expenditure Commitments

Expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:

(i) Operating Expenditures Payable

Not later than one year	19	18
Later than one year and not later than 5 years	-	19
Later than 5 years	-	-
	19	37

Note 20. Non-Current Assets Held for Sale & Discontinued Operations

Council does not have any Non-Current Assets Held for Sale or any Discontinued Operations

Note 21. Contingencies & Assets/Liabilities Not Recognised in the Balance Sheet

The following assets and liabilities do not qualify for recognition in the Balance Sheet, but knowledge is considered relevant to the users of the financial report in making and evaluating decisions about the allocation of scarce resources.

1. LAND UNDER ROADS

As reported in the Financial Statements, Council is of the opinion that it is not possible to attribute a value sufficiently reliably for these assets to qualify for recognition, and accordingly land under roads has not been recognised in the reports. Land acquired for road purposes during the year is initially recognised at cost, but transferred to fair value at reporting date, effectively writing off the expenditure.

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

Note 21. Contingencies & Assets/Liabilities Not Recognised in the Balance Sheet

2. POTENTIAL INSURANCE LOSSES

Council is a multi-purpose organisation providing a large range of building, parks infrastructure, playgrounds and other facilities accessible to the public. At any time, it is likely that claims will have been made against Council that remain unsettled.

Council insures against all known insurable risks using a range of insurance policies, each of which is subject to deductible "insurance excesses", the amount of which varies according to the class of insurance.

Council has recognised the potential losses arising from claims known at reporting date based on average historical net cost (including insurance excess) of similar types of claims. Other potential claims not reported to Council may have existed at reporting date.

3. BANK GUARANTEES

Council currently has no guaranteed loans or other banking facilities advanced to community organisations and sporting bodies at reporting date.

4. LEGAL MATTERS

Council is the planning consent authority for its area under the Development Act 1993 (as amended). Pursuant to that Act, certain persons aggrieved by a planning decision of the Council may appeal. It is normal practice that parties bear their own legal costs. At the date of these reports, Council had notice of 6 appeals against planning decisions made prior to reporting date. All known costs have been recognised, but the amount of further costs cannot be known until the appeals are determined.

Note 22. Events after the Balance Sheet Date

Events that occur after the reporting date of 30 June 2019, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Certification of Financial Statements as the appropriate "authorised for issue" date relating to these General Purpose Financial Statements.

Accordingly, the "authorised for issue" date is 22/10/19.

Council is unaware of any material or significant "non adjusting events" that should be disclosed.

City of Marion

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

Note 23. Related Party Transactions

\$ '000	2019	2018
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Key Management Personnel

Transactions with Key Management Personnel

The Key Management Personnel of the Council include the Mayor, Councillors, CEO and certain prescribed officers under section 112 of the Local Government Act 1999. In all, 21 persons were paid the following total compensation:

The compensation paid to Key Management Personnel comprises:

Salaries, Allowances & Other Short-Term Employee Benefits	1,232	1,190
Post-Employment Benefits	79	77
Total	1,311	1,267

Amounts paid as direct reimbursement of expenses incurred on behalf of Council have not been included above.

Receipts from Key Management Personnel comprise:

Other than amounts paid as ratepayers or residents (e.g. rates, swimming pool entry fees, etc.), Council received no receipts from Key Management Personnel.



ANNUAL REPORT

2018 to 2019

SRWRA is a regional subsidiary established by the Cities of Onkaparinga, Marion and Holdfast Bay, pursuant to Section 43 of the Local Government Act, 1999.

Under our Charter, SRWRA is responsible for providing and operating waste management services on behalf of our Constituent Councils.

At a practical level, our core business activity is the management of our SRWRA Landfill, and a Recycling Operation employing innovative resource recovery approaches in managing all products and materials as valuable and finite resources. SRWRA is one of the State's major landfill operations currently receiving over 100,000 tonnes of waste annually.

SRWRA's joint venture operation with Integrated Waste Services (IWS) has developed through 2018 – 2019 with significant improvements in the recycling programme through the jointly operated Southern Recycling Centre (SRC) realising significant improvements in the reduction of waste to landfill.

SRWRA CONSTITUENT
COUNCILS



JOINT VENTURE
PARTNER



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CHAIRPERSON'S MESSAGE

Less waste, more resources, is the title of Australia's National Waste Policy which was released in 2018.

The Policy reports that as a nation we produce 2.7 tonnes of waste per person; encouragingly this has declined by 10% since 2006. Increasingly, we are recognising that we can reduce our environmental impacts if we harness the value of the materials we have previously disposed of by returning them to productive use.

Our National Waste Policy embodies the circular economy where we seek to maintain the economic value of resources for as long as possible. Our State waste strategy, not surprisingly has a similar focus, setting the objective for South Australia to become a resource efficient economy securing best or full value from products and materials. In 2018-19 SRWRA's planning focused on supplementing our landfill activities with the potential for a substantial investment in a modern materials recovery facility that will receive, separate and prepare recyclable materials for marketing to end-use manufacturers ensuring Southern Adelaide is well-placed to contribute to a resource efficient economy.

We are planning to integrate our activities with those of researchers and with industry to provide recovered materials for manufactured reuse, creating employment and generating economic activity in the south of Adelaide. The next 18 months will be exciting times for SRWRA as the traditional landfill site moves towards becoming a truly integrated waste management precinct.

Consistent with national Policy and the State Strategy our landfill activities have continued to focus on the diversion, recovery, and productive use of materials before resorting to landfilling. It is pleasing that over the past year the Southern Recycling Centre has successfully diverted 17,463 tonnes of material from landfill and that material has been put to a productive use. This is a significant improvement over the previous year and with further enhancements to our processes we expect that this will continue to increase again in coming years.

I am pleased to advise that, while maintaining very competitive waste disposal costs, for the year ended 30 June 2019 SRWRA reported an Operating Surplus of \$0.503 million which will be reinvested in our future waste management activities.



From a governance perspective the past year was one of much change. Since 2013 the Authority has been capably led by CEO Mark Hindmarsh, who returned to his native Scotland in early 2019. On behalf of the board I wish to acknowledge the significant contribution he made to the growth and development of SRWRA during his tenure. The board also extends its thanks to Paul Thorne who acted as CEO prior to appointment of Chris Adams and to all our staff whose efforts underpin our success. I wish to thank my fellow board members for their commitment, insight and acumen, these are invaluable in ensuring we are well placed to meet the challenges that lie ahead. In doing so I wish to recognise, in particular the contributions of Vincent Mifsud, Alison Hancock and Lynda Yates who left the Board in the past year.

I commend the annual report to you.

Mark Booth
CHAIRPERSON

BOARD OF MANAGEMENT

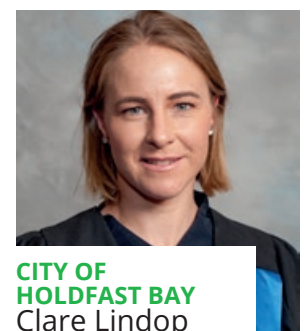
AS AT JUNE 30TH 2019



MEMBERS



DEPUTY MEMBERS





CHIEF EXECUTIVE OFFICER'S MESSAGE

The last 12 months has continued to see significant disruption to the waste management industry. SRWRA is responding to this disruption by positioning itself to support the evolving needs of its Constituent Councils and their communities. This is evidenced by the following activities undertaken throughout the year:

- With our Joint Venture Partners we have continued to maximise waste avoidance, re-use, recycling and recovery opportunities prior to landfill disposal.
- Approved the installation of a Gas Utilisation Facility to be completed in December 2019 that will generate, at full design capacity, 25,500MWh of electricity from the methane gas generated by the landfill operations.
- Commenced planning for a Materials Recovery Facility (MRF) to process the kerbside recyclables from our Constituent Councils including researching new and evolving circular economy markets for the re-use and re-purposing of the recycled materials.

The Authority has continued to provide a cost effective and environmentally responsible waste management solution for its Constituent Councils and their communities. Our focus on our operations resulted in a full-year Operating Surplus of \$0.503 million. The Authority is in a strong financial position with

net assets of \$19.633 million ensuring that we can meet all current and future landfill liabilities without the need for additional funding from our Constituent Councils.

Over the last 12 months the Authority invested in the education of schoolchildren within our communities through the Les Perry Memorial Grants Program. This year, 12 schools from our three Constituent Council areas received a total of \$5,537 in grant funding to support them learning about environmental responsible waste management. Given the outcomes being achieved the Board has approved an increase in the maximum grant amount of \$750 per school, up from \$500.

Although I have only been with the Authority for a short period of time, it has been gratifying to experience the energy, passion and commitment of the Board, Audit Committee, Staff, Joint Venture Partners and contract partners in responding to and capitalising on the significant changes occurring in our industry. I look forward to the next 12 months as we continue to transition our services for the delivery of innovative and sustainable waste management solutions for the benefit of our southern Adelaide communities and the environment.

Chris Adams
CHIEF EXECUTIVE OFFICER





FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED **30 JUNE 2019**

SOUTHERN REGION WASTE RESOURCE AUTHORITY

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SOUTHERN REGION WASTE RESOURCE AUTHORITY

ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2019

CERTIFICATION OF FINANCIAL STATEMENTS

We have been authorised by the Southern Region Waste Resource Authority Board to certify the financial statements in their final form. In our opinion:

- the accompanying financial statements comply with the *Local Government Act 1999, Local Government (Financial Management) Regulations 2011 and Australian Accounting Standards*.

- the financial statements present a true and fair view of the Authority's financial position at 30 June 2019 and the results of its operations and cashflows for the financial year.

- internal controls implemented by the Authority provide a reasonable assurance that the Authority's financial records are complete, accurate and reliable throughout the financial year.

- the financial statements accurately reflect the Authority's accounting and other records.

.....
Mark Booth
Chairman

.....
Chris Adams
Chief Executive Officer

Dated the 14th day of Sept 2019

SOUTHERN REGION WASTE RESOURCE AUTHORITY

STATEMENT OF COMPREHENSIVE INCOME
for the financial year ended 30 June 2019

	Notes	2019 \$'000	2018 \$'000
INCOME			
User charges	2	10,578	11,713
Investment income	2	647	620
Other Income	2	464	1,201
Net gain - equity accounted Joint Venture	15	437	176
Total Income		12,126	13,710
EXPENSES			
Employee costs	3	1,301	1,189
Materials, contracts & other expenses	3	9,445	9,777
Depreciation, amortisation & impairment	3	868	908
Other Expenses	3	-	80
Net loss - equity accounted Joint Venture	15	-	-
Total Expenses		11,614	11,954
OPERATING SURPLUS / (DEFICIT)		512	1,756
Net gain (loss) on disposal or revaluation of assets	4	(9)	21
Amounts received specifically for new or upgraded assets		-	-
NET SURPLUS / (DEFICIT)		503	1,777
transfer to Equity Statement			
Other Comprehensive Income			
Changes in revaluation surplus - property, plant & equipment		-	-
Total Other Comprehensive Income		-	-
TOTAL COMPREHENSIVE INCOME		503	1,777

This Statement is to be read in conjunction with the attached Notes.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

STATEMENT OF FINANCIAL POSITION

as at 30 June 2019

		2019	2018
	Notes	\$'000	\$'000
ASSETS			
Current Assets			
Cash and cash equivalents	5	17,497	16,343
Trade & other receivables	5	1,666	1,839
Inventories	5	-	-
		19,163	18,182
Total Current Assets		19,163	18,182
Non-current Assets			
Equity Accounted Joint Venture	15	832	885
Property, Plant & Equipment	6	15,440	15,580
		16,272	16,465
Total Non-current Assets		16,272	16,465
Total Assets		35,435	34,647
LIABILITIES			
Current Liabilities			
Trade & Other Payables	7	2,201	2,436
Provisions	7	126	101
		2,327	2,537
Total Current Liabilities		2,327	2,537
Non-current Liabilities			
Provisions	7	13,475	12,980
		13,475	12,980
Total Non-current Liabilities		13,475	12,980
Total Liabilities		15,802	15,517
NET ASSETS		19,633	19,130
EQUITY			
Accumulated Surplus		19,633	19,130
TOTAL EQUITY		19,633	19,130

This Statement is to be read in conjunction with the attached Notes.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

STATEMENT OF CHANGES IN EQUITY for the financial year ended 30 June 2019

2019	Notes	Accumulated Surplus	Asset Revaluation Reserve	Other Reserves	TOTAL EQUITY
Balance at end of previous reporting period		19,130	-	-	19,130
Adjustments due to compliance with revised Accounting Standards		-	-	-	-
Adjustments to give effect to changed accounting policies		-	-	-	-
Restated Opening Balance		19,130	-	-	19,130
Net Surplus/ (Deficit) for Year		503			503
Other Comprehensive Income					
Gain on revaluation of infrastructure, property, plant & equipment		-	-	-	-
Transfers between reserves		-	-	-	-
Distributions to Member Councils		-	-	-	-
Balance at end of period		19,633	-	-	19,633

2018	Notes	Accumulated Surplus	Asset Revaluation Reserve	Other Reserves	TOTAL EQUITY
Balance at end of previous reporting period		19,903	-	-	19,903
Adjustments due to compliance with revised Accounting Standards		-	-	-	-
Adjustments to give effect to changed accounting policies		-	-	-	-
Restated Opening Balance		19,903	-	-	19,903
Net Surplus/ (Deficit) for Year		1,777	-	-	1,777
Other Comprehensive Income					
Gain on revaluation of infrastructure, property, plant & equipment		-	-	-	-
Transfers between reserves		-	-	-	-
Distributions to Member Councils		(2,550)	-	-	(2,550)
Balance at end of period		19,130	-	-	19,130

This Statement is to be read in conjunction with the attached Notes

SOUTHERN REGION WASTE RESOURCE AUTHORITY

STATEMENT OF CASH FLOWS

for the year ended 30 June 2019

	Notes	2019 \$'000	2018 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
<u>Receipts</u>			
Operating receipts		12,337	13,439
Investment receipts		647	623
<u>Payments</u>			
Operating payments to suppliers & employees		(11,965)	(12,322)
Net Cash provided by (or used in) Operating Activities	8 (b)	1,019	1,740
CASH FLOWS FROM INVESTING ACTIVITIES			
<u>Receipts</u>			
Amounts specifically for new or upgraded assets		-	-
Sale of surplus assets		21	33
Distributions received from equity accounted Joint Venture	15	490	-
<u>Payments</u>			
Expenditure on renewal/replacement of assets		(256)	(341)
Expenditure on new/upgraded assets		(120)	(2,479)
Capital contributed to equity accounted Joint Venture	15	-	-
Net Cash provided by (or used in) Investing Activities		135	(2,787)
CASH FLOWS FROM FINANCING ACTIVITIES			
<u>Payments</u>			
Distribution to Member Councils		-	(2,550)
Net Cash provided by (or used in) Financing Activities		-	(2,550)
Net Increase (Decrease) in cash held		1,154	(3,597)
Cash & cash equivalents at beginning of period		16,343	19,940
Cash & cash equivalents at end of period	8 (a)	17,497	16,343

This Statement is to be read in conjunction with the attached Notes

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2019

Note 1 - SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1 Basis of Preparation

1.1 Compliance with Australian equivalents to International Financial Reporting Standards

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS) as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Urgent Issues Group Interpretations (UIGs) and relevant South Australian legislation.

The Authority is a Local Government Authority Section 43 Regional Subsidiary under the control of City of Onkaparinga, City of Marion and the City of Holdfast Bay.

1.2 Historical Cost Convention

Except where stated below, these financial statements have been prepared in accordance with the historical cost convention.

1.3 Critical Accounting Estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates, and requires management to exercise its judgement in applying the Authority's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are specifically referred to in the relevant sections of this Note.

1.4 Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000).

2 The Local Government Reporting Entity

Southern Region Waste Resource Authority operates as a regional subsidiary pursuant to Section 43 of the SA Local Government Act 1999 and Section 25 of the Local Government Implementation Act 1999, and has its principal place of business at 112 Bakewell Dr, Seaford Heights SA 5169.

3 Income recognition

Income is measured at the fair value of the consideration received or receivable. Income is recognised when the Authority obtains control over the assets comprising the income, or when the amount due constitutes an enforceable debt, whichever first occurs.

4 Cash, Cash Equivalents and other Financial Instruments

Cash Assets include all amounts readily convertible to cash on hand at the Authority's option with an insignificant risk of changes in value with a maturity of three months or less from the date of acquisition.

Receivables are generally unsecured and do not bear interest.

All receivables are reviewed as at the reporting date and adequate allowance made for amounts the receipt of which is considered doubtful.

All financial instruments are recognised at fair value at the date of recognition. A detailed statement of the accounting policies applied to financial instruments forms part of Note 10.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2019

Note 1 - Significant Accounting Policies (cont)

5 Infrastructure, Property, Plant & Equipment

All non-current assets purchased or constructed are capitalised as the expenditure is incurred and depreciated as soon as the asset is held "ready for use".

5.1 Initial Recognition

All assets are initially recognised at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including architects' fees and engineering design fees and all other costs incurred. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the Authority includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overhead.

Capital works still in progress at balance date are recognised as other non-current assets and transferred to infrastructure, property, plant & equipment when completed ready for use.

5.2 Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Authority for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life. No capitalisation threshold is applied to the acquisition of land or interests in land.

Capitalisation threshold applied of \$1,000 for all asset classes. Any purchases greater than this amount are capitalised and depreciated on the Authority's asset register.

5.3 Depreciation of Non-Current Assets

Other than land, all infrastructure, property, plant and equipment assets recognised are systematically depreciated over their useful lives in a manner which reflects the consumption of the service potential embodied in those assets.

Depreciation is recognised on a straight-line basis. Major depreciation periods for each class of asset are shown below. Depreciation on Landfill Construction assets are amortised proportionately to the rate of filling based upon the projected remaining airspace of landfill cells as at the beginning of the reporting period. The Authority annually assesses the remaining airspace of landfill cells and accordingly, depreciation and amortisation rates are adjusted to reflect these estimates. Depreciation periods for infrastructure assets have been estimated based on the best information available to the Authority, but appropriate records covering the entire life cycle of these assets are not available, and extreme care should be used in interpreting financial information based on these estimates.

Plant, Furniture & Equipment	3 -10 years
Buildings	30 - 50 years
Waste Facility	10 - 15 years
Landfill Construction	Amortised proportionately to rate of filling

6 Payables

6.1 Goods & Services

Creditors are amounts due to external parties for the supply of goods and services and are recognised as liabilities when the goods and services are received. Creditors are normally paid 30 days after the month of invoice. No interest is payable on these amounts.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2019

Note 1 - Significant Accounting Policies (cont)

7 Employee Benefits

7.1 Salaries, Wages & Compensated Absences

Liabilities for employees' entitlements to salaries, wages and compensated absences expected to be paid or settled within 12 months of reporting date are accrued at nominal amounts (including payroll based oncosts) measured in accordance with AASB 119.

Liabilities for employee benefits not expected to be paid or settled within 12 months are measured as the present value of the estimated future cash outflows (including payroll based oncosts) to be made in respect of services provided by employees up to the reporting date. Present values are calculated using government guaranteed securities rates with similar maturity terms.

The Authority recognises all presently entitled liabilities as current liabilities regardless of whether it is expected to be paid within the preceding 12 months of reporting date.

7.2 Superannuation

The Authority makes employer superannuation contributions in respect of its employees to Statewide Super. The Scheme has two types of membership, each of which is funded differently.

Accumulation Fund Members

Accumulation fund members receive both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings in accordance with Superannuation Guarantee Legislation 9.5% in 2018/19 (9.5% in 2017/18). No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Defined Benefit Members

Defined benefit scheme is where the benefit payable is based on a formula determined by the member's contribution rate, number of years of contribution and final average salary. The Authority makes employer contributions as determined by the scheme's Trustee based on advice from the Scheme's Actuarial. The most recent full actuarial investigation conducted by the Scheme's actuary, Louise Campbell, FIAA, of Willie Towers Watson as at 30 June 2017. The Trustee has determined that the current funding arrangements are adequate for the expected Salarylink liabilities. However, future financial and economic circumstances may require changes to the Authority's contribution rates at some future time.

The Authority also makes contributions to other superannuation schemes selected by employees under the 'choice of fund' legislation. All such schemes are of the accumulation type, where the superannuation benefits accruing to the employee are represented by their share of the new assets of the scheme, and no further liability attaches to the Authority.

8 Rehabilitation

Expenditures relating to ongoing rehabilitation and restoration reduce any provision previously established.

The Authority annually monitors the liability recorded for landfill rehabilitation and restoration estimates and makes adjustments to the liability as required to ensure an accurate projected cost of the liability is showing in the balance sheet. The Authority will be undertaking further detailed reviews of all rehabilitation and restoration liability costs in future years with the assistance of external consultants to ensure all projected costs have been independently verified.

9 Inventory

Inventory held by the Authority reflect materials stored on site which have either been purchased or gifted which will be used for future Cell and Capping construction works to be undertaken in future years.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2019

Note 1 - Significant Accounting Policies (cont)

10 GST Implications

In accordance with UIG Abstract 1031 "Accounting for the Goods & Services Tax". Receivables and Creditors include GST receivable and payable. Except in relation to input taxed activities, revenues and operating expenditures exclude GST receivable and payable. Non-current assets and capital expenditures include GST net of any recoupment.

Amounts included in the Statement of Cash Flows are disclosed on a gross basis.

11 Comparative Information

Comparative information has been reclassified to be consistent with the current year disclosure of equivalent information in accordance with AIFRS.

12 New Accounting Standards

Certain new accounting standards and UIG interpretations have been published that are not mandatory for the 30 June 2019 reporting period and have not been used in preparing these reports.

The Authority is of the view that none of the new standards or interpretations will affect any of the amounts recognised in the financial statements, but that they may impact certain information otherwise disclosed.

13 Valuation of Land and Building Assets

Land and Building assets held by the Authority were valued by Opteon (South Australia) Pty Ltd with an effective valuation date of 30 June 2014 applied for financial reporting purposes. Assets were valued to their market value based on the current zoning of the Onkaparinga Council Development Plan and Environmental Protection Agency (EPA) constraints and assessed market values based on highest and best use. All purchases made post 30 June 2014 have been recorded at Cost.

14 Capping Liability Review

During the 2018/19 financial year, the Authority undertook a review of all the key assumptions and estimates in relation to the measurement of landfill cell capping liabilities recorded in Note 7 of the Financial Statements. The Authority engaged Golder Associates Pty Ltd to complete the independent assessment of the liability. As a result of work completed by Golder Associates, the estimated capping liability has been increased to \$7.823 million as at 30 June 2019. This represented an increase of \$0.382m to capping liability estimates be recognised in 2018/19.

The Authority as at 30 June 2019 has consolidated all capping liability obligations as a single activity given that landfill operations have consolidated into a single cell operation. A new capping liability disclosed as 'Super Cell Capping' has been recognised in Note 7.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2019

Note 2 - INCOME

	Notes	2019 \$'000	2018 \$'000
USER CHARGES			
Landfill Operations		10,578	11,713
		<u>10,578</u>	<u>11,713</u>
INVESTMENT INCOME			
Interest on investments			
Local Government Finance Authority		421	444
Banks & other		18	24
Investment property rental income		208	152
		<u>647</u>	<u>620</u>
OTHER INCOME			
Movement in Landfill Liabilities		-	886
Other Income		63	48
Southern Recycling Centre		401	267
		<u>464</u>	<u>1,201</u>

Note 3 - EXPENSES

EMPLOYEE COSTS			
Salaries and Wages		1,146	1,092
Employee leave expense		12	(42)
Superannuation		95	87
Workers' Compensation Insurance		48	52
Less: Capitalised and distributed costs		-	-
Total Operating Employee Costs		<u>1,301</u>	<u>1,189</u>
Total Number of Employees		13	11
<i>(Full time equivalent at end of reporting period)</i>			
MATERIALS, CONTRACTS & OTHER EXPENSES			
<u>Prescribed Expenses</u>			
Auditor's Remuneration			
- Auditing the financial reports		19	18
Board Expenses		41	38
Subtotal - Prescribed Expenses		<u>60</u>	<u>56</u>
<u>Other Materials, Contracts & Expenses</u>			
Contractors		418	143
Fuel		132	113
Equipment Hire		-	68
Maintenance		270	299
Legal Expenses		16	21
Levies paid- EPA Levy		8,010	8,547
Professional services		36	28
Southern Recycling Centre		255	187
Sundry		248	315
Subtotal - Other Materials, Contracts & Expenses		<u>9,385</u>	<u>9,721</u>
		<u>9,445</u>	<u>9,777</u>

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2019

Note 3 - EXPENSES (cont)

	Notes	2019 \$'000	2018 \$'000
DEPRECIATION, AMORTISATION & IMPAIRMENT			
Depreciation			
Landfill Construction		374	394
Buildings & Waste Facility		143	140
Plant & Equipment		351	374
Impairment	6	-	-
		<u>868</u>	<u>908</u>
OTHER EXPENSES			
Transfer to Provision of Cell 3-1 & 3-2 Capping		-	80
		<u>-</u>	<u>80</u>

Note 4 - ASSET DISPOSAL & FAIR VALUE ADJUSTMENTS

PROPERTY, PLANT & EQUIPMENT			
Proceeds from disposal		21	33
Less: Carrying amount of assets sold		(30)	(12)
Gain (Loss) on disposal		<u>(9)</u>	<u>21</u>
NET GAIN (LOSS) ON DISPOSAL OF ASSETS		<u>(9)</u>	<u>21</u>

Note 5 - CURRENT ASSETS

CASH & EQUIVALENT ASSETS			
Cash on Hand and at Bank		1,755	2,013
Short Term Deposits & Bills, etc		15,742	14,330
		<u>17,497</u>	<u>16,343</u>
TRADE & OTHER RECEIVABLES			
Accrued Revenues		37	22
Debtors - general		1,626	1,813
Prepayments		3	4
		<u>1,666</u>	<u>1,839</u>
INVENTORIES			
Stores & Materials		-	-
		<u>-</u>	<u>-</u>

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2019

Note 6 - PROPERTY, PLANT & EQUIPMENT

	2018				2019			
	\$'000				\$'000			
	AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT	AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT
Land	1,427	2,556	-	3,983	1,427	2,556	-	3,983
Buildings	560	4,042	(491)	4,111	560	4,044	(634)	3,970
Plant & Equipment	-	4,393	(2,651)	1,742	-	4,600	(2,980)	1,620
Office Equipment	-	148	(113)	35	-	153	(123)	30
Landfill Construction:								
Super Cell		7,511	(5,042)	2,469		7,565	(5,195)	2,370
Super Cell Capping		4,887	(1,982)	2,905		5,269	(2,183)	3,086
Post Closure Rehabilitation	-	5,974	(5,756)	218	-	6,064	(5,774)	290
Future Restoration Costs	-	4,159	(4,159)	-	-	4,196	(4,161)	35
Work in Progress	-	117	-	117	-	56	-	56
TOTAL PROPERTY, PLANT & EQUIPMENT	1,987	33,787	(20,194)	15,580	1,987	34,503	(21,050)	15,440
Comparatives	1,987	30,784	(17,690)	15,081	1,987	33,787	(20,194)	15,580

This Note continues on the following pages.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2019

Note 6 - PROPERTY, PLANT & EQUIPMENT

	2018 \$'000	CARRYING AMOUNT MOVEMENTS DURING YEAR								2019 \$'000
		\$'000								
		Additions		Disposals	Depreciation	Impairment	Adjustments	Transfer		
Capital	Renewals									
Land	3,983	-	-	-	-	-	-	-	3,983	
Buildings	4,111	-	2	-	(143)	-	-	-	3,970	
Plant, Equipment & Motor Vehicles	1,742	-	249	(30)	(341)	-	-	-	1,620	
Office Equipment	35	-	5	-	(10)	-	-	-	30	
Landfill Construction:										
Super Cell	2,469	54	-	-	(153)	-	-	-	2,370	
Super Cell Capping	2,905	382	-	-	(201)	-	-	-	3,086	
Post Closure Rehabilitation	218	90	-	-	(18)	-	-	-	290	
Future Restoration Costs	-	37	-	-	(2)	-	-	-	35	
Work in Progress	117	66	-	-	-	-	(127)	-	56	
TOTAL PROPERTY, PLANT & EQUIPMENT	15,580	629	256	(30)	(868)	-	(127)	-	15,440	
Comparatives	15,081	2,742	341	(12)	(908)	-	(1,664)	-	15,580	

This Note continues on the following pages.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the financial year ended 30 June 2019

Note 7 - LIABILITIES

	Notes	2019 \$'000		2018 \$'000	
		Current	Non-current	Current	Non-current
TRADE & OTHER PAYABLES					
Goods & Services		2,139	-	2,371	-
Payments received in advance		16	-	-	-
Accrued expenses - other		46	-	65	-
		2,201	-	2,436	-
PROVISIONS					
Annual Leave		66	-	63	-
Long Service Leave		60	25	38	39
Super Cell Capping		-	7,823	-	-
Post Closure Rehabilitation		-	3,985	-	3,895
Cell Capping - 3-1 & 3-2		-	-	-	2,554
Cell Capping - 3-3 & 3-4 (Lower)		-	-	-	2,937
Cell 4 Capping		-	-	-	1,950
Future Restoration Costs		-	1,642	-	1,605
		126	13,475	101	12,980

<i>Movements in Provisions - 2019 year only</i> <i>(current & non-current)</i>	<i>Opening Balance</i>	<i>Additional Amounts Recognised/ (Derecognised)</i>	<i>Transfers</i>	<i>Closing Balance</i>
<i>Super Cell Capping</i>	-	382	7,441	7,823
<i>Post Closure Rehabilitation</i>	3,895	90	0	3,985
<i>Cell Capping - 3-1 & 3-2</i>	2,554	0	(2,554)	-
<i>Cell Capping - 3-3 & 3-4 (Lower)</i>	2,937	0	(2,937)	-
<i>Cell 4 Capping</i>	1,950	0	(1,950)	-
<i>Future Restoration Costs</i>	1,605	37	0	1,642
<i>Total</i>	12,941	509	-	13,450

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2019

Note 8 - RECONCILIATION OF CASH FLOW STATEMENT

(a) Reconciliation of Cash

Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Cash Flow Statement is reconciled to the related items in the Statement of Financial Position as follows:

	Notes	2019 \$'000	2018 \$'000
Total cash & equivalent assets	5	17,497	16,343
Less: Short-term borrowings		-	-
Balances per Cash Flow Statement		<u>17,497</u>	<u>16,343</u>

(b) Reconciliation of Change in Net Assets to Cash from Operating Activities

Net Surplus (Deficit)	503	1,777
Non-cash items in Income Statement		
Depreciation, amortisation & impairment	868	908
Net (Gain) loss in Equity Movement Joint Venture	(437)	(176)
Movement in Landfill Provisions	-	(886)
Work in Progress Write-Off	127	-
Net (Gain) Loss on Disposals	9	(21)
	<u>1,070</u>	<u>1,602</u>
Add (Less): Changes in Net Current Assets		
Net (increase) decrease in receivables	173	186
Net (increase) decrease in inventories	-	-
Net (increase) decrease in other current assets	-	-
Net increase (decrease) in trade & other payables	(235)	(93)
Net increase (decrease) in other provisions	11	45
Net Cash provided by (or used in) operations	<u>1,019</u>	<u>1,740</u>

(c) Non-Cash Financing and Investing Activities

Acquisition of assets by means of:

- Physical resources received free of charge	-	-
- Non-cash grants & contributions	-	-
<i>Amounts recognised in Income Statement</i>	-	-
- Finance Leases	-	-
	<u>-</u>	<u>-</u>

(d) Financing Arrangements

Unrestricted access was available at balance date to the following lines of credit:

Corporate Credit Cards	18	18
------------------------	----	----

The Authority has no bank overdraft facility.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2019

Note 9 - FINANCIAL INSTRUMENTS

Recognised Financial Instruments

Bank, Deposits at Call, Short Term	Accounting Policy: Carried at lower of cost and net realisable value; Interest is recognised when earned.
Deposits	<p>Terms & conditions: Deposits are returning fixed interest rates of 1 - 2.25% (2018: 1.25 - 2.5%). Short term deposits have an average maturity of 90 days (2018: 90 days).</p> <p>Carrying amount: approximates fair value due to the short term to maturity.</p>
Receivables - Gate Fees & Associated Charges	<p>Accounting Policy: Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.</p> <p>Carrying amount: approximates fair value (after deduction of any allowance).</p>
Liabilities - Creditors and Accruals	<p>Accounting Policy: Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Authority.</p> <p>Terms & conditions: Liabilities are normally settled on 30 day terms.</p> <p>Carrying amount: approximates fair value.</p>

Net Fair Value

All carrying values approximate fair value for all recognised financial instruments. There is no recognised market for the financial assets of the Authority.

Risk Exposures

Credit Risk represents the loss that would be recognised if counterparties fail to perform as contracted. The maximum credit risk on financial assets of the Authority is the carrying amount, net of any provision for doubtful debts. All investments are made with the SA Local Government Finance Authority and the ANZ Bank. There is no material exposure to any individual debtor.

Market Risk is the risk that fair values of financial assets will fluctuate as a result of changes in market prices. All of the Authority's financial assets are denominated in Australian dollars and are not traded on any market, and hence neither market risk nor currency risk apply.

Liquidity Risk is the risk that the Authority will encounter difficulty in meeting obligations with financial liabilities. In accordance with the model Treasury Policy (LGA Information Paper 15), liabilities have a range of maturity dates based on cash inflows.

Interest Rate Risk is the risk that future cash flows will fluctuate because of changes in market interest rates. Most of the Authority's financial instruments are at fixed rates. Any such variations in future cash flows will not be material in effect on either the Authority's incomes or expenditures.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2019

Note 9 (cont) - FINANCIAL INSTRUMENTS

Liquidity Analysis

2019	Floating Interest Rate \$'000	Fixed interest maturing in			Non- interest bearing \$'000	Total \$'000
		≤ 1 year \$'000	> 1 year ≤ 5 years \$'000	> 5 years \$'000		
Financial Assets						
Fair Value through P&L						
Cash Assets	1,755	15,742	-	-	-	17,497
Loans & Receivables						
Receivables	-	-	-	-	1,666	1,666
Total	1,755	15,742	-	-	1,666	19,163
<i>Weighted Average Interest Rate</i>	1.00%	2.25%				
Financial Liabilities						
Payables	-	-	-	-	2,201	2,201
Total	-	-	-	-	2,201	2,201
EXCESS OF FINANCIAL ASSETS OVER LIABILITIES	1,755	15,742	-	-	(535)	16,962
2018	Floating Interest Rate \$'000	Fixed interest maturing in			Non- interest bearing \$'000	Total \$'000
		≤ 1 year \$'000	> 1 year ≤ 5 years \$'000	> 5 years \$'000		
Financial Assets						
Fair Value through P&L						
Cash Assets	2,013	14,330	-	-	-	16,343
Loans & Receivables						
Receivables	-	-	-	-	1,839	1,839
Total	2,013	14,330	-	-	1,839	18,182
<i>Weighted Average Interest Rate</i>	1.25%	2.50%				
Financial Liabilities						
Payables	-	-	-	-	2,436	2,436
Total	-	-	-	-	2,436	2,436
EXCESS OF FINANCIAL ASSETS OVER LIABILITIES	2,013	14,330	-	-	(597)	15,746

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the financial year ended 30 June 2019

Note 10 - COMMITMENTS FOR EXPENDITURE

	2019 \$'000	2018 \$'000
Capital Commitments		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Committed Projects	-	-
	-	-

As at 30 June 2019, the Authority has entered into no capital commitments that are not already recorded on the Statement of Financial Position.

Other Expenditure Commitments

Other expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:

Audit Services	19	37
	19	37
These expenditures are payable:		
Not later than one year	19	18
Later than one year and not later than 5 years	-	19
Later than 5 years	-	-
	19	37

Note 11 - CONTINGENCIES & ASSETS & LIABILITIES NOT RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position but knowledge of those items is considered relevant to users of the financial report in making and evaluating decisions about the allocation of scarce resources.

1. Potential Insurance Losses

The Authority insures against all known insurable risks using a range of insurance policies, each of which is subject to a deductible "insurance excess", the amount of which varies according to the class of insurance.

2. Legal Expenses

All known costs have been recognised.

Note 12 - EVENTS OCCURRING AFTER REPORTING DATE

There were no events subsequent to 30 June 2019 that need to be disclosed in the financial statements.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2019

Note 13 - UNIFORM PRESENTATION OF FINANCES

The following is a high level summary of both operating and capital investment activities of the Authority prepared on a uniform and consistent basis. The uniform presentation represents a simplified version of reporting under the Government Finance Statistics (GFS) framework of the Australian Bureau of Statistics.

	2019 \$'000	2018 \$'000
Income	12,126	13,710
less Expenses	(11,614)	(11,954)
Operating Surplus / (Deficit)	512	1,756
Net Outlays on Existing Assets		
Capital Expenditure on renewal and replacement of Existing Assets	(256)	(341)
Depreciation, Amortisation, Impairment and Movement in Landfill Provisions	868	988
Proceeds from Sale of Replaced Assets	-	-
	612	647
Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets	(120)	(2,479)
Amounts received specifically for New and Upgraded Assets	-	-
Proceeds from Sale of Surplus Assets	21	33
	(99)	(2,446)
Net Lending / (Borrowing) for Financial Year	1,025	(43)

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2019

Note 14 - DISCLOSURES OF RELATED PARTY TRANSACTIONS

The Key Management Personnel include the Chair of the Board, Chief Executive and other officers prescribed under Section 112 of the *Local Government Act 1999*. The following payments were made to Key Management Personnel during the year:

	2019 \$'000
Salaries, allowances & other short term benefits	373
Post-employment benefits	-
Long term benefits	-
Termination Benefits	-
TOTAL	373

Transactions with Related Parties:

The following transactions occurred with Related Parties:

Related Party Entity	Sale of Goods and Services (\$'000)	Amounts Outstanding from Related Parties (\$'000)	Description of Services Provided to Related Parties
City of Onkaparinga	4,944	509	Provision of waste disposal services
City of Holdfast Bay	930	67	Provision of waste disposal services
City of Marion	2,083	164	Provision of waste disposal services
Southern Recycling Centre	6,920	528	Provision of waste disposal services

Amounts recorded as outstanding from Related Parties are recorded in Trade and other receivables in Note 5.

The Authority has a total amount outstanding of \$0.613m to the Southern Recycling Centre as at 30 June 2019.

The Related Parties disclosed above are equity owners of the Authority and are referred to as Member Councils. Member Councils have equal representation on the Board of the Authority and accordingly have significant influence on the financial and operating decisions of the Authority. No one Member Council individually has control of those policies.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the financial year ended 30 June 2019

Note 15 - EQUITY ACCOUNTED JOINT VENTURE

Southern Recycling Centre (SRC)

The Authority has entered into a joint venture arrangement with Integrated Waste Services Pty Ltd to operate the Southern Recycling Centre located on the Authority's landfill site.

	2019 \$'000	2018 \$'000
The Authority's respective interests are:		
- interest in operating result:	50.00%	50.00%
- ownership of equity	49.99%	49.99%
- the proportion of voting power	50.00%	50.00%
<u>Movement in Investment in Joint Operation:</u>		
Opening Balance	885	709
New Capital Contributions	-	-
Share in Operating Result	437	176
Equity Adjustment	-	-
Distributions Received	(490)	-
Share in Equity of Joint Operation	832	885

Expenditure Commitments

There were no expenditure commitments at reporting date that required to be recognised in the financial statements.

Contingent Liabilities

There were no contingent liabilities at reporting date that required to be recognised in the financial statements.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2019

Note 16 - FAIR VALUE MEASUREMENTS

The Authority measures and recognises the following assets at fair value on a recurring basis after initial recognition:

- Land assets.

The Authority does not subsequently measure any liabilities at fair value on a recurring basis, or any assets or liabilities at fair value on a non-recurring basis.

(a) **Fair value hierarchy**

AASB 13: *Fair Value Measurement* requires the disclosure of fair value information according to the relevant level in the fair value hierarchy. This hierarchy categorises fair value measurements into one of three possible levels based on the lowest level that a significant input can be categorised into. The levels are outlined below:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair value of assets and liabilities that are not traded in an active market is determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The Authority selects valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the association are consistent with one or more of the following valuation approaches:

- *Market approach*: uses prices and other relevant information generated by market transactions involving identical or similar assets or liabilities.
- *Income approach*: converts estimated future cash flows or income and expenses into a single current (i.e. discounted) value.
- *Cost approach*: reflects the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Authority gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data are not available and therefore are developed using the best information available about such assumptions are considered unobservable.

SOUTHERN REGION WASTE RESOURCE AUTHORITY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2019

Note 16 - FAIR VALUE MEASUREMENTS (Cont.)

The following tables provide the fair values of the Authority's assets measured and recognised on a recurring basis after initial recognition, categorised within the fair value hierarchy.

	Note	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
2019					
Recurring fair value measurements					
Infrastructure, Property, Plant & Equipment					
- Land	6	-	1,427	-	1,427
- Buildings	6	-	560	-	560
Total financial assets recognised at fair value		-	1,987	-	1,987

2018					
Recurring fair value measurements					
Infrastructure, Property, Plant & Equipment					
- Land	6	-	1,427	-	1,427
- Buildings	6	-	560	-	560
Total financial assets recognised at fair value		-	1,987	-	1,987

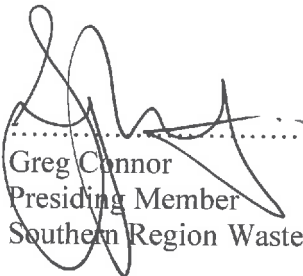
(b) **Disclosed fair value measurements**

The following table provides the level of the fair value hierarchy within which the disclosed fair value measurements are categorised in their entirety and a description of the valuation technique(s) and inputs used.

	Fair Value Hierarchy Level	Valuation Technique	Inputs Used
There has been no change in the valuation technique(s) used to calculate the fair values disclosed in the financial statements.	2	Market Value	Observable sales of similar properties – both vacant land and land with improvements

**Presiding Member Southern Region Waste Resource Authority
Audit Committee – Auditor Independence**

I, Greg Connor the person occupying the position of Presiding Member of the Southern Region Waste Resource Authority's Audit Committee, do hereby certify (for the purposes of Regulation 22 (3) of the Local Government (Financial Management) Regulations 2011), that the auditor of the Southern Region Waste Resource Authority, Galpins, has not been engaged by the Southern Region Waste Resource Authority to provide services to the Southern Region Waste Resource Authority outside of the scope of the audit functions under the Local Government Act 1999.


.....
Greg Connor
Presiding Member
Southern Region Waste Resource Authority Audit Committee

27/8/19
.....
Dated

David Chant CA, FCPA
Simon Smith CA, FCPA
David Sullivan CA, CPA
Jason Seidel CA
Renae Nicholson CA
Tim Muhlhausler CA
Aaron Coonan CA
Luke Williams CA, CPA
Daniel Moon CA



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Liability limited by a scheme approved
under Professional Standards Legislation

SOUTHERN REGION WASTE RESOURCE AUTHORITY

GENERAL PURPOSE FINANCIAL STATEMENTS For the year ended 30 June 2019

Statement by Auditor

I confirm that, for the audit of the financial statements of the Southern Region Waste Resource Authority for the year ended 30 June 2019, I have maintained my independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011 made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22 (5) *Local Government (Financial Management) Regulation 2011*.

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS

Simon Smith FCPA, Registered Company Auditor

Partner

05/09/2019

David Chant CA, FCPA
Simon Smith CA, FCPA
David Sullivan CA, CPA
Jason Seidel CA
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Tim Muhlhausler CA
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE SOUTHERN REGION WASTE RESOURCE AUTHORITY

INDEPENDENT ASSURANCE REPORT ON THE INTERNAL CONTROLS OF THE SOUTHERN REGION WASTE RESOURCE AUTHORITY

Opinion

We have audited the compliance of the Southern Region Waste Resource Authority ("the Authority") with the requirements of *Section 125 of the Local Government Act 1999* in relation only to the Internal Controls established by the Authority to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2018 to 30 June 2019 have been conducted properly and in accordance with law.

In our opinion, the Authority has complied, in all material respects, with Section 125 of the *Local Government Act 1999* in relation to internal controls established by the Authority in relation to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities so as to provide reasonable assurance that the financial transactions of the Authority have been conducted properly and in accordance with law for the period 1 July 2018 to 30 June 2019.

Basis for Opinion

We conducted our engagement in accordance with applicable Australian Standards on Assurance Engagement ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and ASAE 3150 *Assurance Engagement on Controls*, issued by the Australian Auditing and Assurance Standards Board, in order to state whether, in all material respects, the Authority has complied with Section 125 of the *Local Government Act 1999* in relation only to the internal controls specified above for the period 1 July 2018 to 30 June 2019. ASAE 3000 also requires us to comply with the relevant ethical requirements of the Australian professional accounting bodies.

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

The Authority's Responsibility for Internal controls

The Authority is responsible for implementing and maintaining an adequate system of internal controls, in accordance with *Section 125 of the Local Government Act 1999* to ensure that the receipt, expenditure and investment of money, with acquisition and disposal of property, and incurring of liabilities have been conducted properly and in accordance with law.

Our Independence and Quality Control

We have complied with the independence and other relevant ethical requirements relating to assurance engagements, and applied Auditing Standard ASQC 1 *Quality Control for Firms that Performs Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements* in undertaking this assurance engagement.

Auditor's responsibility

Our responsibility is to express an opinion on the Authority's compliance with Section 125 of the *Local Government Act 1999* in relation only to the internal controls established by the Authority to ensure that financial transactions relating to receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, based on our procedures. Our engagement has been conducted in accordance with applicable Australian Standards on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Information* and ASAE 3150 *Assurance Engagements on Controls*, issued by the Australian Auditing and Assurance Standards Board, in order to state whether, in all material respects, the Authority has complied with Section 125 of the *Local Government Act 1999* in relation only to the internal controls specified above for the period 1 July 2018 to 30 June 2019. ASAE 3000 also requires us to comply with the relevant ethical requirements for the Australian professional accounting bodies.

Limitations of Controls

Because of the inherent limitations of any internal control structure it is possible that, even if the controls are suitably designed and operating effectively, the control objectives may not be achieved so that fraud, error, or non-compliance with laws and regulations may occur and not be detected.

An assurance engagement on controls is not designed to detect all instances of controls operating ineffectively as it is not performed continuously throughout the period and the tests performed are on a sample basis. Any projection of the outcome of the evaluation of controls to future periods is subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

Limitation of Use

This report has been prepared for the members of the Authority in Accordance with *Section 129 of the Local Government Act 1999* in relation to the Internal Controls Specified above. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the members of the Authority, or for any purpose other than which it was prepared.

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS



Simon Smith FCPA, Registered Company Auditor

Partner

05/09/2019

David Chant CA, FCPA
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INDEPENDENT AUDITOR'S REPORT

To the members of the Southern Region Waste Resource Authority

Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report of the Southern Region Waste Resource Authority ("the Authority"), which comprises the balance sheet as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by the Executive Officer and the Chairman.

In our opinion, the accompanying financial report presents fairly, in all material aspects, the financial position of the Authority as at 30 June 2019, and its financial performance and its cash flows for the year then ended in accordance with the Australian Accounting Standards, *Local Government Act 1999 and Local Government (Financial Management) Regulations 2011*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility for the Financial Report

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

In preparing the financial report, the Authority is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit of the financial report in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the financial report in order to design procedures that are appropriate in the circumstances, but for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS




Simon Smith FCPA, Registered Company Auditor

Partner

05/09/2019

**Southern Region Waste Resource Authority
Board Chair – Auditor Independence**

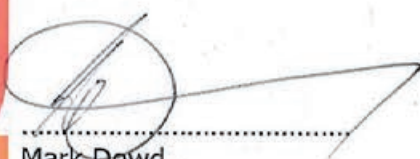
I, Mark Booth, the person occupying the position of Chair of the Southern Region Waste Resource Authority's Board, do hereby certify (for the purposes of Regulation 22 (3) of the Local Government (Financial Management) Regulations 2011), that the auditor of the Southern Region Waste Resource Authority, Galpins, has not been engaged by the Southern Region Waste Resource Authority to provide services to the Southern Region Waste Resource Authority outside of the scope of the audit functions under the Local Government Act 1999.


.....
Mark Booth
Chair
Southern Region Waste Resource Authority Board

4/9/19
.....
Dated

Chief Executive Officer's Certificate of Compliance – Auditor Independence Southern Region Waste Resource Authority

I, Mark Dowd the person for the time being occupying the position of Chief Executive Officer of the City of Onkaparinga, being a Constituent Council of the Southern Region Waste Resource Authority, do hereby certify (for the purposes of Regulation 22 (3) of the *Local Government (Financial Management) Regulations 2011*), that the auditor of the subsidiary, Galpins, has not been engaged by the subsidiary to provide services to the subsidiary outside of the scope of the audit functions under the *Local Government Act 1999*.



Mark Dowd
Chief Executive Officer
City of Onkaparinga

12.8.19



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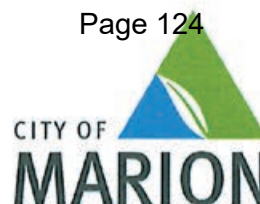
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9 August 2019



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245 Sturt Road, Sturt
South Australia 5047

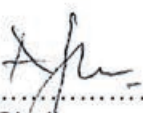
T (08) 8375 6600

F (08) 8375 6699

E council@marion.sa.gov.au

Chief Executive Officer's Certificate of Compliance – Auditor Independence Southern Region Waste Resource Authority

I, Adrian Skull, the person for the time being occupying the position of Chief Executive Officer of the City of Marion, being a Constituent Council of the Southern Region Waste Resource Authority, do hereby certify (for the purposes of Regulation 22 (3) of the Local Government (Financial Management) Regulations 2011), that the auditor of the subsidiary, Galpins, has not been engaged by the subsidiary to provide services to the subsidiary outside of the scope of the audit functions under the Local Government Act 1999.


.....
Adrian Skull
Chief Executive Officer
City of Marion

9.8.19
.....
Dated

The City of Marion acknowledges it is part of Kaurna land and recognises the Kaurna people
as the traditional and continuing custodians of the land.



holdfast.sa.gov.au

Brighton Civic Centre 24 Jetty Road, Brighton SA 5048

PO Box 19 Brighton SA 5048

P 08 8229 9999 F 08 8298 4561

Glenelg Customer Service Centre and Library

2 Colley Terrace, Glenelg SA 5045

**Chief Executive Officer's Certificate of Compliance – Auditor Independence
Southern Region Waste Resource Authority**

I, Roberto Bria, the person for the time being occupying the position of Chief Executive Officer of the City of Holdfast Bay, being a Constituent Council of the Southern Region Waste Resource Authority, do hereby certify (for the purposes of Regulation 22 (3) of the Local Government (Financial Management) Regulations 2011), that the auditor of the subsidiary, Galpins, has not been engaged by the subsidiary to provide services to the subsidiary outside of the scope of the audit functions under the Local Government Act 1999.

.....
Roberto Bria
Chief Executive Officer
City of Holdfast Bay

9 / 8 / 19
.....
Dated

ATTENDANCE AT BOARD MEETINGS

BOARD MEMBERS	MEETINGS HELD WHILST MEMBER	MEETINGS ATTENDED
CHAIRMAN Mark Booth	6	6
CITY OF ONKAPARINGA Kirk Richardson	6	5
CITY OF ONKAPARINGA Alison Hancock <i>Term Completed June 2019</i>	6	5
CITY OF MARION Vincent Mifsud <i>Resigned May 2019</i>	5	4
CITY OF MARION Adrian Skull <i>Appointed May 2019</i>	1	0
CITY OF MARION Ian Crossland	6	4
CITY OF HOLDFAST BAY Roberto Bria	6	6
CITY OF HOLDFAST BAY Lynda Yates <i>Resigned November 2018</i>	3	2
CITY OF HOLDFAST BAY John Smedley <i>Appointed December 2018</i>	3	3

DEPUTY BOARD MEMBERS

Please Note: Deputy Members are only required to attend a Meeting when the Member is an apology

CITY OF ONKAPARINGA Heidi Greaves	0
CITY OF MARION Nick Kerry <i>Term Completed October 2018</i>	0
CITY OF MARION Bruce Hull <i>Appointed October 2018</i>	0
CITY OF MARION Ray Barnwell <i>Appointed May 2019</i>	1
CITY OF HOLDFAST BAY John Smedley <i>Resigned December 2018</i>	2
CITY OF HOLDFAST BAY Clare Lindop <i>Appointed December 2018</i>	1

ATTENDANCE AT AUDIT COMMITTEE MEETINGS

	MEETINGS HELD WHILST MEMBER	MEETINGS ATTENDED
Please Note: Deputy Members are only required to attend a Meeting when the Member is an apology		
CHAIRMAN Greg Connor	4	4
David Powell	4	4
Vicki Brown <i>Resigned March 2019</i>	3	3
Sam Spadavecchia <i>Appointed March 2019</i>	1	1
Mark Booth	4	4
Lynda Yates <i>Deputy SRWRA Representative Resigned November 2018</i>	0	0
John Smedley <i>Deputy SRWRA Representative Appointed February 2019</i>	0	0

PERFORMANCE AGAINST BUSINESS PLAN

Each year SRWRA prepares an Annual Business Plan that is submitted to the Constituent Councils detailing its aims and objectives.

AIMS AND OBJECTIVES	STATUS
Assessments of Long Term Financial Plan Assumptions	Achieved
Further Development of the Southern Recycling Centre recycling operations	Achieved
Cell Construction feasibility & development project	In Progress
Redesign of capping system for super cell area	In Progress
Solar/alternative energy projects	In Progress
Work with Constituent Councils to explore options and feasibility surrounding the operations of a "Waste to Energy" and "Materials Recycling Facility" in the region.	In Progress





SRWRA CONSTITUENT
COUNCILS



SRWRA

112 Bakewell Drive
Seaford Heights SA 5169

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COUNCIL SOLUTIONS REGIONAL AUTHORITY
General Purpose Financial Reports
for the year ending 30 June 2019

TABLE OF CONTENTS

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COUNCIL SOLUTIONS REGIONAL AUTHORITY
Certification Of Financial Statements
for the year ending 30 June 2019

I have been authorised by the Council Solutions Regional Authority Board to certify the financial statements of the Council Solutions Regional Authority in their final form. In my opinion:

- The accompanying financial statements comply with the *Local Government Act 1999, Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards.
- The financial statements present a true and fair view of the Council Solutions Regional Authority's financial position at 30 June 2019 and the results of its operations and cash flows for the financial year.
- Internal controls implemented by the Authority provide a reasonable assurance that the Authority's financial records are complete, accurate and reliable and were effective throughout the financial year.
- The financial statements accurately reflect the Council Solutions Regional Authority's accounting and other records.



.....
Jeff Tate
Chair Of The Board

Date: 29 August 2019

Appendix A

COUNCIL SOLUTIONS REGIONAL AUTHORITY
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2019

	Notes	2019 \$'000	2018 \$'000
INCOME			
Investment Income	2	7	4
Management Fees	2	1,056	1,054
Other Income	2	270	641
Total Income		1,333	1,699
EXPENSES			
Materials, contracts & other expenses	3	960	1,770
Total Expenses		960	1,770
OPERATING SURPLUS / (DEFICIT)		373	(71)
NET SURPLUS / (DEFICIT)		373	(71)
Total Other Comprehensive Income		-	-
TOTAL COMPREHENSIVE INCOME		373	(71)

This Statement is to be read in conjunction with the attached Notes.

COUNCIL SOLUTIONS REGIONAL AUTHORITY
BALANCE SHEET
as at 30 June 2019

	Notes	2019 \$'000	2018 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents		539	174
Receivables		342	564
Total Current Assets	4,7	881	738
Total Assets		881	738
LIABILITIES			
Current Liabilities			
Trade & Other Payables		37	124
Other Current Liabilities		15	158
Total Current Liabilities	5,7	52	282
Total Liabilities	5,7	52	282
NET ASSETS		829	456
EQUITY			
Accumulated Surplus		686	313
Share Capital		143	143
TOTAL EQUITY		829	456

This Statement is to be read in conjunction with the attached Notes.

COUNCIL SOLUTIONS REGIONAL AUTHORITY
STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2019

	Initial Contribution by Owners \$'000	Accumulated Surplus \$'000	Total \$'000
2019			
Opening Balance	143	313	456
Net Surplus for Year	-	373	373
Balance at end of period	143	686	829

	Initial Contribution by Owners \$'000	Accumulated Surplus \$'000	Total \$'000
2018			
Opening Balance	143	385	527
Net Surplus for Year	-	(71)	(72)
Balance at end of period	143	313	456

CASH FLOW STATEMENT
for the year ended 30 June 2019

	Notes	2019 \$'000	2018 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
<u>Receipts</u>			
Operating receipts		1,548	1,600
Investment Income		7	4
<u>Payments</u>			
Operating payments to suppliers & employees		(1,190)	(1,764)
Net Cash provided by (or used in) Operating Activities		365	(160)
Net Increase (Decrease) in cash held		365	(160)
Cash & cash equivalents at beginning of period		174	334
Cash & cash equivalents at end of period	6	539	174

This Statement is to be read in conjunction with the attached Notes

COUNCIL SOLUTIONS REGIONAL AUTHORITY

Notes to and forming part of the Financial Statements for the year ending 30 June 2019

Note 1 - Significant Accounting Policies

This general purpose financial report has been prepared in accordance with Australian Accounting Standards as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and relevant South Australian legislation.

Council Solutions Regional Authority is a Regional Subsidiary under Section 43 and Schedule 2 of the Local Government Act 1999. The Constituent Councils and their respective share of equity are as follows:

Constituent Council	Equity Share
Adelaide City Council	16.67%
City of Charles Sturt	16.67%
City of Marion	16.67%
City of Onkaparinga	16.67%
City of Salisbury	16.67%
City of Tea Tree Gully	16.67%

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report was authorised for issue by certificate under regulation 14 of the *Local Government (Financial Management) Regulations 2011*.

1 Basis of Preparation

The financial report has been prepared on an accruals basis and is based on historical costs. All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000).

2 Income recognition

Management Fee Income is recognised when the Constituent Councils enter into the purchase of a good or service from a Supplier contracted to provide the Authority (or in the case of some prior contracts that were created jointly between the six constituent Council) with a Management Fee.

3 Cash, Cash Equivalents and other Financial Instruments

Cash Assets include all amounts readily convertible to cash on hand at the Authority's option with an insignificant risk of changes in value with a maturity of three months or less from the date of acquisition.

All receivables are reviewed as at the reporting date and adequate allowance made for amounts the receipt of which is considered doubtful.

All financial instruments are recognised at fair value at the date of recognition.

4 Infrastructure, Property, Plant & Equipment

The Authority did not procure any non-current assets during the reporting period and does not hold any non-current assets as at the reporting date.

5 Employee Benefits

All employees are employed through Adelaide City Council, one of the Constituent Councils. Those employees are then contracted to the Authority.

COUNCIL SOLUTIONS REGIONAL AUTHORITY

Notes to and forming part of the Financial Statements for the year ending 30 June 2019

6 GST Implications

In accordance with UIG Abstract 1031 "Accounting for the Goods & Services Tax":

- Receivables and Creditors include GST receivable and payable.
- Except in relation to input taxed activities, revenues and operating expenditures exclude GST receivable and payable.
- Amounts included in the Statement of Cash Flows are disclosed on a gross basis.

7 Comparative Information

Comparative information has been reclassified to be consistent with the current year disclosure of equivalent information in accordance with Australian Accounting Standards.

8 Critical Accounting Estimates and Judgements

The Authority evaluates estimates and judgements incorporated into the financial report based on historical knowledge and best available current information.

Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the authority.

Accounts receivable are reviewed at each reporting date to establish the collectability.

9 Pending Accounting Standards

Certain new accounting standards and UIG interpretations have been published that are not mandatory for the 30 June 2019 reporting period and have not been used in preparing these reports.

AASB 7	Financial Instruments – Disclosures
AASB 9	Financial Instruments
AASB 15	Revenue from Contracts with Customers
AASB 16	Leases
AASB 1058	Income of Not-for-Profit Entities

Standards containing consequential amendments to other Standards and Interpretations arising from the above - AASB 2010-7, AASB 2014-1, AASB 2014-3, AASB 2014-4, AASB 2014-5, AASB 2014-6, AASB 2014-7, AASB 2014-8, AASB 2014-9, AASB 2014-10, AASB 2015-1, AASB 2015-2, AASB 2015-3, AASB 2015-4, AASB 2015-5, AASB 2015-6 and AASB 2015-7.

(Standards not affecting local government have been excluded from the above list.)

AASB 16 Leases, which will commence from 1 July 2019, requires that the right of use conveyed by leasing contracts - except leases with a maximum term of 12 months and leases for non-material amounts - be recognised as a form of Infrastructure, Property, Plant and Equipment, and that the lease liability be disclosed as a liability.

At 30 June 2019, Council has no leases to which this treatment will need to be applied.

COUNCIL SOLUTIONS REGIONAL AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

Note 2 - INCOME

	2019 \$'000	2018 \$'000
INVESTMENTS		
Interest Income	7	4
	<u>7</u>	<u>4</u>
REBATES		
Management Fees	1,056	1,054
	<u>1,056</u>	<u>1,054</u>
OTHER INCOME		
Reimbursements	270	641
	<u>270</u>	<u>641</u>

Note 3 - EXPENSES

	2019 \$'000	2018 \$'000
MATERIALS, CONTRACTS & OTHER EXPENSES		
Advertising	0	1
Audit Fees	4	4
Catering	1	1
Contractors	40	45
Consultant Fees	92	532
Insurance	28	27
IT Expenses	23	34
Legal Fees	35	63
Membership Fees & Subscriptions	5	4
Motor Vehicle	2	2
Reimbursements - Salary & Wages	665	982
Rent	27	26
Sitting Fees	19	32
Sundry	13	13
Telephone	2	2
Training and Development	4	2
	<u>960</u>	<u>1,770</u>

COUNCIL SOLUTIONS REGIONAL AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

Note 4 - CURRENT ASSETS

	2019 \$'000	2018 \$'000
CASH & CASH EQUIVALENTS		
Cash at Bank	539	174
	<u>539</u>	<u>174</u>
RECEIVABLES		
Accounts Receivables	226	419
Accrued Income	116	143
Prepaid Expenses	-	2
	<u>342</u>	<u>564</u>
TOTAL CURRENT ASSETS	<u>881</u>	<u>738</u>

Note 5 - LIABILITIES

	2019 \$'000	2018 \$'000
TRADE & OTHER PAYABLES		
Creditors	28	120
Expenses Accrued	9	4
	<u>37</u>	<u>124</u>
OTHER CURRENT LIABILITIES		
Payable to Adelaide City Council	15	158
	<u>15</u>	<u>158</u>
TOTAL LIABILITIES	<u>52</u>	<u>282</u>

COUNCIL SOLUTIONS REGIONAL AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

Note 6 - RECONCILIATION TO CASH FLOW STATEMENT

(a) Reconciliation of Cash

Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet.

	2019	2018
	\$'000	\$'000
Cash at Bank	539	174
Balances per Cash Flow Statement	539	174

**(b) Reconciliation of Change in Net Assets to Cash
from Operating Activities**

Net Surplus	373	(71)
Net (increase)/decrease in Receivables	222	(95)
Net increase/(decrease) in Current Liabilities	(230)	6
Net Cash provided by (or used in) operations	365	(160)

COUNCIL SOLUTIONS REGIONAL AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

Note 7 - FINANCIAL INSTRUMENTS

(a) Interest Rate Risk

The Authority's exposure to interest rate risk, which is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rates on those applicable financial assets and liabilities is as follows;

2018-19	Weighted Average Interest Rate	Fair Value of Variable Interest Rate Instruments	Fair Value of Fixed Interest rate instruments maturing within One Year	Fair Value of Fixed Interest rate instruments maturing Due > 1 less 5 Yrs	Fair Value of Fixed Interest rate instruments maturing Due > 5 Yrs	Fair Value of Non-Interest Bearing Instruments
		\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets:						
Cash	1.9%	539	-	-	-	539
Receivables	0.0%	-	-	-	-	342
Total Financial Assets		539	-	-	-	881
Financial Liabilities:						
Creditors and Provisions	0.0%	-	-	-	-	52
Total Financial Liabilities		-	-	-	-	52

2017-18	Weighted Average Interest Rate	Fair Value of Variable Interest Rate Instruments	Fair Value of Fixed Interest rate instruments maturing within One Year	Fair Value of Fixed Interest rate instruments maturing Due > 1 less 5 Yrs	Fair Value of Fixed Interest rate instruments maturing Due > 5 Yrs	Fair Value of Non-Interest Bearing Instruments
		\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets:						
Cash	1.8%	174	-	-	-	174
Receivables	0.0%	-	-	-	-	564
Total Financial Assets		174	-	-	-	738
Financial Liabilities:						
Creditors and Provisions	0.0%	-	-	-	-	282
Total Financial Liabilities		-	-	-	-	282

(b) Credit Risk

Credit Risk represents the loss that would be recognised if other entities failed to perform as contracted.

The Authority's exposure to credit risk is summarised as follows;

Receivables - the Authority's maximum exposure is disclosed in the financial statements net of any provision for doubtful debts

(c) Net Fair Value

The net fair value of a financial instrument is defined as its value net of all costs to settle the asset and liability. The financial assets and liabilities as stated or referred to in notes (a) and (b) above, are stated at their face value (less provision for doubtful debts if applicable).

Due to the nature of financial instruments held in the Authority, the cost associated with their settlement would not be material, and hence, have not been considered.

COUNCIL SOLUTIONS REGIONAL AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2019

Note 8 - RELATED PARTY DISCLOSURES

KEY MANAGEMENT PERSONNEL

The Key Management Personnel of the Council include the Chair of the Board, the Board, Independent Members of the Audit Committee and the CEO, Acting CEO and General Manager.

Salaries, allowances & other short term benefits paid by Council Solutions to KMP were \$232k (2018-19) and \$259k (2017-18)

The following qualifying related party disclosures have been identified in relation to the 2018-19 financial year

Related Party Entity	Amounts received from related parties during 2018-19 FY	Amounts outstanding from related parties as at 30 June 2019	Amounts outstanding to related parties as at 30 June 2019
	\$ '000	\$ '000	\$ '000
City of Adelaide	112	26	-
City of Charles Sturt	116	26	-
City of Marion	100	-	-
City of Salisbury	3	-	-
City of Tea Tree Gully	3	-	-
City of Onkaparinga	3	-	-

The above amounts received represent reimbursements of designated project costs paid by the above listed Constituent Councils to Council Solutions at various times throughout the year. These amounts have been approved by the Board and reported on as part of the ongoing annual budget setting and budget review process.

Council Solutions provides procurement services to the above listed entities.

Council Solutions Regional Authority
Certification Of Auditor Independence
for the year ending 30 June 2019

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of the Council Solutions Regional Authority for the year ended 30 June 2019, the Council's Auditor, Ian G McDonald FCA, has maintained its independence in accordance with the requirements of the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011 made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22(3) (b) Local Government (Financial Management) Regulations 2011.


 Jeff Tate
 CHAIR – Council Solutions

Date: 15 August 2019


 Mark Dowd
 CHIEF EXECUTIVE OFFICER
 City of Onkaparinga

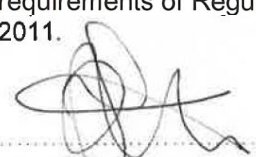
Date: 12 August 2019


 Paul Sutton
 CHIEF EXECUTIVE OFFICER
 City of Charles Sturt

Date: 7/8/2019


 John Harry
 CHIEF EXECUTIVE OFFICER
 City of Salisbury

Date: 13/8/2019


 Tanya Johnston
 Presiding Member of Audit Committee

Date: 15 August 2019


 Mark Goldstone
 CHIEF EXECUTIVE OFFICER
 Adelaide City Council

Date: 13/8/2019


 Adrian Skull
 CHIEF EXECUTIVE OFFICER
 City of Marion

Date: 12.8.19


 John Moyle
 CHIEF EXECUTIVE OFFICER
 City of Tea Tree Gully

Date: 9/8/2019

Ian G McDonald FCA



Council Solutions Regional Authority

ANNUAL FINANCIAL STATEMENTS For the year ended 30 June 2019

STATEMENT BY AUDITOR

We confirm that, for the audit of the financial statements of the Council Solutions Regional Authority for the year ended 30 June 2019, we have maintained our independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011* made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22 (5) *Local Government (Financial Management) Regulations 2011*.

A handwritten signature in blue ink that reads 'Ian G McDonald'.

Ian G McDonald FCA

Dated this 2nd day of August 2019



Ian G McDonald FCA

Council Solutions Regional Authority Independent Auditor's Report

We have audited the attached financial statements, being a general purpose financial report, of Council Solutions Regional Authority for the year ended 30 June 2019.

Opinion

In our opinion, the financial statements of the Authority are properly drawn up:

- a) to present fairly the financial position of the Authority as at the 30 June 2019 and the results of its operations for the period then ended, and;
- b) according to Australian Accounting Standards.

Basis for Opinion

For the audit of the Authority we have maintained our independence in accordance with the relevant ethical requirements of APES 110 Section 290. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information – Basis of Accounting and Restriction on Distribution

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report is prepared to assist the authority to meet the requirements of Local Government Act 1999 together with the Local Government (Financial Management Regulations 2011). As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the members.

Responsibilities of Management for the Financial Report

The Board of Management is responsible for the preparation of the financial report in accordance with Local Government Act 1999 together with the Local Government (Financial Management Regulations 2011 and for such internal control as management determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

A handwritten signature in blue ink that reads 'Ian G McDonald'.

Ian G McDonald FCA
Registered Company Auditor

Dated at Grange this 2nd day of September 2019

www.creativeauditing.com.au

Ian 0419 620 906
ianmcdonald@creativeauditing.org

PO Box 75, Henley Beach SA 5022
ABN 13 550 494 869

Nancy 0408 832 848
nancytran@creativeauditing.org



Corporation of the City of Marion

Report to the Finance and Audit Committee and
Elected Members for the year ended 30 June 2019

1 October 2019



11 Waymouth Street
Adelaide SA 5000
GPO Box 1969
Adelaide SA 5001 Australia
Tel: +61 8 8407 7000
www.deloitte.com

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

Dear Greg

1 October 2019

We are pleased to present this report to the Finance and Audit Committee and Elected Members of the Corporation of the City of Marion ("City of Marion" or "the Council") in connection with the year end audit as of 30 June 2019.

We have substantially completed our audit and subject to the satisfactory resolution of the matters detailed in the Executive Summary we expect to issue an unmodified audit report. Included in the attached report are matters arising from our audit of the financial report of the Corporation of the City of Marion for the year ended 30 June 2019 which we consider appropriate for the attention of the Finance and Audit Committee ("the Committee") and Elected Members. These matters have been discussed with management of the Council and their comments have been included, where appropriate.

We look forward to the Committee meeting on 8 October 2019 where we will have the opportunity to discuss this report. In the interim, should you require clarification on any matter in this report please do not hesitate to contact us.

We would like to take this opportunity to extend our appreciation to management and staff for their assistance and cooperation during the course of our audit.

Yours faithfully

A handwritten signature in blue ink, appearing to read "Lee Girolamo".

Lee Girolamo
Audit Partner

We have prepared this report solely for the use of the Corporation of City of Marion and it would be inappropriate for this report to be made available to third parties and, if such a third party were to obtain a copy without our prior written consent, we would not accept responsibility for any reliance that they might place on it.

Contents

Executive Summary



A. Audit focus areas



B. Other audit focus areas



C. Internal control



D. Summary of uncorrected misstatements and disclosure deficiencies



E. Independence

Executive Summary

Purpose

This report has been prepared to assist the Finance and Audit Committee and Elected Members in fulfilling its governance obligations relating to the City of Marion for the year ended 30 June 2019.

This report includes only those matters which have come to our attention as a result of our audit procedures which we believe require the attention of the Finance and Audit Committee and Elected Members.

Scope

We have conducted an audit of the financial report of the City of Marion for the year ended 30 June 2019 ("financial report") in accordance with the requirements below with the objective of expressing an opinion on the financial report.

- Australian Auditing Standards
- *Local Government Act 1999*
- *Local Government (Financial Management) Regulations 2011*

We have also conducted a compliance audit of the Council with the requirements of *Section 125 of the Local Government Act 1999* in relation to the Internal Controls established by the Council to ensure that the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2018 to 30 June 2019 are in accordance with legislative provisions.

Status

Our audit of the financial report is substantially complete. We expect to issue unmodified audit opinions on the financial report, grant audit, audit of the Workers Compensation Declaration and ASAE 3100 engagement with respect to the Council's compliance with Section 125 of the Local Government Act subject to the completion of:

- appropriate procedures relating to subsequent events up to the date of our audit opinion
- receipt of the signed written representation letters from management
- adoption of the accounts by the Council and signing of Certification of the financial report by the Chief Executive Officer and Mayor.

We have not identified any uncorrected misstatements that, in our judgement, either individually or in aggregate, could have a material effect on the financial report for the year ended 30 June 2019.

Executive Summary

Internal Controls

In performing our audit we have not identified any significant deficiencies in internal control relating to the prevention and detection of fraud and error which would impact upon our ability to provide our opinion on the financial report.

We have however, noted a number of control observations as part of our engagement on the compliance with section 125 of the Local Government Act 1999. These findings are summarised in our letter to management circulated separately.

Summary of uncorrected misstatements

We have not identified any uncorrected misstatements for the year ended 30 June 2019.

Summary of uncorrected disclosure deficiencies

We detected no uncorrected disclosure deficiencies in the financial report.

A. Audit focus areas

Audit focus areas

Other focus areas

Internal controls

Misstatements
and deficiencies

Independence

Our audit procedures were focused on those areas of the City of Marion's financial report that were identified and assessed as audit risks. These areas were identified as a result of:



- The risk assessment processes undertaken during the planning phase and throughout our engagement
- Our understanding of the business risks faced by the City of Marion, obtained through our prior experiences providing services to the Corporation of the City of Marion as well as a number of other Councils across South Australia and Australia



- Discussion with management during the course of our audit

We detail on the following pages the areas of focus which we have identified as relevant to our audit that include significant risks and other areas of interest that we are required to and/or have determined should be, communicated to you.

A. Audit focus areas

Infrastructure, Property, Plant and Equipment

Audit focus areas	<p>Areas of Audit Focus</p> <p>The majority of Infrastructure, Property, Plant & Equipment gets re-valued on an annual basis at a value equal to depreciated replacement cost per City of Marion policy. In the 2019 financial year the revaluation resulted in a net increase in revaluation surplus of \$2m.</p>
Other focus areas	<p>Summary of response and findings</p> <p>Deloitte performed the following:</p> <p>Evaluation of the assumptions made by your independent expert (APV) in their valuation report, by comparing the assumptions they have made with prior year valuation reports and understanding any material variances. We also obtained control reliance by performing extensive testing around key controls in the property, plant and equipment business cycle.</p> <p>Our detail testing covered the following areas:</p> <ul style="list-style-type: none"> • Existence of fixed assets • Additions of fixed assets • Disposal of fixed assets <p>We have also performed the following procedures:</p> <ul style="list-style-type: none"> • Developing an expectation of depreciation expenditure in accordance with policy. • Review of the reconciliation of the fixed asset register to the financial statements. <p>We noted no issues through our testing for the year ending 30 June 2019.</p>
Internal controls	
Misstatements and deficiencies	
Independence	

A. Audit focus areas

Rates Revenue and Grant Income

Audit focus areas	<div data-bbox="488 566 689 622">Areas of Audit Focus</div> <p>Rate revenue has been identified as a significant transaction cycle given the size of the account balance. Grant revenue has been identified as a material account balance in relation to recognition requirements as set out in AASB 1004 (Contributions). In accordance with this standard local government councils are required to recognise the revenue at the point where:</p> <ul style="list-style-type: none"> • The Council has a right to receive the revenue, or • The Council has control over the grant funding. 	
Other focus areas		
Internal controls		
Misstatements and deficiencies		
Independence		
Summary of response and findings		Deloitte performed the following:
Rate Revenue		Given the stability of rate revenue, we have established an expectation of the overall rate revenue using published rates and Valuer General reports to support property valuations.
No issues in relation to rate revenue were noted.		
Grant Income		Based on the above, we have assessed the revenue recognised during the current year and ensured no grant revenue was inappropriately deferred to the statement of financial position.
We noted no issues through our testing for the year ending 30 June 2019.		

A. Audit focus areas

Expenditure

Audit focus areas	<p>Areas of Audit Focus</p> <p>Given the volume, magnitude and public accountability of City of Marion expenditures the preventative and detective controls over expenditures, including the budgetary cycle were given consideration.</p>
Other focus areas	<p>Summary of response and findings</p> <p>Deloitte performed the following:</p> <p>Detailed testing has been performed over operating expenditure.</p> <p>For employee costs, an expectation was developed using staff numbers, average pay and known increases awarded.</p> <p>Depreciation expenditure was analysed for each asset category for compliance with the City of Marion approved policy which also included an assessment of the useful lives and residual values of the fixed assets.</p> <p>No issues in relation to these account balances were noted.</p>
Internal controls	
Misstatements and deficiencies	
Independence	

B. Other audit focus areas

Audit focus areas

Other focus areas

Internal controls

Misstatements
and deficiencies

Independence

Financial reporting
update

Non-compliance with applicable laws and regulations

In performing our audit of the City of Marion for the year ended 30 June 2019 we have not become aware of any instances of non-compliance with applicable laws and regulations that would have an impact on the determination of material amounts and disclosures in the financial report.

Journal Entry Testing

Through the use of our proprietary software 'My Analytics' we were able to apply a data driven approach to journal entry testing in order to improve audit detection risk. The technique enabled analysis of the complete journal entry population with a specific focus on manual journals and assisted us in addressing the risk of management override of controls.

All journal entries identified for further investigation had appropriate explanations and supporting evidence.

C. Internal controls

Audit focus areas

Other focus areas

Internal controls

Misstatements
and deficiencies

Independence

Objective

We were engaged to perform a compliance audit of the City of Marion with the requirements of Section 125 of the Local Government Act 1999 in relation to the Internal Controls established by the City of Marion to ensure that the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2018 to 30 June 2019 are in accordance with legislative provisions.

Summary of internal control

The 31 business processes are divided into 6 risk categories including Assets, Liabilities, Expenses, Revenue, Strategic Financial Planning and External Services. The Better Practice Model provided by the South Australian Local Government Financial Management Group (SALGFMG) identifies risks for each business process and suggests several controls to address each risk. In total there are 491 controls, of which 233 are considered "Core" and 258 are considered "Additional".

Summary of results

We have performed the control assessment on a rotation basis for each of six risk categories. For the financial year ended 30 June 2019, we have selected the risk categories of Revenue and Expenses as well as scoping in controls that fit the following profile:

- Control activities which are different from last year and different from the Better Practice Model
- Control activities which have different assessors or reviewers from last year
- Control activities which have a rating for assessor or reviewer which are equal or less than 2
- Control activities which the rating for assessor and reviewers are different by 2 or more
- Control activities which had findings identified from last year
- Control activities which are significant to the statutory audit

In performing our audit of the City of Marion for the year ended 30 June 2019 whilst we have not identified any significant deficiencies in internal controls relating to the prevention and detection of fraud and error which would impact upon our ability to provide our opinion on the financial report for the year ended 30 June 2019, we noted a number of control observations as part of our engagement on the compliance with section 125 of the Local Government Act 1999. These findings are summarised in our letter to management circulated separately.

C. Internal controls

Audit focus areas

Other focus areas

Internal controls

Misstatements
and deficiencies

Independence

Future Considerations

The City of Marion has conducted a risk analysis and implemented 219 of 233 core controls in accordance with the recommendations of the Better Practice Model, in order to comply with Section 125 of the Local Government Act 1999. We recommend that management perform further risk profiling analysis on these core controls to identify, and further reduce the key controls required to address the risks specific to the City of Marion.

Not all the core controls have been implemented due to alternative or mitigating controls being identified. In addition the Council has adopted additional Governance, Ethics and ICT (GEI) controls which are not required by the Better Practice Model, however show a strong culture of internal control at the Council.

D. Summary of uncorrected misstatements and disclosure deficiencies



Audit focus areas

Other focus areas

Internal controls

Misstatements
and deficiencies

Independence

Summary of uncorrected misstatements

We have not identified any uncorrected misstatements that we believe could, either individually or in aggregate, have a material effect on the financial report for the year ended 30 June 2019.

Summary of disclosure deficiencies

No material uncorrected disclosure deficiencies were detected in the financial report.

E. Independence Declaration

Audit focus areas

Other focus areas

Internal controls

Misstatements
and deficiencies

Independence

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

1 October 2019

Dear Sir

Auditor's Independence Declaration to the Corporation of the City of Marion

In accordance with the Local Government (Financial Management) Regulations 2011, I am pleased to provide the following declaration of independence to the councillors of the Corporation of the City of Marion.

I confirm that, for the audit of the financial statements of the Corporation of the City of Marion for the 30 June 2019 financial year, I have maintained my independence in accordance with the requirements of APES 110—Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011 made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22 (5) Local Government (Financial Management) Regulations 2011.

Yours faithfully

Deloitte Touche Tohmatsu



Lee Girolamo
Partner

E. Independence Letter

Audit focus areas

Other focus areas

Internal controls

Misstatements
and deficiencies

Independence

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

1 October 2019

Dear Sir

Independence letter for the Finance and Audit Committee

Deloitte Touche Tohmatsu ("Deloitte") has prepared the following letter to facilitate our communication with the Finance and Audit Committee of the Corporation of the City of Marion (the "Council") and to assist you in meeting your requirements under the *Local Government Act 1999* to communicate matters to the members of Council regarding Auditor independence.

To the best of our knowledge and belief, there have been no contraventions of the auditor independence requirements of the Local Government Act or of any applicable code of professional conduct in relation to the audit for the financial year ended 30 June 2019.

We are not aware of any relationships between Deloitte and the Council that, in our professional judgment, may reasonably be thought to bear on our independence.

This report is intended solely for the information and use of the Council and management for the purposes stated herein, and is not intended to be and should not be used or relied upon by any other person or by any person for any other purpose.

Should you have any queries or wish to discuss this matter further please do not hesitate to contact me on 8407 7070.

Yours faithfully

Deloitte Touche Tohmatsu

Lee Girolamo
Partner

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**The Corporation of the City of
Marion**
Management letter

Year ended 30 June 2019

STRICTLY PRIVATE & CONFIDENTIAL

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

2 October 2019

Dear Sir

Matters arising from the Audit of the Corporation of the City of Marion for the year ended 30 June 2019

We have completed our audit of the Corporation of the City of Marion ("the Council") for the year ended 30 June 2019, and our Report to the Finance and Audit Committee and Elected Members was discussed at the Finance and Audit Committee meeting on 8 October 2019. That report included the most significant internal control, accounting and other matters which came to our attention during the 30 June 2019 audit. This report provides a discussion on certain matters concerning the company's internal control and accounting practices which came to our attention during our field work in connection with the audit for the year ending 30 June 2019 and our recommendations for improvements.

You will appreciate that our normal audit procedures are designed primarily to enable us to form an opinion on the financial statements as a whole and therefore do not necessarily bring to light at each audit all the weaknesses in internal control or accounting practice which a special investigation might do. Recommendations for improvements should be assessed by you for their full commercial impact before they are implemented.

We have prepared this report solely for the use of the Council's management. As you know, this report forms part of a continuing dialogue between the Council and us and, therefore, it is not intended to include every matter, whether large or small, that has come to our attention. For this reason we believe that it would be inappropriate for this report to be made available to third parties and, if such a third party were to obtain a copy without our prior written consent, we would not accept any responsibility for any reliance that they might place on it.

We would like to take this opportunity to extend our appreciation to management and staff throughout the Council for their assistance and cooperation during the course of our audit.

We shall be pleased to discuss with you any matters mentioned in this report.

Yours faithfully

Lee Girolamo
Partner

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2.1.2	Authority Exception Reports – Masterfile Changes	7
2.1.3	Authority Exception Reports – Masterfile Changes	8
2.1.4	Asset Database Maintenance	8

DRAFT

1 Introduction and scope of work

We have completed both the statutory audit of the Corporation of the City of Marion ("the Council") and the ASAE 3100 engagement with respect to the Council's compliance with *Section 125 of the Local Government Act* for the year ended 30 June 2019. The scope of our audit was set out in our audit engagement letter dated 27 May 2019 and the audit service plan dated 22 May 2019.

During the audit, every effort was made to identify audit, accounting, internal and IT control deficiencies, disaster recovery and other issues which would be of benefit to the Council and its controlled entities.

In accordance with our normal practice, we write to draw your attention to those matters which came to our attention during the audit for the year ended 30 June 2019

DRAFT

2 Audit Findings – Internal Controls

2.1 Background

Amendments to the *Local Government Act 1999* (the “Act”) require local government auditors to provide separate formal opinions in relation to:

- The financial statement audit; and
- Financial internal controls audit as prescribed in Section 125 of the Act.

Implications for Councils

To comply with these changes Council has implemented an internal control framework as that prescribed in the South Australian Local Government Financial Management Group (“SALGFMG”) Better Practice Model – Financial Internal Controls.

Objectives

We have provided you with the following risk rating matrix and details of the results of our testing and recommendations for improvement as part of the services as determined by the scoping agreed on between City of Marion management and Deloitte.

2.2 Overview

Sample controls within the best practice model as developed by the SALGFMG have been tested by Deloitte. Any control deficiencies identified by Deloitte on the controls tested have been summarised below.

Summary	Strategic Planning	Revenue	Expenses	Assets	Liabilities	External Contracts	Governance	Total
Number of controls tested	38	7	21	7	25	0	5	103
Findings	0	0	0	2	0	0	0	2
No Findings	38	7	21	5	25	0	5	101

Risk Matrix

The Risk Ratings provided in this report were based on the criteria below and have been determined in accordance with the Local Government Act –Better Practice model.

Likelihood

- 5 (almost certain)
- 4 (likely)
- 3 (possible)
- 2 (unlikely)
- 1 (rare)

2.2.3 2.2.4				
1 (insignificant)	2 (minor)	3 (moderate)	4 (major)	5 (critical)

Consequence

Key

	Extreme
	High
	Moderate
	Low

Findings Raised in Prior Year

Observation	Recommendation	Prior Year Response	Update as at 30 June 2019
2.1.1 Register of Allowances and Benefits			
EXP-ELE-0005 There is no formal management review evidence available for the regular review of the Register of Allowances and Benefits conducted by Governance and Records.	Deloitte recommends there is a formal review process in place.	<p>The process in place for preparation of the Register of Allowances and Benefits involves a two stage review process – first by the Unit Manager Governance and Records, followed by the Manager Corporate Governance.</p> <p>This will be formalised to ensure an evidentiary process is established to show that the register has been reviewed.</p>	The formal review system has been implemented and reviewed by Deloitte with all allowances and benefits now reviewed and approval before being published.
2.1.2 Authority Exception Reports – Masterfile Changes			
GEI-ITE-0009 There is no way of generating a report in the system which shows changes to creditor masterfile. It is possible to see the date a creditor was edited by clicking into each individual creditor however details of the change cannot be seen i.e. whether it was name, address etc.	Deloitte recommends that changes to the creditor master file are reviewed and supported with documented evidence of review.	<p>The risk and consequence of change of address details is deemed to be low as the majority of suppliers are paid via EFT.</p> <p>It is important to note that Council has the ability to report on changes to Bank Details, and these are reviewed on a regular basis. Bank details changes must be supported by an invoice with the new information on them (emails and phone calls are not sufficient).</p> <p>New suppliers must be created via a documented approval process.</p>	The system remains unable to generate a report that shows changes to the masterfile. The comment from the previous year remains applicable. Management will continue to pursue enhancement of existing reporting software to enable this exception reporting.

Findings Raised in Current Year

Observation	Implication	Recommendation	Management Response
2.1.3 Authority Exception Reports – Masterfile Changes			
<p>ASS-DEB-0012</p> <p>There is no way of generating a report in the system which shows changes to debtor masterfile. It is possible to see the date a debtor was edited by clicking into each individual debtor however details of the change cannot be seen (i.e. whether it was name, address etc.)</p>	<p>Deficiency in this control means there is no formal way of monitoring changes to the debtors master file data.</p>	<p>Deloitte recommends that changes to the debtor master file are reviewed and supported with documented evidence of review.</p>	<p>Management has decided that the removal of a control is not appropriate. As the system remains to not be able to generate a report that shows changes to the Masterfile, this will continue to be a finding. Management will continue to pursue enhancement of existing reporting software to enable this exception reporting.</p>
2.1.4 Asset Database Maintenance			
<p>ASS-FIX-0031</p> <p>It was noted that no formal reconciliation is currently performed on the asset listings that are provided to the valuers at year end. As the listings are not reconciled to the general ledger, the completeness of these listings cannot be ensured.</p>	<p>Deficiency in this control means there is no way of ensuring the completeness of the asset listings that are maintained by the asset team.</p>	<p>Deloitte recommends that the asset listings are reconciled to the general ledger and reconciliation be supported with documented evidence of review.</p>	<p>Management is aware of this issue and are in the process of assessing options for the replacement of its Asset Management System. This will extend to include that all control requirements can be met including links back to the general ledger.</p>



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Meeting with the External Auditors in Confidence (without management present)

Originating Officer	Manager Corporate Governance - Kate McKenzie
Corporate Manager	Manager Corporate Governance - Kate McKenzie
General Manager	General Manager Corporate Services - Sorana Dinmore
Report Reference	FAC191008R05

REPORT OBJECTIVE

The Finance and Audit Committee Terms of Reference recognises that the Committee will meet with both the external auditor and internal auditor without management at least once per year (clause 4.10). This provides the Committee an opportunity to have a confidential conversation with the Auditors without management present.

The purpose of this report is to exclude the public and staff from the meeting to enable this conversation to occur.

The Chair of the Committee will provide a summary of the discussion to the Manager Corporate Governance to be published in the minutes.

RECOMMENDATION

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 Mr Lee Girolamo and Patrick Leong from Deloitte Touche Tomatsu, as the Finance and Audit Committee meets with Council's External Auditors, on the basis that the Finance and Audit Committee is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential given the information relates to commercial information of the Council.***
- 2. Include the following comments within the minutes:**

-

Meeting with the Internal Auditors in Confidence (without management present)

Originating Officer	Manager Corporate Governance - Kate McKenzie
Corporate Manager	Manager Corporate Governance - Kate McKenzie
General Manager	General Manager Corporate Services - Sorana Dinmore
Report Reference	FAC191008R06

REPORT OBJECTIVE

The Finance and Audit Committee Terms of Reference recognises that the Committee will meet with both the external auditor and internal auditor without management at least once per year (clause 4.10). This provides the Committee an opportunity to have a confidential conversation with the Auditors without management present.

The purpose of this report is to exclude the public and staff from the meeting to enable this conversation to occur.

The Chair of the Committee will provide a summary of the discussion to the Manager Corporate Governance to be published in the minutes.

RECOMMENDATION

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 Eric Beere and Justin Jamieson from KPMG, as the Finance and Audit Committee meets with Council's Internal Auditors, on the basis that the Finance and Audit Committee is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential given the information relates to commercial information of the Council.***
- 2. Include the following comments within the minutes:**

-

Internal Audit Plan 2019 -2021

Originating Officer	Manager Corporate Governance - Kate McKenzie
Corporate Manager	Manager Corporate Governance - Kate McKenzie
General Manager	General Manager Corporate Services - Sorana Dinmore
Report Reference	FAC191008R07

REPORT OBJECTIVE

To seek the Finance and Audit Committee (FAC) feedback and endorsement on the proposed Internal Audit Plan (IA) Plan for 2019 -2021.

EXECUTIVE SUMMARY

The City of Marion (CoM) and City of Charles Sturt (CCS) tendered the Internal Audit Services as a joint tender. KPMG was the successful tenderer and the two Councils have been working collaboratively (with KPMG) to develop a joint IA Plan (**Appendix 1**).

The IA Plan has been developed via the following process:

- Collaboration workshop - KPMG, CoM, CCS
- Individual Management meeting with senior staff and an Audit Committee Member at both Councils
- Collaboration Workshop with CoM and CCS Executives Teams and KPMG.
- Development of final draft IA Plan for consideration and endorsement by the FAC.

The emerging risks for Local Government, the Councils identified high risks and past audits were all considered whilst developing the IA Plan.

The draft IA Plan identifies five (5) projects per financial year. In the first year of the IA Plan, three (3) Projects have been identified as collaborative projects with CCS. The Projects include:

2018/19

- Payroll (Collaborative)
- Corporate Reporting and Metrics (Marion only)
- Collaborative Model Health Check (Collaborative)
- IT Governance (Marion only)
- Leasing (Collaborative).

2019/20

- Asset Inspection (Marion only)
- Stores Management (Collaborative)
- Project Carryovers (Marion only)
- Financial controls health check (Marion Only)
- Community Facilities Management Model (Marion Only)

RECOMMENDATION

That the Finance and Audit Committee endorses the draft Internal Audit Plan 2019-21, subject to the following considerations:

-
-
-

Risk Management: The IA Plan has been developed based on the organisations high risks.

Timeline The IA Projects are timed evenly across each quarter to ensure the workload in manageable. Consultation has occurred with the Executive Leadership Team regarding the timing of each project

Current Budget Allocation The IA Projects will be scoped to ensure that the program is developed within available budget.

Attachment

#	Attachment	Type
1	CoM Internal Audit Plan v_1.10.19	PDF File



City of Marion

Two-year Internal Audit Plan

(FY2020 & FY2021)

September 2019



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5.0 Completed Internal Audit Projects (FY2017, FY2018 & FY2019)

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Table of Contents	Background	IA Plan Development Process	Established & Emerging Risks	Recommended IA Projects	Completed IA Projects	Appendices
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Introduction

KPMG has been appointed by the City of Marion (CoM or the Council) to develop and deliver a two-year strategic Internal Audit Plan for FY2020 and FY2021.

Approach

The development of the Internal Audit Plan has had regard for the CoM’s Strategic Management Framework, Community Vision - Towards 2040, Corporate Risk Register and potential changes in Council’s operations, whilst continuing a focus on core business processes and controls. An overview of the Internal Audit Plan development process is summarised on page 4.

Finance and Audit Committee – Internal Audit Oversight Role

The CoM has established a Finance and Audit Committee whose key activities include overseeing Internal Audit. In respect to ongoing internal audit activities, the Committee’s role includes:

- Reviewing, and providing information relevant to, the scope of the Internal Audit and service review programs, 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 CoM’s strategic management plans and annual business plans to ensure appropriate allocation of resources necessary to achieve the objectives of the plans.
- Critically analysing and following 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.
- Reviewing the appropriateness of special assignments undertaken by Internal Audit and service reviews provider at the request of the Chief Executive.
- Reviewing the level of resources allocated to service review and the scope of its services and authority.
- Facilitating liaison between the Internal Audit/service review provider, and external auditor to promote compatibility, to the extent appropriate, between their programs.

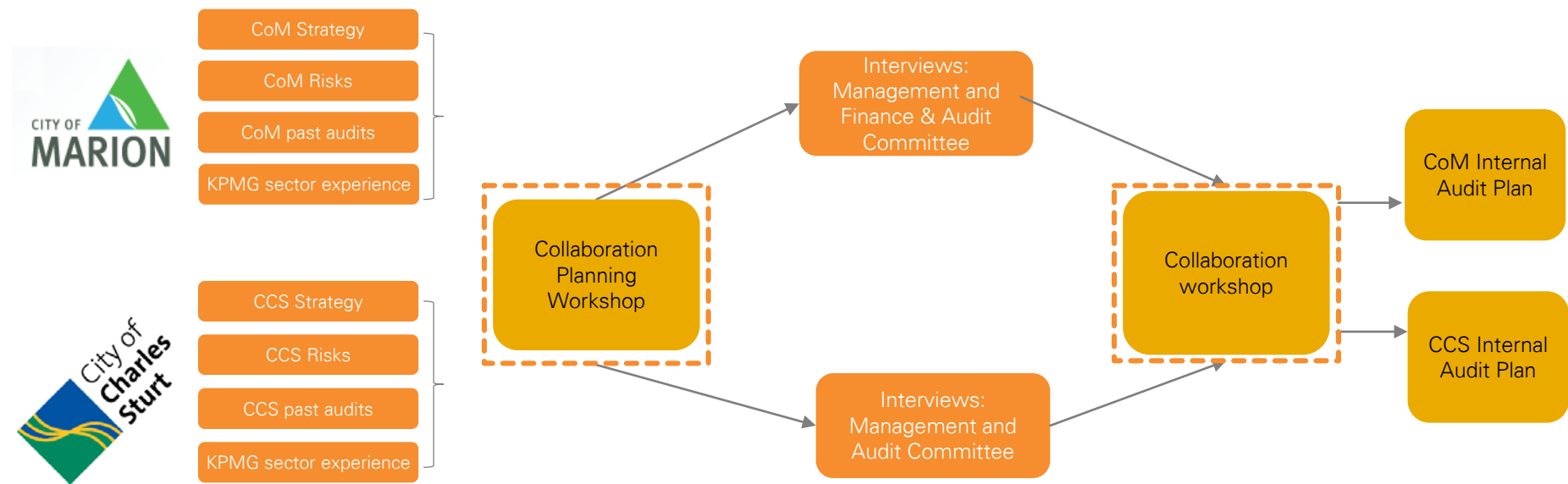
The Finance and Audit Committee’s role also includes other functions including oversight of external audit, service reviews, internal controls and risk management systems, financial reporting and prudential requirements and other matters.

Collaborative Internal Audit Model

The CoM has engaged KPMG to provide Internal Audit Services under a collaborative arrangement with the City of Charles Sturt (CCS). As part of the Internal Audit Plan development process, a number of collaborative projects were selected through a joint workshop with both councils. It is intended that these projects will be jointly delivered, and will include benchmarking and identified opportunities to improve processes across both councils.

Table of Contents	Background	IA Plan Development Process	Established & Emerging Risks	Recommended IA Projects	Completed IA Projects	Appendices
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Summarised below is the Internal Audit Plan development process that has included a collaborative planning approach. This approach has also considered the individual risk and strategic profiles of each individual council, and has resulted in separate Internal Audit Plans for both the CoM and CCS.



Internal audit plan inputs <ul style="list-style-type: none">CoM and CCS Strategic and Community Plans.Current risk registers.The CoM and CCS's staff views and experience.KPMG's sector experience, including input from Subject Matter Experts and the KPMG Local Government Team.	Co-planning workshop <ul style="list-style-type: none">A joint planning workshop was held with the Managers Governance and their teams (across CoM and CCS) to identify opportunities for projects to be performed collaboratively.	Interviews <ul style="list-style-type: none">Key stakeholder interviews were completed to understand and obtain input of the risks managed by each area and relevant challenges.These interviews included feedback and consideration over potential collaborative projects.	Collaboration workshop <ul style="list-style-type: none">A joint Internal Audit Planning collaborative workshop was held with the leadership and governance teams from both councils which included confirmation of individual and collaborative projects.	Final internal audit plans <ul style="list-style-type: none">The final output of this process has resulted in separate two-year Internal Audit Plans for both the CoM and CCS.
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Corporate Risk Profile

The following table provide a summary of the key risk areas identified by the CoM as part of its overall corporate risk profile as at June 2019, based on high current (residual risk ratings). The CoM has a detailed Corporate Risk Register which captures key corporate risks across all functional areas including current controls in place and planned mitigation actions to deliver a target risk level (contained in a separate risk register document).

#	Risk Area	Risk Description	Inherent Risk	Current Risk
1	Innovation & Strategy	Property & Maintenance: Failure to appropriately maximise CoM assets and asset management planning, to ensure appropriate acquisition, renewal, maintenance, management and disposal.	EXTREME	HIGH
2	Customer Experience	Business Continuity & Community Safety: Damage to the Local Government sector reputation impeding on CoM's successful delivery of services to the community.	HIGH	HIGH
3	Finance & Contracts	Contractor Management: Failure to manage contractors appropriately to ensure that contractual obligations are met.	EXTREME	HIGH
4	Engineering & Field Services	Property & Maintenance: Lost opportunity or inability to create, renew, manage and maintain infrastructure assets (roads, drainage, footpaths etc.)	EXTREME	HIGH
5	Innovation & Strategy	Environmental Management/ Climate Change: Failure to understand, plan and act to respond to the projected impacts of climate change.	EXTREME	HIGH
6	Corporate Governance	WHS Management: Failure of CoM's officers to discharge due diligence obligations under the WHS Act.	EXTREME	HIGH
7	Corporate Governance	Governance Risks: Failure in Council's ability to prevent, prepare, respond to and promote resilience in the community in the event of an emergency (i.e. earthquake, flood, extreme heat, bushfire and terrorism).	HIGH	HIGH
8	Information & Communication Technology	Information and Communication Technology (ICT) Infrastructure /Cyber Security: Poor data quality and governance not supporting informed decision making.	EXTREME	HIGH
9	Information and Communication Technology	ICT Infrastructure /Cyber Security: Failure to deliver key corporate initiatives/ projects as identified by the business.	HIGH	HIGH

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Local Government Sector Risks

In working with both the CoM and CCS in developing the FY2020-2021 Internal Audit Plans, we have given consideration to the current and emerging challenges and risks facing the CoM and the broader Local Government sector. Detailed below we have provided a summary of the current risk landscape that the CoM is facing. This includes:

- established key risks that are known by the CoM.
- emerging risks which are not yet fully visible regarding magnitude and likelihood.



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Recommended Internal Audit Projects FY2020

The recommended list of internal audit projects for FY2020, along with the estimated timing and if the project will be a collaborative project is provided in the table below. The Internal Audit Plan remains flexible to include or substitute other relevant projects as required.

REF.	Project Title and Description	Category	Timing	Collaborative Project
20-01	Payroll and remuneration audit – This review will consider: (a) Follow up of previous payroll Internal Audit findings (considering opportunities to share knowledge to address historical audit issues/pain points), (b) Consider current processes with a LEAN lens (considering opportunities to share better practice between councils) with specific consideration of the adequacy of management reporting processes, and (c) Once improvement areas/pain points (as above) are identified, consider the extent to which service delivery/system options could address them.	Governance / Financial Controls	Q2	✓
20-02	‘Metrics that Matter’ - This internal audit will review the Corporate Reporting Framework and business intelligence reporting project to assess the governance structures, staff roles and responsibilities and project status reporting. The audit will also: (a) Review how teams are setting their metrics - approach, links with business planning etc. (b) Data governance review - progress of data management/ownership is managed across the organisation, (c) Use of the outputs to support service improvement and (d) Lessons from other local governments and other sectors.	Strategy	Q2/3	-
20-03	Collaborative model health check - This review will assess project governance processes within the recently delivered collaborative projects, compared to business needs and better practice, to help ensure the collaborative model is set up for success. This internal audit will also consider CoM’s and CCS’s approach to communication and change management, and review a selection of recently delivered collaborative projects to consider lessons learned.	Governance	Q3	✓
20-04	IT governance - This internal audit project will focus on Council’s IT governance arrangements, including consideration of the IT governance structures, IT team, the IT project management framework and oversight, monitoring and reporting. The project will also focus on IT third-party relationship management.	ICT	Q3	-
20-05	Leasing - The review will include consideration of the processes in place in relation to lease management including entering and ongoing management over Council lease arrangements. Consideration will also be given to the transitioning of tenants onto new leases in line with the updated leasing policy and the assessment of governance structures to facilitate fair and equitable decision-making for tenants.	Asset Management	Q4	✓

Please note that the estimated days and budget will be confirmed with the Project Sponsor and the Manager Corporate Governance based on the objective, scope and approach agreed for each internal audit project. Project timing remains flexible and may change depending on organisational priorities. This will be confirmed at scoping stage for each project.

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Recommended Internal Audit Projects FY2021

The recommended list of internal audit projects for FY2021, along with the estimated timing and if the project will be a collaborative project is provided in the table below. The Internal Audit Plan remains flexible to include or substitute other relevant projects as required.

REF.	Project Title and Description	Category	Timing	Collaborative Project
21-01	Asset inspection schedule - Review of asset inspection processes, including planning and scheduling of asset inspections and consideration to a risk-based assessment regime. For a sample of assets, ensure that inspections have been completed in line with Council's requirements. The audit will also consider the extent to which all levels/types of Council assets are included in inspection regimes.	Asset Management	Q1	-
21-02	Stores management - The scope of the stores management internal audit will include the current internal processes and work practices to manage stock and general stores items. Areas of focus will include comparison to better practices over purchasing and issuing of stock, physical controls, segregation of duties and stock levels held.	Operations	Q2	✓
21-03	Project carryovers - Assessment of the framework for the management of project carryovers and project variations, including: <ul style="list-style-type: none"> Project planning processes in place to minimise the level of project carryovers. Project status reporting and forecasting of project variations and/or carryovers. Governance processes for management of project carryovers including review and approval. 	Asset Management	Q2	-
21-04	Financial controls health check - The project will include a health check of key financial controls including accounts payable, accounts receivable, month-end financial reporting, treasury and cash management. The project will include a benchmarking assessment between councils.	Financial Controls	Q3	-
21-05	Community facility management models - The audit will review the community facility management models, including assessment of the governance, options analysis and decision-making processes for selection of management models utilised for the CoM's community facilities, and the management framework for the oversight, monitoring and reporting on community facility management models.	Operations	Q4	-

Please note that the estimated days and budget will be confirmed with the Project Sponsor and the Manager Corporate Governance based on the objective, scope and approach agreed for each internal audit project. Project timing remains flexible and may change depending on organisational priorities. This will be confirmed at scoping stage for each project.

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Internal Audit Projects Completed FY2017 to FY2019

The following table lists the CoM internal audit projects which were undertaken in the last three financial years (FY2017 to FY2019).

Internal Audit Project	FY2019	FY2018	FY2017
Tendering	✓		
Business Continuity and Emergency Management	✓		
IT Cyber Security	✓		
Customer Experience (incl. complaints management)	✓		
Procure-to-Pay Process	✓		
Contractor Management		✓	
Volunteer Management		✓	
NDIS Readiness, Risk and Opportunities Assessment		✓	
Fines and Enforcement		✓	
<i>Planning Assessment (completed by a third-party specialist planner)</i>		✓	
Property Portfolio Management			✓
Policy Framework Review			✓
IT Security – Cyber Maturity Assessment			✓
Accounts Receivable			✓
Corporate Performance Reporting			✓

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The table below summarises CoM personnel who were involved in discussion and contributed to the Internal Audit Plan.

Name	Position
Adrian Skull	Chief Executive Officer
Tony Lines	General Manager City Services
Ray Barnwell	A/General Manager Corporate Services
Fiona Harvey	A/General Manager City Development
Kate McKenzie	Manager Corporate Governance
Mathew Allen	Manager Engineering and Field Services
Emma Hinchey	Finance and Audit Committee Chair

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Outlined below are a summary of the CoM’s Strategic Management Framework and the Community Vision themes, which were reviewed and incorporated into the Internal Audit Plan process.



COMMUNITY VISION ➤ TOWARDS 2040

Six themes of our Community Vision

These six themes represent the shared values and aspirations that will guide how our city develops

LIVEABLE

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

VALUING NATURE

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

ENGAGED

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

PROSPEROUS

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

INNOVATIVE

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

CONNECTED

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

Inherent Limitations

This report has been prepared as outlined in the Conditions of Contract (CC201879). 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 Conditions of Contract (CC201879) 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 September 2019 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.

Mitchell Park Sports and Community Centre revised Section 48

Originating Officer	Registered Architect, Strategic Projects - Birgit Stroeher
Corporate Manager	Manager City Activation - Greg Salmon
General Manager	Acting General Manager City Development - Fiona Harvey
Report Reference	FAC191008R08

REPORT OBJECTIVE

The purpose of this report is to provide a Section 48 prudential report as required under the Local Government Act, prepared for the Mitchell Park Sports and Community centre Project to the Finance & Audit Committee for review.

EXECUTIVE SUMMARY

The following report has been prepared in accordance with the Section 48 of the Local Government Act 1999 which requires Council to consider a report addressing a number of prudential issues before engaging in a major project where the expected capital cost is likely to exceed \$4 million over the ensuing 5 years

This review of the Section 48 Report by the Audit Committee will contribute to the process of evaluating the Mitchell Park Sports and Community Centre project against the requirements of the Act.

The vision for the Mitchell Park Sports and Community Club project is to create a new community facility that will provide a range of recreation, economic and social benefits to the local region and address the needs of a number of community clubs and organisations. The estimated cost of the Mitchell Park Sports and Community Centre project is \$15 million and is funded by contributions of \$10 million from Council and \$5 million from the Federal Government.

As required by Section 48 of the Local Government Act the report investigates the projects

- Relationship with strategic management plans
 - Objectives of the Development Plan
 - The projects potential contribution to the local economy,
 - Consultation that has been undertaken with the local community,
 - Financial Assessment: implications, viability and sustainability of the project both in the short and long term
 - Potential risks and Mitigation Strategies
- project delivery

Advice and feedback is sought from the Finance and Audit Committee on each requirement (listed above) of Section 48 of the Local Government Act prior to the report being referred to Council on 22 October 2019.

RECOMMENDATION

That the Finance and Audit Committee provides feedback as to whether the attached Section 48 Prudential Report adequately addresses the following issues in relation to the Mitchell Park Sports and Community Centre Project:

- 1. The Project's support of Council's strategic objectives.**
- 2. The Project's alignment with the objectives of Council's Development Plan.**

3. **The assessment of the potential economic impacts of the Project**
4. **The level of consultation identified for the Project.**
5. **The assessment of the Project's risks and the appropriateness of the mitigation strategies developed.**
6. **The Project's financial viability in the short and long term.**
7. **Council's capacity to deliver the project within its financial sustainability targets.**
8. **Review the staff resourcing needs for the Neighbourhood centre**

DISCUSSION

The proposed Mitchell park Sports and Community Centre will support the future operations of the Mitchell Park Sporting Clubs, the Mitchell Park Neighbourhood Centre, Dover Gardens Dog and Kennel Club as well as cater for indoor sport and recreation needs of the local community.

The Mitchell Park Sports and Community Centre planning and construction has been costed by Rider Levett Bucknall at an estimated cost of \$15,048,000.

The anticipated project cost range with a +/- 5% costing range (excluding GST) is \$14.3m - \$15.8m. A favourable tendering result from construction contractors may enable all improvements to be included within the \$15 million project budget.

The project costings include an allowance for temporary accommodation for the existing clubs located at the site and are detailed in the attached table.

The attached Section 48 Report reviews the project in accordance with the requirements of Local Government Act and covers the following subjects:

1. The Project details and rationale
2. Review of City of Marion Strategic Management Plans, State Government plans and the Development Plan
3. Contribution to Economic Development, Economic Impact Analysis
4. Consultation undertaken with clubs and the local community as well as an expression of interest to accommodate additional user groups
5. Financial assessment to understand the impacts on Council's short and long term financial plans
6. Project risks and mitigation strategies required
7. The projects delivery plan and procurement

It is important to note the following extract from the Rider Levett Bucknall Project Estimate - Exclusions commentary

- Dog rinks - Existing equipment, by Clubs
- Alterations to Roadways - City of Marion Traffic engineer has advised that this is not required
- IT relocations - IT relocations such as PC's will be by City of Marion ICT.
- Noting the Fibre and the communications server rack allowance has been included in the estimate
- Sporting Equipment - Existing, by clubs and as otherwise noted
- Gym Equipment and storage shelving - Existing, by Clubs
- Court side 200 person seating alcove and acoustic treatment
- Works to tennis courts - Any works to form part of separate project
- Works to model car track - This is a separate initiative being managed by City Property
- Open Space programmed scope
- Wayfinding signage
- Rock Excavation - General allowance as part of Construction contingency
- Asbestos - General allowance as part of Construction contingency
- Relocation of stobie poles etc. - General allowance as part of Design contingency
- Land Acquisition - Not applicable
- Finance costs and holding charges - Addressed in finance section of the Section 48.

- Goods and Services taxation - Under GST regulations Council is entitled to claim input tax credits for the GST component of the price when acquiring goods and services in the course of carrying on that enterprise.
- All cost estimates are therefore GST exclusive.

SECTION 48 PRUDENTIAL MANAGEMENT REPORT

Section 48 of the Local Government Act 1999 (the 'Act') requires Council to consider a report for any project where the expected capital cost is likely to exceed \$4 million over the ensuing 5 years and addresses a number of key prudential issues. The report is attached for review and feedback from Council's Finance and Audit Committee. In particular feedback is sought on the risk register; reporting framework for the management of the project; and the financial viability and sustainability of the project.

Review of the risk register prepared for the project

A risk register has been prepared on the project and is annexed to the Section 48 report. Strategies have been identified to mitigate or manage the risks identified. Risks will be actively managed throughout the project and will be formally reviewed by the Project Control Group on a monthly basis.

The risk assessment demonstrates that the project's inherent risks are within expected limits of a project of this scale. The City of Marion has outlined appropriate mitigation strategies to lower the inherent risks and these are detailed in the risk register. Section 7 of the Section 48 Report discusses project risk.

Review of the reporting framework for the management of the project

Section 8 of the Section 48 Report discusses the project delivery methodology.

Review of the financial viability of the project. Section 4 of the Section 48 Report discusses the economic impact and Section 6 discusses the financial viability of the project.

Analysis of potential governance management models and financial forecasts. The modelling is deliberately conservative in relation to visitation and growth numbers and therefore revenue projections for the ongoing operation of the new facilities. The modelling notes an ongoing deficit. BRM Advisory notes that the management model will influence the extent of the operational deficit and that Council staff will continue to develop the model in consultation with the stakeholders.

The current operational modelling and attached report is based on no increase to the Neighbourhood staff. However preliminary discussions on staff requirements indicates a staff increase from 0.6FTE to 1.8FTE is likely to be required at an additional cost of \$112K. This is in order to cover customer service levels for the new facility and enable an expansion of the Neighbourhood Centre programmes. Further review of resourcing for the facility will be required as part of the operational modelling scope.

The whole of life funding (ie. cash) impact of the Project has been assessed and it has been determined that Council has the funding capacity within its current adopted Long Term Financial Plan (LTFP) to fund its \$10 million capital contribution plus associated ongoing increases in operating, maintenance, renewal and borrowing costs required for the project. This can be achieved without the need for any additional increases in council rates, other than those already provided for in the LTFP.

Review of Community Consultation.

Section 5 of the Section 48 Report discusses the extent of community consultation held to date.

BRM Advisory notes that additional consultation of the wider community on the 2 court option may be useful and that the project will continue to inform the community of the project throughout the phases.

Project Milestones

October 2019	Section 48 prudential report
November 2019	Architectural services awarded
December 2019	Preliminary site layouts
Feb-March 2020	Concept Design
April-June 2020	Design Development
July- Oct 2020	Documentation of construction drawings and specification
Nov- Dec 2020	Tender AwardBuilder EOI and final award
Jan 2021- Jan 2022	Construction phase
Feb 2022	Commissioning phase
March 2022	Facility open

CONCLUSION

The Section 48 Report demonstrates that the City of Marion has the capacity to deliver the Mitchell Park Sports and Community Centre project and has the capacity and resources to maintain the facility in the future.

Risks for the project have been identified and strategies to mitigate, or minimise, those risks have been developed.

The whole of life funding (ie. cash) impact of the Project has been assessed and it has been determined that Council has the funding capacity within its current adopted LTFP to fund its \$10 million capital contribution plus associated ongoing increases in operating, maintenance, renewal and borrowing costs required for the project. This can be achieved without the need for any additional increases in council rates, other than those already provided for in the LTFP. The financial modelling outlines an ongoing deficit requiring Councils financial support.

Feedback and comment is sought from the Audit Committee on the prudential report prepared in accordance with the requirements of the Local Government Act 1999, which will be considered by Council at a Council meeting scheduled for 22 October 2019.

Attachment

#	Attachment	Type
1	MPSCC Section 48 report BRM advisory	PDF File



City of Marion

Section 48 Prudential Report:
Mitchell Park Sports and
Community Centre

September 2019



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EXECUTIVE SUMMARY

Purpose

The following report has been prepared in accordance with the requirements of Section 48 of the Local Government Act 1999 which requires a Council to consider a report addressing the prudential issues set out in Section 48 subsection 2 of the Act before engaging in a major project. The purpose of a Prudential Report is to ensure the Elected Members have the necessary information to enable an informed decision whether or not to proceed with a project.

The Project

The redevelopment of Mitchell Park oval and associated infrastructure to support the future operations of the Mitchell Park Sports and Community Centre (MPSCC) and the Mitchell Park Neighbourhood Centre.

Prudential Review Issues and Findings

The City of Marion has acted with due care, diligence and foresight in progressing the Project. However, we recommend the following to supplement the due diligence undertaken to date and to ensure that Council has been provided with sufficient information to satisfy the requirements of Council's Prudential Management Policy and Section 48 of the Local Government Act.

- Council has not received a consultation report or formal feedback from the community based on the current scope of the Project, following the reduction in scope from a four indoor court facility to a two indoor court facility. Council should consider the benefits and costs (including the potential for further Project delays) of undertaking further community consultation and whether or not an updated consultation report would assist Council's decision making.
- CoM should continue to refine its work on the management model to operate the MPSCC to provide greater certainty on the potential revenue generation capability and the potential future cost structure for operations of the MPSCC. This will mitigate the risk that a larger operating subsidy than currently modelled (Attachment Two) will be required to support future operations.

We also note the following.

The Project is strongly aligned to CoM's existing Strategic Planning Documents and capital provisions have been made in this year's Annual Business Plan and Budget and Long Term Financial Plan to undertake the Project. However, the financial plans assume that the Project will be completed by 30 June 2020 which will not occur. Accordingly, a budget carry-forward will be required at the end of FY2020 to reflect the updated construction timetable with the Project now due for completion in March 2022. There is also an overstatement of finance costs and depreciation in the first and second years of the Long Term Financial Plan as a result of the assumption that the Project would be completed by 30 June 2020. Adjustments to the financial plans should be made at the appropriate time to reflect the updated Project timeframes and to include the latest estimate of operating costs.

CoM has prepared some indicative financial modelling which assumes that Council is the owner and operator of the MPSCC following construction. At this stage, a formal decision on the management model has not yet been made, and there is a risk that the MPSCC will not operate within the modelled forecast operating subsidy of \$0.271 million per annum (excluding finance and depreciation costs and Neighbourhood Centre staff costs), particularly in the early years of operation.

CoM should continue the consultation process with key users to confirm revenue projections and build out the operating model while the design phase of the Project is being undertaken to more comprehensively inform CoM's financial plans.

Council should also take the opportunity to consider the current levels of service being provided by the Mitchell Park Neighbourhood Centre in the context of the transfer of existing services to the MPSCC and whether or not there is a case for additional investment to improve community outcomes.



1. INTRODUCTION

1.1 Background

- 1.1.1 The City of Marion (CoM) provides sport and recreation facilities to support an active and connected community.
- 1.1.2 In 2012, the CoM commenced a process to redesign a number of sport and community hubs across the city, intended to cater for the community's needs for generations to come. As part of this broad process, in 2012-2013 a master plan was developed to upgrade the facilities at the Mitchell Park Oval Complex, a site currently used by the Mitchell Park Sports and Community Club.
- 1.1.3 The Mitchell Park Oval Complex is located in the area between Moreland Avenue, Waterman Terrace, Bradley Grove and Quick Road in the suburb of Mitchell Park. An overhead view of the facility (taken from 2016) is shown in Figure One.

Figure One: Overhead view of Mitchell Park Oval



- 1.1.4 In 2015, Council endorsed that investigations be undertaken with peak sporting bodies, relevant clubs, funding bodies and agencies to seek partnership opportunities for the development of four community and recreation sites across the City, one of these being at Mitchell Park.



- 1.1.5 As part of these investigations, CoM identified that there is a significant shortage of indoor sports courts in the Southern Adelaide region. Based on Parks and Leisure Australia benchmarks and 2014 population data there is an assessed level of potential demand for 116 indoor courts to service the circa 350,000 residents in the area. The actual number of indoor courts in the region in 2016 was 24.
- 1.1.6 It was also noted that the existing home base of the South Adelaide Basketball Club, located at Norfolk Road in Marion, was approaching the end of its useful life and may not be meeting the needs of its users.
- 1.1.7 The investigations ultimately identified an opportunity to create a multi-purpose recreation hub at Mitchell Park Oval designed to:
 - 1.1.7.1 upgrade facilities for the existing users of Mitchell Park including the Mitchell Park Sports and Community Club and the Dover Gardens Dog and Kennel Club;
 - 1.1.7.2 to develop new indoor multiuse indoor courts facilities; and
 - 1.1.7.3 as the new location for the existing Mitchell Park Neighbourhood Centre.
- 1.1.8 The proposed development was to be referred to as the Mitchell Park Sports and Community Centre (MPSCC).
- 1.1.9 On December 2015, Council endorsed the Mitchell Park Oval Complex as the preferred location for the MPSCC.
- 1.1.10 CoM engaged external consultants, Studio 9 to develop concept designs and KPMG to develop a business case and financial forecasts (KPMG Report) to support the development. At the time, the designs proposed a four indoor court facility with associated infrastructure to support the existing clubs at the MPSCC and the relocation of the Mitchell Park Neighbourhood Centre.
- 1.1.11 The KPMG Report based its financial forecasts on the continued use of the MPSCC by the existing users plus providing for the relocation of the South Adelaide Basketball Club's home base from Norfolk Road to the MPSCC.
- 1.1.12 At the Council Meeting on 28 June 2016, Council considered an internally prepared Prudential Report on the redevelopment of the MPSCC (Original Prudential Report). The Original Prudential Report was informed by, amongst other things, the 2012/2013 master planning process, the Studio 9 concept designs and the KPMG Report.
- 1.1.13 Following receipt of the council report and the Original Prudential Report, Council resolved the following at its 28 June 2016 meeting.



Moved Councillor Telfer, Seconded Councillor Hull that Council:

1. Consider the advice and feedback received from the Finance and Audit Committee on the draft Section 48 Prudential Report.
2. Consider and adopt the Section 48 Prudential Report as amended including the KPMG Report on the Proposed Governance and Management Model and Financial Forecast and the Studio 9 design concept.
3. Authorise Council staff to finalise and submit a bid to the National Stronger Regions Fund (NSRF) Round 4 seeking \$9.875 million in Federal capital funding matching a \$9.875 million capital funding commitment by the City of Marion.
4. Endorse the capital funding commitment of up to \$9.875 million for the redevelopment of Mitchell Park Sports and Community Club, 4 indoor multi-purpose courts and neighbourhood centre facilities subject to the successful application for funding to the National Stronger Regions Fund.
5. Endorse the increased on-going operating, maintenance and renewal funding (i.e. Cash) requirement as identified in the Section 48 Prudential Report and note the impact to the City of Marion's adopted Long Term Financial Plan (LTFP) resulting from the additional funding requirement identified in the Section 48 report is forecast to be in the order of \$13.11 million over the 10 year term of the LTFP.
6. Commit to undertaking the redevelopment of the Mitchell Park Sports and Community Club, 4 indoor multi-purpose courts and neighbourhood centre facilities if matching funding is received from the National Stronger Regions Fund.

Carried

- 1.1.14 Subject to the receipt of matching grant funding and the budget estimates available at the time, Council committed \$9.875 million in capital funding to support the construction of the MPSCC including provisions for four indoor courts.
- 1.1.15 Since this resolution of Council, CoM has only sourced \$5.0 million of external funding, rather than the \$9.875 million in external funding which was required to undertake the project as originally scoped.
- 1.1.16 As a result, CoM were required to reconsider the scope of the project and to determine whether Council was able to provide additional funding for a four court facility (as originally scoped) or whether the scope of the development would need to be reduced to allow construction to take place within the funding available. A further confidential report was prepared for Council at the 12 February 2019 Council Meeting to consider the various options for progressing the project. At that meeting Council confidentially resolved the following:

Moved Councillor - Raelene Telfer Seconded Councillor - Tim Gard

That Council:

1. **Notes the Report**
2. **Commits up to \$10 million to undertake the redevelopment of Mitchell Park Sports and Community Club, and neighbourhood centre facilities.**
3. **Notes that the final redevelopment option is subject to Council considering and adopting a revised Section 48 Prudential Management Report.**
4. **In accordance with Section 91(7) and (9) of the Local Government Act 1999 the Council orders that this report and appendices, having been considered in confidence under Section 90(2) 3 (b)(i) and (ii) of the Act, except when required to effect or comply with Council's resolution(s) regarding this matter, be kept confidential and not available for public inspection for a period of 12 months from the date of this meeting. This confidentiality order will be reviewed at the General Council Meeting in December 2019.**



5. Council Seeks additional external funding for the Mitchell Parks Sports and Community Club project until the 2019 Federal Election and if:
 - a) No funding is committed, proceed with the project with no indoor multi-purpose courts included.
 - b) Less than \$5 million is committed, proceed with the project with no indoor multi-purpose courts and reduce Council's contribution by the external funding committed.
 - c) \$5 - \$7.4 million is committed, include 2 indoor multi-purpose courts in the project.
 - d) \$7.5 – \$9.9 million is committed, include 3 indoor multi-purpose courts in the project.
 - e) \$10 million is committed, include 4 indoor multi-purpose courts in the project.
6. The Mayor and CEO be authorised to disclose the above in their discretion
7. In accordance with Section 91(7) and (9) of the Local Government Act 1999 the Council orders that this report, minutes (in relation to points 5, 6 and 7) and appendices, having been considered in confidence under Section 90(2) 3 (b)(i) and (ii) of the Act, except when required to effect or comply with Council's resolution(s) regarding this matter, otherwise be kept confidential and not available for public inspection for a period of 12 months from the date of this meeting. This confidentiality order will be reviewed at the General Council Meeting in December 2019.

Carried

- 1.1.17 Since February 2019, no further external funding has been sourced to support the construction of the MPSCC.
- 1.1.18 As a result and consistent with the 2016 and 2019 resolutions of Council, the Administration has progressed plans to develop the MPSCC with facilities including two indoor multipurpose courts.
- 1.1.19 Updated concept designs have not yet been prepared based on a two indoor court design and consultation with relevant stakeholder groups is currently ongoing.

1.2 The Project

- 1.2.1 The Project is the redevelopment of the existing sporting facilities at the Mitchell Park Oval Complex to support the future operations of the MPSCC.
- 1.2.2 The Project scope specifically includes the demolition of existing buildings and the construction of:
 - 1.2.2.1 two indoor multi-purpose courts;
 - 1.2.2.2 internal and external viewing areas to support the existing outdoor activities (mainly football and cricket);
 - 1.2.2.3 food and beverage areas including a bar, food preparation area and an indoor / outdoor kiosk;
 - 1.2.2.4 six change rooms, four external and two internal;
 - 1.2.2.5 area to accommodate the Dover Gardens Dog and Kennel Club;
 - 1.2.2.6 carparking; and



1.2.2.7 provision for community rooms and facilities that can be used as the new Mitchell Park Neighbourhood Centre.

1.2.3 As a result of reducing the original scope of the Project from four courts to two, it is no longer envisaged that the South Adelaide Basketball Club will transfer their existing home games from the Norfolk Road stadium to MPSCC, nor would the Club plan to move their administration facilities to the MPSCC. However, discussions with basketball and other sporting groups are continuing as part of the ongoing consultation process on the Project.

1.2.4 The Project budget is \$15.0 million, \$10.0 million of which is contributed from the CoM and \$5.0 million from the Federal Government.

1.3 Rationale for the Project

In reviewing the Project documentation, we consider that there are three major strategic drivers for progressing the Project.

1.3.1 Firstly, to provide upgraded facilities for the existing clubs that use the Mitchell Park Oval Complex, specifically including:

- Mitchell Park Sports & Community Club
- Mitchell Park Football Club
- Mitchell Park Cricket Club
- Mitchell Park Netball Club
- Mitchell Park Tennis Club
- Adelaide Remote Controlled Raceway
- Step-in-to-life
- Emu Club
- Mitchell Park Neighbourhood Centre
- South Adelaide Basketball Club
- Dover Gardens Dog and Kennel Club

1.3.2 Secondly, to provide additional indoor courts and updated community infrastructure for residents of CoM and to help meet the identified shortage of indoor court facilities in the Southern Adelaide region.

1.3.3 Thirdly, to provide upgraded accommodation for the existing Mitchell Park Neighbourhood Centre which will replace an aging facility and provide scope to improve or increase the range of services and programs offered, if that decision is made by Council.



1.4 Legal Framework and Prudential Issues

1.4.1 The Local Government Act 1999 (Act) Section 48 states that:

"a council must develop and maintain prudential management policies, practices and procedures for the assessment of projects to ensure that the council —

- (a) acts with due care, diligence and foresight; and*
- (b) identifies and manages risks associated with a project; and*
- (c) makes informed decisions; and*
- (d) is accountable for the use of council and other public resources."*

1.4.2 The City of Marion (CoM) has adopted a Prudential Management Policy which satisfies the requirements of the Act. Under the Policy, the preparation of a Prudential Report is the highest level and most thorough type of due diligence report required for the purposes of the Policy.

1.4.3 The Prudential Management Policy and the Act 1999 require Council to consider a report addressing the prudential issues set out in subsection 2 of Section 48 when a project meets certain criteria, specified in (1) (b), namely where a council:

- (b) engages in any project (whether commercial or otherwise and including through a subsidiary or participation in a joint venture, trust, partnership or other similar body)—*
 - (i) where the expected operating expenses calculated on an accrual basis of the council over the ensuing five years is likely to exceed 20 per cent of the council's average annual operating expenses over the previous five financial years (as shown in the council's financial statements); or*
 - (ii) where the expected capital cost of the project over the ensuing five years is likely to exceed \$4 000 000 (indexed); or.*
 - (iii) where the council considers that it is necessary or appropriate.*

1.4.4 The prudential issues set out Section 48 of the Act are reproduced in full in Attachment Two.

1.4.5 We note that the indexed value of the \$4.00 million threshold identified in Section 48 (1) (b) (ii) is \$4.783 million as at the date of this report.

1.4.6 As the Project has a capital value greater than \$4.783 million, we have been engaged to prepare a report to satisfy the requirements of Section 48 of the Act and the Prudential Management Policy.



2. RELATIONSHIP WITH STRATEGIC MANAGEMENT PLANS

Local Government Act, Section 48 (2) The following are prudential issues for the purposes of subsection (1):

(a) the relationship between the project and relevant strategic management plans;

2.1 Relevant Strategic Management Plans

2.1.1 Section 122 of the Act requires a Council to develop and adopt strategic management plans; these are required to incorporate the extent to which a Council's objectives are related to regional, state and national objectives.

2.1.2 For the purposes of this report the relationship between the Project and the following plans are considered relevant.

2.1.2.1 City of Marion

- Community Vision - Towards 2040;
- Strategic Plan 2017-2027;
- City of Marion Business Plan 2019-2023;
- Annual Business Plan and Budget 2019-2020;
- Long Term Financial Plan 2019 to 2029; and
- Asset Management Plans.

2.1.2.2 Regional

- No relevant regional plans were noted.

2.1.2.3 South Australian State Government

- 30 Year Plan for Greater Adelaide;
- Office for Recreation, Sport and Racing Strategic Plan 2017 to 2021; and
- Department for Environment and Water People and Parks Strategy.

2.1.2.4 National

- National Sport and Active Recreation Policy Framework; and
- Sport 2030



2.2 City of Marion Plans

2.2.1 City of Marion Community Vision – Towards 2040

2.2.1.1 The City of Marion Community Vision - Towards 2040 was endorsed by Council in December 2013 to shape the future of the Marion community for 25 years.

2.2.1.2 The CoM's stated vision is as follows.

"A community that is Liveable, Valuing Nature, Engaged, Prosperous, Innovative and Connected".

2.2.1.3 The Project will provide enhanced recreation and engagement opportunities for the community and therefore aligns with the high level Vision of the Towards 2040 plan.

2.2.2 City of Marion Strategic Plan 2017-2027

2.2.2.1 To ensure Council's activities contribute to the Community Vision – Towards 2040, the Council adopted the Strategic Plan 2017-2027 which provides a 10 year roadmap of the CoM's Purpose, Vision, Values, Goals, Challenges and Opportunities, Objectives and Strategies.

2.2.2.2 The CoM Community Vision - Towards 2040 has six themes which are to be progressed in the Strategic Plan 2017–2027 through the following 10 year goals.

- Goal 1 – Liveable – Attractive neighbourhoods with diverse urban development, vibrant community hubs, excellent sporting facilities, open spaces and playgrounds.
- Goal 2 – Valuing Nature – Improve stormwater management, increase energy efficiency, promote biodiversity and improve opportunities for people to play in open spaces and interact with nature.
- Goal 3 – Engaged – Community will feel engaged and empowered to influence the improvement in their own neighbourhood.
- Goal 4 – Innovate – Constantly ready to adapt to technological advances and be better and quicker at sharing relevant information.
- Goal 5 – Prosperous – Realisation of the full potential of the Tonsley Precinct and other key commercial – industrial – retail zones
- Goal 6 – Connected - Easier and safer to move around the city which will have accessible services and plenty of walking and cycling paths. New technology and community facilities to better connect the community.

2.2.2.3 The Liveable goal contains two specific strategies that are considered strongly aligned to the Project:



"L1 We will make our services, facilities and open spaces more accessible.

L2 We will create more opportunities for residents to enjoy recreation and social interaction in our neighbourhood centres, libraries, sports facilities and other Council facilities."

2.2.3 City of Marion Business Plan 2019-2023

2.2.3.1 The CoM Business Plan explains the projects and programs CoM will deliver over a four year period to develop a city in line with community's wishes.

2.2.3.2 The Project is one of a number of major projects identified in the Business Plan designed to help CoM achieve its vision over the next four years.

2.2.4 Annual Business Plan

2.2.4.1 The Annual Business Plan outlines how Council plans to allocate its budget and what services and projects will be developed in the forthcoming financial year, so that CoM can progress the community's aspirations in the City of Marion Community Vision - 'Towards 2040', the goals in the 10-year Strategic Plan 2017-2027 and the Business Plan 2019-2023.

2.2.4.2 The Annual Business Plan links the overarching long term Strategic Plan with the budget, service delivery and rate levels for the current financial year.

2.2.4.3 The Project is specifically identified as the first of ten key projects expected to commence in the 2019/20 financial year.

2.2.4.4 The Annual Business Plan includes \$10.0 million of Council funds to be allocated to the Project and assumes the receipt of \$5.0 million in federal grant funding through the Community Development Grants Programme.

2.2.4.5 Given the current status of the Project, it is highly unlikely that the budget will be fully spent in the current financial year meaning a carry forward budget provision will be required.

2.2.5 Long-Term Financial Plan

2.2.5.1 The CoM Long Term Financial Plan 2019-2029 (LTFP) is a tool to assist in determining CoM's long-term financial sustainability by projecting the financial impact of any known decisions and to provide guidance on the parameters to use when developing future budgets.

2.2.5.2 The following funding provisions for the Project have been included in the LTFP:

- (a) \$15.0 million in capital funding including \$10.0 million of CoM funds and \$5.0 million of grant revenue.



- (b) The LTFP assumes that all capital will be spent in FY2019/20 and the Project assets will be commissioned by 30 June 2020. Given the current status of the Project, this timeframe will not be achieved.
- (c) The impact of this timing assumption is that there will be carry forwards in the LTFP with a majority of the Project capital more likely to be expended in FY2020/21 and FY2021/22.
- (d) As a result, provisions exist in the LTFP for depreciation (\$0.421 million) and interest (\$0.471 million) in the FY2020/21 year and further similar provisions in the FY2021/22 year that are unlikely to be incurred.
- (e) No operating cost provisions to reflect the potential annual subsidy to operate the MPSCC have been included in the LTFP. Any potential subsidy will be partially offset by savings in facility costs resulting from the transfer of the existing Neighbourhood Centre operations to the MPSCC and the from operating the buildings at the existing Mitchell Park Oval Complex.

2.2.5.3 The LTFP should be updated at the next opportunity to reflect the:

- (a) financial impact of the updated Project timeframes;
- (b) CoM's best estimate of the likely subsidy that will be required to operate the MPSCC;
- (c) Updates to the expected finance costs relating to the Project on account of recent reductions in long term interest rates; and
- (d) removal of existing facility costs and updates to expected operating costs relating to the existing Mitchell Park Neighbourhood Centre following transfer to the MPSCC.

2.2.6 Asset Management Plans

- 2.2.6.1 The CoM owns and manages a diverse portfolio of assets, valued in excess of \$1 billion. These assets exist in order to provide services to the community.
- 2.2.6.2 The CoM undertakes a comprehensive asset management planning process to ensure the delivery of services from infrastructure is provided in a financially sustainable manner. This is reflected in detailed which are maintained for various asset classes.
- 2.2.6.3 The Project will result in the construction of new assets that will need to be included in future updates of the relevant asset management plans, being the Open Space Asset Management Plan and the Buildings Asset Management Plan.



2.2.6.4 The Project will also result in the demolition of existing buildings at Mitchell Park Oval. The Buildings Asset Management Plan contains the following financial provisions in relation to renewal or replacement capital expenditure:

- (a) Mitchell Park Sports Club - \$63,000 for renewal of external walls, windows and doors and roof replacement; and
- (b) Mitchell Park Neighbourhood Centre - \$78,100 for repainting, external walls, furniture and fittings and floor coverings.

2.2.6.5 Any planned renewal expenditure which had been included in the Buildings Asset Management Plan which will no longer be required should be removed in the next update. This will partially offset new renewal expenditure that is identified to support the newly constructed Project assets.

2.3 Regional Objectives

2.3.1 There are no relevant regional objectives.

2.4 South Australian State Objectives

The South Australian State objectives with respect to sport and recreation are articulated in a number of plans and by various agencies, the alignment of the Project with these plans is detailed below.

2.4.1 30 Year Plan for Greater Adelaide

2.4.1.1 The State Government's broad vision for sustainable land use and the built development of the state is outlined in the Planning Strategy. The relevant volume of the Planning Strategy is the 30-Year Plan for Greater Adelaide (2017 Update).

2.4.1.2 The 30 Year Plan (2017 Update) focuses on six key pillars, these are:

- (a) Containing our Urban Footprint;
- (b) More Ways to Get Around;
- (c) Getting Active;
- (d) Walkable Neighbourhoods;
- (e) A Green Liveable City; and
- (f) Greater Housing Choices.

2.4.1.3 The Project is aligned to the Getting Active and A Green Liveable City pillars of the 30 Year Plan.



- 2.4.1.4 One of the targets in the Green Liveable City pillar includes ensuring that Adelaide provides its residents with a diverse range of quality open spaces and places and notes that 'participating in sports and clubs also provides a valuable vehicle for social support and cohesion in our community'.
- 2.4.1.5 The Project supports the growth of the sport in the region and provides a vehicle for CoM residents to engage with community activities and sports which help encourage active lifestyles.
- 2.4.1.6 The Project is aligned with the 30 Year Plan for Greater Adelaide.
- 2.4.2 Office for Recreation, Sport and Racing 2017-2021 Strategic Plan
 - 2.4.2.1 The State Government Office for Recreation, Sport and Racing Strategic Plan 2017 – 2021, articulates a vision of "an active State" where sport and recreation activities develop stronger, healthier and happier communities.
 - 2.4.2.2 The Project will provide increased and enhanced opportunities to progress the Office for Recreation, Sport and Racing's vision.
 - 2.4.2.3 The following strategies in the Strategic Plan will be advanced by the Project.
 - (a) Plan and develop local, state, national and international standard sport and recreation infrastructure to meet government and community outcomes;
 - (b) Collaborate across government to develop and co-invest in local and regional facilities that meet the needs of sport, recreation and the community.
 - (c) Invest in people, projects and initiatives that increase access and opportunities to participate in sport and recreation.
 - 2.4.2.4 The Project is considered to be closely aligned to the strategic priorities identified in the State Government Office for Recreation, Sport and Racing Strategic Plan 2017-2021.
- 2.4.3 Department for Environment and Water People and Parks Strategy
 - 2.4.3.1 The State Government's objective for People and Parks is 'the encouragement of public use and enjoyment of reserves and education in, and proper understanding and recognition of, their purpose and significance'. The goals are:
 - (a) Enriching our lives;
 - (b) Enhancing parks;
 - (c) Shared stewardship for parks; and
 - (d) Growing community benefits and prosperity.



- 2.4.3.2 The proposed Project supports all of these goals, by providing a facility that is accessible to the community and supports healthy living in and around the Mitchell Park area.

2.5 National Objectives

2.5.1 National Sport and Active Recreation Policy Framework

- 2.5.1.1 The Australian Government, through the Department of Health, which administers the Australian Sports Commission Act 1989 is committed to, amongst other things, encouraging increased participation by Australians in sport and providing resources, and facilities to enable Australians to pursue sport whilst also furthering their educational and vocational skills and other aspects of their personal development.
- 2.5.1.2 In June 2011, Commonwealth, State and Territory Sport Ministers agreed to establish the First National Sport and Active Recreation Policy Framework (the Framework) to help guide the development of sports policy across Australia. The Framework provides a mechanism for the achievement of national goals for sport and active recreation and sets out the agreed roles and responsibilities of governments and their expectations of sport and active recreation partners.
- 2.5.1.3 The Framework outlines Commonwealth, State and Territory Government Expectations of Other Stakeholders including Regional and Local Government, as follows:
- (a) Facilitating a strategic approach to the provision of sporting and active recreation infrastructure including open space, and other needs.
 - (b) Establishing local management and access policies to sport and recreation facilities.
 - (c) Supporting and coordinating local and regional service providers (venues and programs).
 - (d) Liaising and partnering with state and territory governments on targeted program delivery.
 - (e) Supporting and partnering with non-government organisations that enable sport and active recreation participation.
 - (f) Incorporating sport and recreation development and participation opportunities in Council plans.
 - (g) Collaborating, engaging and partnering across government departments on shared Policy agendas.
 - (h) Investment in sport and active recreation infrastructure.



2.5.1.4 The Project could be considered to support the objectives of the Act through improved and increased sports and recreation facilities and is consistent with the Framework agreed by the Commonwealth and state governments.

2.5.2 Sport 2030

2.5.2.1 The Australian Government has produced a plan for sport and physical activity in Australia that sets out a number of goals to be met by 2030. The most pertinent to the Project are:

- (a) Reduce barriers, allowing greater access to sporting facilities and infrastructure for all Australians no matter where they live; and
- (b) Have a diverse and inclusive sport and physical activity sector that supports more Australians to be more active more often.

2.5.2.2 The proposed Project will open up the number of sporting opportunities in relation to indoor court sports for residents in Adelaide's southern suburbs.



3. OBJECTIVES OF THE DEVELOPMENT PLAN

Local Government Act, Section 48 (2) the following are prudential issues for the purposes of subsection (1):

(b) *the objectives of the Development Plan in the area where the project is to occur;*

3.1 Development Approval

- 3.1.1 Development in CoM is governed by the Development Plan – Marion Council, pursuant to Section 33 of the Development Act 1993 and the associated Development Regulations 2008. The current version of the Development plan is dated as consolidated on 15 August 2019.
- 3.1.2 The Development Plan outlines what sort of developments and land use are and are not envisaged for particular zones and various objectives, principles and policies controlling the nature of proposed developments. As such, the Development Plan covers matters including zoning issues, building appearance and neighbourhood character, land division, building siting and setbacks and environmental guidelines.
- 3.1.3 The Project involves works which are defined as “development” under the Development Act 1993.
- 3.1.4 Development approval has yet to be obtained, and is a prerequisite for the Project to proceed.

3.2 Development Zone

- 3.2.1 The proposed location for the Project is the Community Zone / Recreation Policy Area 22. This zone and policy area caters for a range of community land uses and public facilities including recreation, community centres and sporting areas that fulfil a need within the community.
- 3.2.2 The provision for indoor recreation facilities is a specifically envisaged land use in the Policy Area. As a replacement and upgrade of existing infrastructure, the proposed use will not materially change as a result of undertaking the Project.
- 3.2.3 The surrounding suburb of Mitchell Park is predominantly zoned Residential/Medium Policy Area 12. This policy area seeks redevelopment of original housing stock with a variety of higher density housing forms.
- 3.2.4 The CoM anticipate that with an increase in population in the surrounding area will come increased demand for recreational and community facilities. This demand would be satisfied in part by the MPSCC.
- 3.2.5 The principles of the Development Zone should be satisfied from progressing the Project.

3.3 Approving Authority

- 3.3.1 The South Australian planning system is currently undergoing a transition from the Development Act 1993 to the Planning, Development and Infrastructure Act 2016



(PDI Act). The primary object of the PDI Act is to support and enhance the State's liveability and prosperity in ways that are ecologically sustainable and meet the needs and expectations, and reflect the diversity, of the State's communities by creating an effective, efficient and enabling planning system. At this stage the provisions of the Development Act are still applicable to the CoM.

3.3.2 Pursuant to the Development Act 1993, a Council can make decisions on certain kinds of applications where the Council is the applicant subject to Schedule 10 of the Development Regulations 2008.

3.3.3 However, in circumstances where development is to be undertaken by a Council, and there is potential for a perception of bias or conflict, there is provision under the Development Act 1993, to refer the application to the Minister for Planning with a request for a determination that the Development Assessment Commission is the relevant authority, pursuant to Section 34(1)(b)(iii) of the Act, which reads:

"Subject to this Act, the relevant authority, in relation to a proposed development, is ascertained as follows:

(iii) the Minister, acting at the request of a council or regional development assessment panel, declares, by notice in writing served personally or by post on the proponent, that the Minister desires the Development Assessment Commission to act as the relevant authority in relation to the proposed development in substitution for the council or regional development assessment panel (as the case may be);

then the Development Assessment Commission is, subject to subsection (2), the relevant authority."

3.3.4 The Minister can either accede to the request and determine that the State Commission Assessment Panel is the relevant authority, or could decline the request and refer the application back to Council for determination. We note that the State Planning Commission assumed the functions, powers and duties of the Development Assessment Commission on 1 August 2017 and that on the same day it established the State Commission Assessment Panel (SCAP) to continue the assessment functions formerly undertaken by the Development Assessment Commission.

3.3.5 The CoM Development Delegations Policy confirms that "any application involving development by the Council where the Minister has declined a request by the Council that the Development Assessment Commission be appointed as the relevant authority" should be referred to Council's Assessment Panel.

3.3.6 As an upgrade to existing infrastructure and consistent with an envisaged land use, CoM's Council Assessment Panel is likely to be the appropriate approving authority for the Development Application to support the Project.



4. ECONOMIC DEVELOPMENT

Local Government Act, Section 48 (2) The following are prudential issues for the purposes of subsection (1):

- (c) *the expected contribution of the project to the economic development of the local area, the impact that the project may have on businesses carried on in the proximity and, if appropriate, how the project should be established in a way that ensures fair competition in the market place;*

4.1 Contribution to Economic Development

- 4.1.1 Economic development can be defined as efforts that seek to improve the economic well-being and quality of life for a community by creating and/or retaining jobs and supporting or growing incomes and the tax base.
- 4.1.2 The contribution to economic development from the Project will primarily come from the construction activity in the area including the purchase of local goods and services.
- 4.1.3 While we do not consider that economic development is a key driver of progressing the Project, the CoM has sought to quantify the potential economic activity generated by the Project using an Input-Output (I-O) report from the economic modelling tool 'REMPLAN' to meet its obligations under Section 48 of the Act.

4.2 Economic Impact Analysis

- 4.2.1 The REMPLAN I-O analysis to determine the output, employment and value-added impact of a \$15.240 million investment in the Southern Adelaide region is based on data sourced from the Australian Bureau of Statistics (ABS), most of which relates to the 2016, 2011, 2006 and 2001 Censuses. Note the \$15.240 is an approximation of the expected capital cost of the Project (ex GST) which is slightly higher than the current allocated Project budget of (\$15.0 million).
- 4.2.2 Construction benefits
 - 4.2.2.1 Total output from the Project including all direct, industrial and consumption effects is estimated to increase output by up to \$31.044 million. This represents a Type 2 Output multiplier of 2.392 and is comprised of the following:
 - (a) a \$15.240 million direct increase in output;
 - (b) a rise of \$11.817 million in the demand for intermediate goods and services, including the flow on effects as demand for local goods and services increases; and
 - (c) the consumption effects from the creation of jobs in the economy arising from the increases in direct and indirect output which are estimated to be \$3.986 million.



4.2.2.2 An increase in output of \$31.044 million from the Project should result in an increase of up to 91 jobs from a Type 2 employment multiplier of 2.395, as detailed below:

- (a) the direct effect is estimated to create up to 38 jobs;
- (b) the indirect or flow on effect is estimated to result in the gain of a further 37 jobs; and
- (c) the consumption effect is estimated to boost employment by 16 jobs.

4.2.2.3 The estimated impact of the Project on wages and salaries is by up to \$6.275 million, representing a Type 2 multiplier of 2.324, the components are:

- (a) the increase from the direct effect is estimated at \$2.701 million;
- (b) the indirect or flow on effect is estimated at \$2.656 million, which represents a Type 1 Wages and Salaries multiplier of 1.983; and
- (c) the consumption effects under this scenario are expected to further boost employment in sectors such as retail therefore further increasing wages and salaries by an estimated \$0.919 million.

4.2.2.4 The impact of the Project on value added is estimated to increase by up to \$11.729 million, this represents a Type 2 value-added multiplier of 2.392 and is comprised of:

- (a) a direct impact of \$4.904 million;
- (b) an indirect or flow-on effect in terms of local purchases of goods and services are anticipated of \$4.539 million, this represents a Type 1 value-added multiplier of 1.925; and
- (c) A consumption effect of \$2.287 million, as a proportion of these wages and salaries are typically spent on consumption and a proportion of this expenditure is captured in the local economy.

4.2.2.5 Table One summarises the construction impact of the Project.

Table One – Construction Impact Summary (REMPLAN)

Impact Summary \$ millions	Direct Effect	Supply-Chain Effect	Consumption Effect	Total Effect
Output	\$14.240	\$11.817	\$3.986	\$31.044
Employment (Jobs)	38	37	16	91
Wages and Salaries	\$2.701	\$2.656	\$0.919	\$6.275
Value-added	\$4.904	\$4.539	\$2.287	\$11.729



4.2.3 Ongoing economic benefits

- 4.2.3.1 There will also be ongoing economic benefits resulting from operations at the new MPSCC once construction is complete.
- 4.2.3.2 The operations of the MPSCC is modelled to create an additional 2.5FTE positions in relation to the Centre Manager and Program Coordinator positions who will be employed in addition to existing staff who will be transferring to the MPSCC from the Neighbourhood Centre.
- 4.2.3.3 The economic activity generated from these 2.5 additional positions will assist in supporting the case for undertaking the Project.

4.3 Impact on Business in the Proximity

- 4.3.1 As the MPSCC is fully contained within a community land zone with no existing businesses in the immediate proximity, we would not expect there to be any negative impacts on business as a result of the construction phase of the Project.
- 4.3.2 During and following construction, the additional patronage in the area (from construction workers and then users) may result in a modest increase in trade for businesses in the surrounding area, however any increase is not expected to be significant. Any increase post construction would be partially offset by reduced activity in the immediate area surrounding areas where existing services are being delivered (such as the current Mitchell Park Neighbourhood Centre) as services are moved to the new MPSCC.

4.4 Fair Competition

- 4.4.1 Given there is an extremely limited market for privately held indoor court and other recreation facilities in Greater Adelaide (Titanium Arena being the only privately held court facility we are aware of), we do not consider there are any competition issues arising from progressing the Project.



5. COMMUNITY CONSULTATION

Local Government Act, Section 48 (2) The following are prudential issues for the purposes of subsection (1):

(d) the level of consultation with the local community, including contact with persons who may be affected by the project and the representations that have been made by them, and the means by which the community can influence or contribute to the project or its outcomes;

5.1 Level of Consultation

- 5.1.1 The CoM Public Consultation Policy (2019), developed pursuant to Section 50 of the Local Government Act 1999, is a high level policy which confirms CoM's intentions and obligations in relation to delivering effective community consultation, and fulfilling its requirements under the Act.
- 5.1.2 The objectives of the Public Consultation Policy are as follows.
 - 5.1.2.1 Elected Members are acknowledged as the representatives of community and empowered to make decisions. The role of staff is to present to the Elected Members all facts (which may include community perspectives) relevant to Council decisions, and subsequently to implement the decisions of Council.
 - 5.1.2.2 The CoM communicate openly and honestly about the degree of influence communities are able to exercise in any engagement activity or key decision.
 - 5.1.2.3 The CoM value the diversity of our communities and will utilise inclusive, representative and accessible approaches.
 - 5.1.2.4 The CoM commit to evaluation and continuous improvement in our community engagement. We will commit to appropriate levels of community engagement before making significant decisions taking into account the number of people affected and the likely degree of impact of the decision.
- 5.1.3 According to the Policy, the CoM is to consider the following methods of including the community in Council's decisions.
 - 5.1.3.1 Inform - communicating balanced and objective information to help the community understand the decision.
 - 5.1.3.2 Consult - providing information, ideally presenting a number of options, to allow the community to express their preferences regarding the decision.
 - 5.1.3.3 Involve - working directly with the community throughout a project to ensure that concerns and aspirations are consistently understood and considered as the project evolves through to completion.



- 5.1.3.4 Collaborate - working in partnership with the community, with a shared sense of responsibility for the work and the outcome.
- 5.1.3.5 Empower – Places the decision-making about specific projects in the hands of the community. The community takes responsibility and is accountable for the outcomes of decisions made.
- 5.1.4 We note that the Policy is not prescriptive regarding the circumstances under which these methods are to be applied.
- 5.1.5 Given the length of time the development of the MPSCC has been under consideration for, by the CoM, consultation with users and the community has taken a variety of forms, namely:
 - 5.1.5.1 A community survey was conducted early 2013 to support the development of the Mitchell Park Sport and Community Club Master Plan;
 - 5.1.5.2 Direct consultation with the user groups including existing clubs, Basketball SA and South Adelaide Basketball Club and the State Government that occurred during 2016;
 - 5.1.5.3 An Expressions of Interest process which was undertaken in 2017 seeking feedback from a variety of different clubs and potential users of the proposed facility (based on a four indoor court plan); and
 - 5.1.5.4 More recent consultation with key users on Council's decision to progress plans for a two indoor court facility, has included a planning meeting held on 8 August 2019 with representatives from all key MPSCC users as well as individual consultation meetings between the Project Team and the Mitchell Park Sports and Community Club, Basketball SA and South Adelaide Basketball Club and the Dover Gardens Dog and Kennel Club.
- 5.1.6 This consultation process is currently ongoing.
- 5.1.7 To support the Project's consultation activities, CoM developed a Communication and Engagement Strategy, dated 15 January 2016. The Strategy identified:
 - 5.1.7.1 the engagement and communication objectives;
 - 5.1.7.2 a planned phased approach to engagement;
 - 5.1.7.3 communication protocols;
 - 5.1.7.4 issues and risks; and
 - 5.1.7.5 a list of 30 key stakeholders.
- 5.1.8 The Communications and Engagement Strategy prepared at the time represented an appropriate plan to consult with and engage with the community and key stakeholders based on the Project as it was originally envisaged.



- 5.1.9 From 30 October 2017 to 1 December 2017, the CoM undertook a non-binding Expressions of Interest (EOI) process to seek offers for the possible use of the spaces planned for the MPSCC by various clubs and groups in the area. This engagement process consulted on the original four indoor court plans for the MPSCC.
- 5.1.10 Submissions were accepted through the Making Marion website from groups looking to utilise the upgraded MPSCC. A total of 10 submissions were received from clubs / groups as part of this process. Those clubs / groups that had responded to previous engagement processes were not required to respond again.
- 5.1.11 Now that the Project has been refined to a two indoor court option, the CoM has, during 2019, began to re-engage with key stakeholders to advise of the change in scope and to consider the implications on future usage and design.
- 5.1.12 The Communication and Engagement Strategy for the Project has not been formally updated since 2016. The CoM has continued to engage with and update key Project stakeholders since the direction to progress a two court option, however the consultation approach has occurred without structure.
- 5.1.13 As the engagement process is still ongoing, we, nor Council, have been provided with any written feedback from stakeholders or the CoM as to the level of support from potential users in relation to the current Project scope.
- 5.1.14 There is a risk that the decision to progress a two court option for the MPSCC will be viewed negatively by some existing stakeholders, particularly Basketball SA or the South Adelaide Basketball Club.
- 5.1.15 Conversely, some user groups and potentially the residents in and around the MPSCC, may consider the reduction in scope to be a positive.
- 5.1.16 Council may wish to consider whether or not it requires additional consultation to occur and an updated consultation report that provides updated feedback from key Project stakeholders to inform the decision to progress with the Project or not.
- 5.1.17 Alternatively, an 'inform' level of consultation, where stakeholders are kept up to date with Project progression rather than seeking further feedback, may be determined as being sufficient from this point forward.

5.2 Community Influence and Contribution

- 5.2.1 Through the number of engagement activities undertaken, the community has been afforded the opportunity to influence and contribute to the development of the MPSCC on a number of occasions.
- 5.2.2 However, since the scope of the Project has been reduced due to budget constraints and while key stakeholder consultation is ongoing, no documentation has been provided to us or Council that summarises feedback from stakeholders on the current scope of the Project.



6. FINANCIAL ASSESSMENT

Local Government Act, Section 48 (2) The following are prudential issues for the purposes of subsection (1):

- (e) if the project is intended to produce revenue, revenue projections and potential financial risks;*
- (f) the recurrent and whole-of-life costs associated with the project including any costs arising out of proposed financial arrangements;*
- (g) the financial viability of the project, and the short and longer term estimated net effect of the project on the financial position of the council;*

6.1 Financial Assessment – General considerations

- 6.1.1 As required under Section 48, the financial assessment includes both consideration of the construction costs of the Project and the ongoing future operating cost of the MPSCC once construction is complete, which together represents the whole of life cost of the Project.
- 6.1.2 To properly assess the ongoing estimated whole of life costs of the Project, there are a number of assumptions in relation to the operating model to support the MPSCC that need to be established.
- 6.1.3 A significant body of due diligence work was undertaken by the CoM on the original project scope which related to a four indoor court facility including engaging KPMG to prepare a ten year financial forecast.
- 6.1.4 In reviewing the original ten year financial forecast, we have concerns relating to the reasonableness of some of the assumptions used and are of the view that the financial forecasts prepared at the time presented an optimistic view of the likely financial performance of the MPSCC under a four indoor court model. We do not consider that the outcome presented in the original financial forecast of a break even operating result (excluding depreciation and finance) is well supported by benchmarking of other comparable Council owned recreation facilities.
- 6.1.5 One important consideration in any financial modelling on the performance of recreation facility are the assumptions around the management model. There are many considerations in determining a management model for a community recreation facility, among them are the:
 - 6.1.5.1 vision and objectives of the facility and the desired impact that the facility will have on the community and key stakeholders;
 - 6.1.5.2 financial impact on the asset owner (CoM);
 - 6.1.5.3 financial impact on the key stakeholders (usually clubs and/or associations) and ensuring they can be financially sustainable under the proposed model; and



- 6.1.5.4 skills and ability of the 'manager' to drive revenue, manage costs and ultimately deliver on the non-financial performance metrics of the facility.
- 6.1.6 Another consideration specific to this Project is the intention to transfer the existing operations of the Mitchell Park Neighbourhood Centre to the MPSCC which will mean that CoM staff will deliver community programs and services at the MPSCC. There may be an ability to leverage or combine the operations of the Neighbourhood Centre with the operations of the MPSCC however it is likely that additional Neighbourhood Centre resourcing would be needed if this strategy was progressed.
- 6.1.7 There are a number of different management models that can be implemented for recreation assets of this type ranging from a fully insourced model controlled by council to a fully outsourced model run by a private operator (such as YMCA, Belgravia, Bluefit or a peak sporting association). The management options under consideration by the CoM for this Project are:
 - 6.1.7.1 An internal operating model, where the CoM manages the MPSCC and the revenue streams being generated;
 - 6.1.7.2 An external operating model, where the CoM outsources the management of the MPSCC to a third party facility manager, a club, or group of clubs operating under a formal legal structure; or
 - 6.1.7.3 A hybrid or tailored model that utilises the expertise of both the CoM and volunteer capabilities of the Clubs and/or the Neighbourhood Centre to operate the MPSCC.
- 6.1.8 At this stage, CoM's financial analysis has been limited to identifying the range of management model options available, and undertaking some indicative financial modelling on an insource model, i.e. CoM managing the MPSCC.
- 6.1.9 The future management model for MPSCC has not been endorsed by Council nor have the key stakeholders been formally consulted with regarding the optimum future management model.
- 6.1.10 The following financial analysis is therefore based on CoM's indicative modelling assuming an insourced model, with the CoM being the owner and the operator of the MPSCC. We recommend this modelling be further refined as the Project progresses, as more consultation is undertaken with stakeholders and as further direction is provided by Elected Members.
- 6.1.11 The ten year financial model prepared by CoM is reproduced in Attachment Two.



6.2 Revenue Production, Revenue Projections and Potential Financial Risks

6.2.1 Revenue Production

6.2.1.1 The Project is expected to generate revenue from a number of sources, including:

- (a) Lease and/or licences fees from clubs and the recovery of outgoings;
- (b) User charges relating to the hire of courts, ovals, rooms and other facilities; and
- (c) Revenue generated from canteen, meal or bar sales.

6.2.1.2 While not being separately identified by CoM, there may also be an opportunity to generate revenue from signage or sponsorship at the venue.

6.2.1.3 The CoM's indicative financial modelling has identified \$0.326 million of annual recurrent revenue at the MPSCC. The breakdown of which is shown in Figure Two.

Figure Two: Modelled MPSCC revenue (prepared by CoM)

Income	
Rent - Affiliate Clubs	\$ 10,000
Memberships	\$ 2,500
Court Hire	\$ 184,000
Bar & Meals - Net Revenue	\$ 104,200
Venue Hire	\$ 15,000
Oval Hire	\$ 10,000
Net Revenue	\$ 325,700

6.2.1.4 Affiliate Rent and Outgoings:

- (a) CoM has assumed \$10,000 of annual income for rent from the affiliate Clubs. There has been no provision for the recovery of outgoings included in the financial modelling.
- (b) As a comparison, the level of rent and outgoings being paid by the current clubs at Mitchell Park was \$5.8k in FY2018 and \$10.3k in FY2019 which indicates that the forecast level of revenue is broadly consistent with previous years.
- (c) CoM has adopted a Leasing and Licensing of Council Owned Facilities Policy (Lease Policy), last reviewed 28 March 2017, to govern the application of lease / licence fees to the various clubs who occupy CoM's sports and recreation facilities.
- (d) The Lease Policy prescribes that annual fees should be set subject to a market valuation with not-for-profit organisations able to access up to a 93% discount on market rates based on meeting a number of



criteria set by Council, such as good governance standards, volunteer management processes and other requirements.

- (e) The Lease Policy also prescribes that Clubs will be responsible for all utilities and outgoings.
- (f) CoM has calculated that the applicable rate of outgoings that should be charged to the Clubs under the Lease Policy would indicatively be \$63,000 per annum. This amount assumes that 50% of MPSCC outgoings and 25% of all electricity would be charged to Clubs based on expected levels of facility usage. The less than 100% modelled recovery is because some of the outgoings charges relate to the provision of indoor courts, the costs of which will be recovered from court users and that some outgoings will be apportioned to the operations of the Neighbourhood Centre.
- (g) As the Clubs would be currently unable to afford this level of outgoings recovery, to be conservative, CoM has not modelled any outgoing recovery and instead assumes Council's operating subsidy covers the Club's outgoings.
- (h) There may be an opportunity to recover some of the modelled outgoings from Clubs in the future however this would be dependent on the financial viability of the Clubs following construction of the MPSCC.
- (i) Council should note that this modelling assumption is not consistent with the Lease Policy.
- (j) CoM should consider long term initiatives to improve the financial viability of the Clubs and provide them with opportunities to generate additional revenue to transition them onto a financial arrangement consistent with the Lease Policy if and when it is affordable to do so. This could be undertaken on a club by club basis.

6.2.1.5 Bar and Meals net revenue

- (a) The CoM is forecasting \$104,200 of annual net revenue from bar and meals income (net revenue being sales less direct costs excluding labour).
- (b) This assumes that CoM operates the bar and meals service on behalf of Clubs, pays the supply costs and retains the associated revenue.
- (c) An alternative model would be for CoM to allow Clubs to operate the bar and meals service (potentially for a fee) and allow the revenue to go straight to the Clubs. This approach would need to be subject to consideration and mitigation of risks relating to the responsible service of liquor and liquor licensing requirements.



- (d) Given that the exact nature of the management model is unknown, we are unable to comment on the reasonableness of this assumption other than to say there is a significant risk that bar and meals net income could be materially different to what is currently forecast pending a decision on the management model and the future trading performance.

6.2.1.6 Venue Hire and Oval Hire

- (a) CoM are forecasting \$15,000 for venue hire and \$10,000 for oval hire.
- (b) During FY2019, oval hire revenue was \$10,980 and venue hire revenue was \$6,915. With the improvement in amenity and facilities at the redeveloped MPSCC, the increased revenue projections for oval and venue hire appear to be achievable.

6.2.1.7 Indoor Courts

- (a) CoM are assuming \$184,000 of revenue from hiring the indoor multipurpose courts to users. This equates to \$92,000 per court and approximately \$250 of income per court per day.
- (b) Our experience suggests that generating \$92,000 per court is achievable based on benchmarking other comparable facilities. However, the key drivers of revenue generation are:
 - (i) the level of community and club use and the level of discounts from standard market court hire rates offered to these groups when using courts; and
 - (ii) the quality and experience of the manager and their ability to drive profitable and productive court usage.
- (c) To achieve the modelled rate of revenue per court, the CoM will need to actively drive utilisation from paying users and minimise the amount of discounts offered for court usage.

6.2.1.8 Kiosk

- (a) It is intended that the designs for the MPSCC will have provision for an indoor / outdoor kiosk. CoM has assumed that the kiosk will be run by the Clubs using volunteer labour and that the Clubs will keep the associated revenue.
- (b) Accordingly there are no provisions for Council to derive revenue from the operations of the kiosk in the financial modelling.

6.2.1.9 Revenue that is generated by the MPSCC will be highly dependent on the operating model that is put in place and the experience of the site manager and may differ materially from what has been presented in Attachment Two.



6.3 Recurrent and Whole of Life Costs, Financial Arrangements

6.3.1 Recurrent Costs

6.3.1.1 The recurrent costs in relation to the Project relate to:

- (a) Bar and meal supply wages;
- (b) General staff wages;
- (c) Operating expenses including cleaning, security, waste disposal, insurance and general administrative costs;
- (d) Utilities including electricity, water and gas; and
- (e) Repairs and maintenance.

6.3.1.2 These recurrent costs will be partially offset by savings from the current closure of the existing Mitchell Park Neighbourhood Centre and costs relating to the existing Mitchell Park Oval Complex buildings that will be demolished.

6.3.1.3 CoM's indicative financial modelling has identified \$0.654 million of forecast annual operating costs at the MPSCC.

Figure Three: Modelled operating costs (prepared by CoM)

Staffing Costs	
Centre Manager	\$ 105,000
Sports Program Co-ordinator	\$ 146,000
Bar & Meals	\$ 64,133
Neighbourhood Centre	\$ 56,800
	\$ 371,933
Other Expenditure	
Cleaning - Building	\$ 34,220
Cleaning - Courts	\$ 30,000
Security Expenses	\$ 5,000
Building Insurance	\$ 14,000
Electricity	\$ 80,000
Water	\$ 21,594
Gas	\$ 5,000
Waste Management	\$ 6,400
Marketing	\$ 14,500
Admin & Other	\$ 31,000
Maintenance & Repairs	\$ 40,000
	\$ 281,714
Total Expenditure	\$ 653,647



6.3.1.4 Staffing Costs

- (a) Under the assumed internal operating model, the MPSCC is to be staffed by 1 FTE Centre Manager (\$105k per annum) and 1.5 FTE Sports Program Coordinator (\$146k per annum). These amounts includes employee 'on costs'.
- (b) The modelling assumes that the courts are available for 46 hours per week.
- (c) The actual level of resourcing required will ultimately be dependent on the desired use of the indoor courts and whether or not CoM envisages running court competitions and events at the MPSCC. Doing so will likely incur more labour costs but will provide the opportunity to derive more revenue than simply hiring courts to clubs and other users for a flat fee.
- (d) The modelling also assumes \$64,133 of wages relating to the provision of Bar and Meals service. This figure has been calculated broadly as 1/3rd of the expected gross revenue to be derived from bar and meal sales.
- (e) It is particularly difficult to generate financial returns from bar and meals service at recreation centres under a paid staffing model (i.e. if the services are not run by club volunteers).
- (f) Many similar centres offer simplistic food and beverages services to customers which are intended to attract users and activate a facility rather than deliver a financial return.
- (g) The current modelled net contribution from bar and meal sales to the financial performance of the MPSCC (gross revenue less cost of goods & direct wages) is \$40,067.
- (h) While the exact model to deliver bar and meal service has yet to be determined, based on benchmarking, we consider it unlikely that CoM will be in a position to generate the modelled level of profit from this source once the full costs of service provision (including wages) are accounted for.
- (i) Neighbourhood Centre wages are based on the current level or resourcing (0.6FTE) and this level of service is assumed to remain unchanged once the Neighbourhood Centre is transferred to the MPSCC.

6.3.1.5 Operating expenses

- (a) Operating expenses includes marketing, waste disposal, security, cleaning, insurance and general administration costs totalling \$135,120.



- (b) Based on our understanding of similar facilities, the provision for the listed operating expenses appears reasonable to support operations.

6.3.1.6 Utilities

- (a) The major utilities cost of an indoor court facility is electricity to heat and cool the court arena.
- (b) We are aware of an alternative two court Council owned mixed use facility with electricity costs of \$90,000 per annum which broadly supports the \$80,000 budget provision.
- (c) Electricity costs can be reduced with the provision of a solar system. While solar is not currently scoped in the existing capital Project budget, the Project Lead intends on including provisions for a solar system in the future iterations of the Project designs. This may put additional pressure on the Project capital budget (if external funding for a solar system can't be source) but would reduce whole of life operating costs.

6.3.1.7 Repairs and maintenance

- (a) A repairs and maintenance provision of \$40k has been included in the budget. While the asset is relatively new and many of the fittings and fixtures still under warranty, this provision should be more than sufficient.
- (b) As the Project assets age, additional repairs and maintenance provisions could be required to ensure the asset is kept to a standard expected by users.
- (c) Over the life of the MPSCC, a \$40k annual provision appears reasonable.

6.3.1.8 Other costs that have not been identified

- (a) The indicative modelling does not include a number of other expenses which are commonly incurred in operating a recreation facility of this kind. These costs include:
 - (i) Telecommunications;
 - (ii) Information Technology cost such as hardware, software, licensing and specialised recreation centre software to manage competitions and court bookings;
 - (iii) Provision for professional services fees (i.e. legal fees);
 - (iv) Payroll and bookkeeping;
 - (v) Staff training; and



(vi) Bank charges including cashless payment systems.

- 6.3.1.9 Some of these services, such as payroll and bookkeeping, may be provided by CoM. If so, a cost attribution charge could be included in the financial modelling so that the full cost of operating the MPSCC is understood.
- 6.3.1.10 CoM has made a provision for administration costs of \$30,000 which in our view will cover some but perhaps not all of the above items.
- 6.3.1.11 The other major costs that has not been identified in the indicative modelling are depreciation and finance charges.
 - (a) Depreciation – the LTFP has assigned an assumed depreciation rate of 2.81% to the total Project costs of \$15.0 million which results in an assumed annual depreciation charge of \$0.421 million. This corresponds to an assumed useful life of the MPSCC of 36 years. Actual depreciation charges will only be known once the detailed designs have been completed and a breakdown of the assets by asset class is known.
 - (b) Finance – the LTFP assumes that CoM enters a 10 year P&I loan with semi-annual repayments at an interest rate of 4.7% to fund the borrowings required to construct the MPSCC. Based on these assumptions the Year 1 interest expense would be \$0.461 million and total interest over the ten year period would be \$2.648 million. Based on recent reductions in interest rates, the current provision for interest in the LTFP is likely to be overstated.
- 6.3.1.12 Cost offsets already provided for in the LTFP
 - (a) CoM have identified that there may be a saving in facility costs (including items such as utilities and repairs & maintenance) from the future closure of the current site of the Mitchell Park Neighbourhood Centre and from provisions which relate to the existing buildings at the Mitchell Park Oval Complex.
 - (b) CoM has identified that there is an expected total saving of \$119,800 per annum based on costs currently in the LTFP that will no longer be incurred if the Project is progressed.

6.3.2 Whole of Life Costs

- 6.3.2.1 Given the indicative nature of the current financial forecasts, we have not sought to undertake a detailed long term model to calculate whole-of-life costings and have instead kept the assessment at a high level.
- 6.3.2.2 The whole of life cost assessment has been based on the following assumptions:



- (a) Operating subsidy of \$0.328 million per annum (inclusive of \$56,800 of costs relating to Neighbourhood Centre staffing) based on the financial modelling provide by CoM (Attachment Two);
- (b) Asset life of 36 years;
- (c) Finance costs calculated based on a ten year P&I facility at a 4.7% with semi-annual repayments on CoM's \$10.0 million capital contribution;
- (d) Recovery of current operating costs relating to the Mitchell Park Oval and Mitchell Park Neighbourhood Centre currently in the LTFP that will no longer be incurred (\$0.120 million per annum);
- (e) No provision for inflation or discounting of cash flows; and
- (f) No provision for financing operating deficits as it is assumed this will be funded through rates

6.3.2.3 Table Two shows the total estimated whole of life Project costs based on the stated assumptions.

Table Two - Whole of life costs

36 year whole of life Project cost	\$ million
Cumulative annual operating deficits (excluding finance and depreciation)	\$11.808
Depreciation	\$15.00
Finance Costs	\$2.648
Other costs in the LTFP no longer incurred	(\$4.313)
Total whole of life costs	25.143

6.3.2.4 In our assessment of revenue and recurrent costs we noted a number of unidentified costs in the current indicative modelling and also queried the achievability of the current level of contribution from bar and meal services to deliver a profit.

6.3.2.5 Table Three shows the impact on whole of life costs if CoM exceeds the current operating budget by 25%, 50% and 100% per annum.



Table Three - Whole of life costs sensitivity analysis based on increasing subsidy

	Base case \$ million	25% increase \$ million	50% increase \$ million	100% increase \$ million
Annual operating subsidy (excluding finance and depreciation)	\$11.81	\$14.76	\$17.34	\$23.62
Depreciation	\$15.00	\$15.00	\$15.00	\$15.00
Finance Costs	\$2.65	\$2.65	\$2.65	\$2.65
Other costs in the LTFP no longer incurred	(\$4.31)	(\$4.31)	(\$4.31)	(\$4.31)
Total whole of life costs	\$25.14	\$28.10	30.68	\$36.96

6.3.2.6 Based on the current modelling and the assumption made, the whole of life cost of operating the MPSCC are assumed to be \$25.14 million. However, there is a risk in achieving the modelled operating subsidy on account of the current uncertainties in terms of the management model and the future levels of service being provided at the MPSCC. For example, if the operating subsidy increases by say 25%, the whole of life costs would increase from \$25.14 million to \$28.10 million.

6.3.3 Financial Arrangements

6.3.3.1 The funding arrangements for the Project are detailed in Table Four.

Table Four – Up-front Capital Funding Arrangement

Funding sources	Amount \$ million
City of Marion	\$10.00
Federal Government	\$5.00
Total Funding	\$15.00

6.3.3.2 Federal government funding for the Project was initially promised to CoM in the lead up to the 2019 Federal Election.

6.3.3.3 On 7 August 2019, CoM received a letter from the Hon Michael McCormack, the Minister for Infrastructure Transport and Regional Development confirming the Australian Government's commitment to provide up to \$5.0 million for the MPSCC to be delivered by the Department of Infrastructure, Transport, Cities and Regional Development through the Community Development Grants Programme.

6.3.3.4 The letter confirms only an intention for the grant funding to be provided and it is still subject to assessment and negotiation of a Deed of Agreement.



6.3.3.5 Therefore there is a current risk, albeit an unlikely one, that the committed grant funding may not be received.

6.4 Potential Financial Risks

The most significant financial risks relating to the Project relates to the potential for construction cost overruns, the sufficiency of the operating subsidy that will be required to operate the MPSCC once constructed and the risk of receiving the committed grant funding. These risks are considered in detail below.

6.4.1 Overruns in the cost of construction

6.4.1.1 CoM have engaged Rider Levett Bucknall (RLB) to develop an order of costs for the Project. The purpose of this estimate is to establish the affordability of the Project. A breakdown of the order of costs by key component is shown in Table Five.

Table Five – Capital cost estimate summary prepared by RLB

Component	Cost \$
Clubrooms	5,153,200
Courts	3,348,000
Other functional areas	280,500
Public Art	30,000
Communications	113,000
Operational Budget (Allowance)	140,000
MPSCC Preliminaries (8%)	757,347
Furniture Fittings and Equipment	190,000
Builders Margin (3%)	306,250
Design Contingency (5%)	526,418
Construction Contingency (5%)	552,904
Professional Fees (9.5%)	1,102,498
Statutory Charges	35,178
Estimated Building Works	12,535,295
Demolition and MPSCC Preparation	448,950
External Works	2,013,755



Component	Cost \$
Project Subtotal	\$14,998,000
Budget	\$15,000,000

- 6.4.1.2 The latest version of the Project order of cost estimate as presented in Table Five, has been prepared with consideration of the original four court concept designs and functionality and has been scaled back for two courts and known changes to requirements which occurred between the original scoped Project and 2019.
- 6.4.1.3 As there are no detailed designs at this stage, the cost estimate is only indicative and will need to be updated as the design process is progressed.
- 6.4.1.4 While there are significant contingencies in the order of costs for design, construction, progression fees and builders' margin, as the order of costs is within 1% of the Project budget, it is considered possible that value management initiatives will need to occur in order to deliver the Project within the current allocated budget. Any such initiatives may impact user satisfaction with the completed MPSCC.
- 6.4.1.5 In addition to the items included in the order of cost estimate, there are other items that have been identified by CoM that are not currently included in the order of costs presented in Table Five which CoM or key stakeholders may wish to include within the scope of the Project. These include:
- (a) Spectator mound with seating;
 - (b) Solar system;
 - (c) Seating alcove with 200 seats;
 - (d) Storage shelving for the sport storeroom; and
 - (e) Resurfacing tennis courts including upgrade of lighting and fencing.
- 6.4.1.6 RLB has estimated the cost of these items to be approximately \$399,500. The potential for 'scope creep' for these and other items will also put additional future pressure on the Project budget.

6.4.2 Operating costs / subsidy

- 6.4.2.1 Our experience in reviewing the financial performance of other similar recreation facilities reveals that they usually require an operating subsidy from Council. This benchmarking excludes the impact of depreciation, financing and long term asset renewal.
- 6.4.2.2 The main reasons for the requirement of a subsidy is that there is insufficient scale in a two court facility, in terms of the amount of revenue it can generate (assumed \$184,000 in assumed court hire revenue in CoM's



current modelling) to cover utilities costs and staffing during its operating hours.

- 6.4.2.3 For a recreation centre to operate on a more financially sustainable basis, it generally either needs significantly more courts or other income deriving activities such as a stadium, gymnasium or aquatic facilities. However, at a larger scale there is also an increased financial risk from operations.
- 6.4.2.4 The current modelling assumes that under a CoM insourced management model an operating subsidy (before depreciation and interest and Neighbourhood Centre Wages) of \$0.271 million per annum will be required.
- 6.4.2.5 In our view, there is a risk that CoM will be required to provide a greater operating subsidy than currently modelled, particularly in the first and early years of operation where court utilisation may be low and as operating cost structures are refined.

6.4.3 Risk of receiving grant funds

- 6.4.3.1 CoM has received written confirmation from the Australian Government relating to its intention to fund \$5.0 million towards the capital cost of the Project. However, the funding is contingent on an assessment by the relevant department and negotiation of a Deed of Agreement.
- 6.4.3.2 Therefore there is a financial risk, albeit one that is unlikely to eventuate, that the committed grant funding may not be received.

6.5 Financial Viability

- 6.5.1 Financial viability can be defined as the ability to generate sufficient income to meet operating expenses, financial obligations and to provide for future growth.
- 6.5.2 The Project provides community recreation infrastructure that is not expected to produce revenue at a level which would make the MPSCC financially viable in its own right. Therefore the CoM will need to subsidise the construction and ongoing management of the MPSCC which in turn could impact CoM's financial viability.
- 6.5.3 The CoM has adopted a number of key indicators to assess the financial viability of its operations, the target are shown below in Table Six.

Table Six - LTFP Key Financial Indicators

Indicators	Target
Key Financial Indicators:	
Average Operating Surplus / (Deficit) Ratio	0% and 10% (average over any consecutive five year period)
Net Financial Liability Ratio	0% to 50%



Indicators	Target
Asset Renewal Funding Ratio	95% to 100%
Other financial indicators:	
Debt Servicing Ratio	Between 0 and 5%
Asset Consumption Ratio	Between 80% and 100%

- 6.5.4 The 2019-2029 LTFP already includes a provision for the estimated \$15.0 million capital costs of the Project; \$10.0 funded by CoM and \$5.0 million funded by a federal government grant. Therefore, the debt and asset ratios disclosed in the current LTFP are already calculated on the assumption that the Project is progressing as currently scoped.
- 6.5.5 Other than a provision for annual depreciation and finance which are automatically calculated by the LTFP model, there is not a provision for additional operating costs relating to undertaking the Project in the LTFP.
- 6.5.6 Based on the CoM indicative modelling, the Project is expected to have a net incremental impact on the LTFP of \$0.208 million per annum. The modelled subsidy required for operations represents less than 3% of the current annual modelled operating surplus in the LTFP and will accordingly not materially impact CoM's operating surplus ratio.
- 6.5.7 As the Project assets and related borrowings have already been factored into the LTFP, progressing the Project will not adversely impact CoM's debt and asset sustainability indicators either.
- 6.5.8 The CoM has the existing financial resources to fund the Project construction and has demonstrated through its LTFP that it has the financial capacity to fund the ongoing operations of the MPSCC while remaining within its key financial indicators.



7. PROJECT RISK AND MITIGATION STRATEGIES

Local Government Act, Section 48 (2) The following are prudential issues for the purposes of subsection (1):

- (h) *any risks associated with the project, and the steps that can be taken to manage, reduce or eliminate those risks (including by the provision of periodic reports to the chief executive officer and to the council);*

7.1 Risk Management

- 7.1.1 This report assesses the risk management actions taken or being considered by CoM for the Project.
- 7.1.2 The CoM has established a Risk Management Policy, which has the following objectives:
- 7.1.2.1 Introduce and embed a risk culture and high level of risk awareness throughout all levels of CoM to support achievements aligned to our vision, strategies, services and actions.
 - 7.1.2.2 Implement consistent risk management processes to manage risk and opportunities throughout CoM's organisational systems and functions including planning, resource allocation priorities, internal audit and control processes, in line with risk management standards including AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines.
 - 7.1.2.3 To clarify the responsibilities within the risk management framework to enable the consistent and systematic application of our risk management approach within all Council operations.
 - 7.1.2.4 To guide a risk management approach to strategic, operational and project decision making to ensure proactive management strategies are implemented to mitigate against events occurring and ensure robust contingency plans to lessen the impact of events if they were to materialise.
 - 7.1.2.5 To strengthen the risk management program by implementing a Business Continuity Management (BCM) Framework to minimise the impact of business disruptions on the Council's critical community services.
 - 7.1.2.6 To protect public funds, assets and the integrity, security and reputation of the CoM by implementing a Fraud Policy which will prevent, identify, minimise and control fraudulent and/or corrupt activity.
 - 7.1.2.7 To provide adequate response to emergencies on behalf of the CoM residents and the community by implementing a Community Emergency Response Policy outlining our commitment to our community.
 - 7.1.2.8 To continually align the risk management program with the Business Excellence Framework.



- 7.1.3 In accordance with the Risk Management Policy, an assessment of the risks associated with the Project, along with mitigation strategies has been undertaken by the CoM, this is identified in a Risk Register which was last updated in August 2019. The Risk Register is presented by Project phase with a total of 29 separate risks identified. The inherent Project risk identified are summarised in Table Seven.

Table Seven: Inherent Risk Rating by phase

Risk Level	Extreme	High	Medium	Low	Total
Phase 1 – Planning	2	8	3	0	13
Phase 2 – Commitment	0	4	1	0	5
Phase 3 – Construction	0	6	4	0	10
Phase 4 - Closure	0	1	0	0	1
Total	2	19	8	0	29

- 7.1.4 The two inherent 'extreme' Project risks identified are:

7.1.4.1 Project is not adequately managed resulting in project cost overrun; and

7.1.4.2 Gradual alteration of deadlines and expansion of project scope as the project progresses resulting in increased financial expenditure.

- 7.1.5 The Risk Register identifies the existing controls in place to mitigate each identified risk and future treatment plans to further reduce the level of inherent risk. Following the application of existing and future risk controls, Table Eight shows the assessed level of residual Project risk relating to the Project.

Table Eight: Residual Risk Rating by phase

Risk Level	Extreme	High	Medium	Low	Total
Phase 1 – Planning	0	0	1	12	13
Phase 2 – Commitment	0	0	0	5	5
Phase 3 – Construction	0	0	2	8	10
Phase 4 - Closure	0	0	0	1	1
Total	0	0	3	26	29

- 7.1.6 There is a significant reduction in risk profile following the application of all current and future identified risk controls.

- 7.1.7 The ongoing management of the Project should include the review and regular updating of the Risk Register, with appropriate changes incorporated to reflect the various Project phases.



7.2 Risk Mitigation

- 7.2.1 For each for the 29 risks identified, the Risk Register:
- 7.2.1.1 determines the risk rating, based on the likelihood and the consequence of an event occurring;
 - 7.2.1.2 identifies the current controls that are in place and whether those controls are effective;
 - 7.2.1.3 provides a treatment plan for further mitigation of the risk; and
 - 7.2.1.4 identifies a revised risk rating based on the likelihood and consequence of the risk with regard to the mitigating activities and controls.
- 7.2.2 One of the key identified risk mitigation strategies is the ongoing monitoring of risks through the use of the Executive Project Steering Group (PSG). The PSG is expected to provide oversight and direct the development of the MPSCC. The PSG currently includes the following members:
- 7.2.2.1 CEO - Adrian Skull
 - 7.2.2.2 General Manager City Development (Acting) - Fiona Harvey
 - 7.2.2.3 General Manager Corporate Services - Sorana Dinmore
 - 7.2.2.4 General Manager City Services - Tony Lines
 - 7.2.2.5 Project Management Leader - Annmarie Mabarrack
 - 7.2.2.6 Manager City Activation - Greg Salmon
 - 7.2.2.7 Manager Engineering and Field Services - Matt Allen
 - 7.2.2.8 Strategic projects staff as required
- 7.2.3 The delivery of the Project within budget and timeframes will be strongly linked to the effectiveness of the PSG and its ability to provide high level oversight and drive strong project governance.
- 7.2.4 We acknowledge that quality risk assessment and mitigation is an iterative process. While the risk assessment has been performed to a reasonable standard to date, good risk management involves constantly monitoring and assessing risk and regularly updating the risk assessment to reflect changes in risk as the Project progresses. The Project Lead is responsible for ensuring this occurs.
- 7.2.5 Overall, CoM risk management oversight is provided through the Finance & Audit Committee, which meets quarterly to review the Risk Profile and monitor the risk exposure of Council.



8. PROJECT DELIVERY

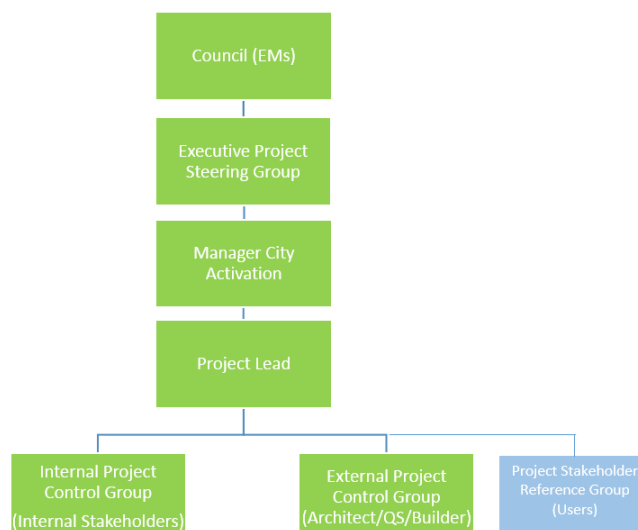
Local Government Act, Section 48 (2) The following are prudential issues for the purposes of subsection (1):

- (i) *the most appropriate mechanisms or arrangements for carrying out the project.*

8.1 Delivery Mechanism

- 8.1.1 A detailed Project Management Plan to support the Project has been prepared by the CoM.
- 8.1.2 The CoM is planning to deliver the Project through an external delivery model with CoM contracting with separate design and construction contractors to progress the Project.
- 8.1.3 The major design contract which will encompass updated concept designs, detailed design documentation and contract management will be procured first. This body of work will then support the tender process for the construction contractor who will be engaged to deliver the construction phase of the Project.
- 8.1.4 CoM intends to seek a fixed lump sum construction contract during the tender process, using either AS2124 or AS4000 form of contract.
- 8.1.5 It is intended that an internal Project Manager will be appointed to manage the Project with a third party (potentially the architect) to perform the role of Contract Superintendent.
- 8.1.6 CoM will adopt the following governance structure to manage the Project.

Figure Three: Project Governance Structure



- 8.1.7 The proposed governance structure is a key control in ensuring that the Project Lead is well supported in executing the Project and has access to skilled specialist resources.



- 8.1.8 Given the scale of the Project, the delivery mechanism put forward by the CoM is appropriate for achieving the proposed outcomes.

8.2 Procurement implications

- 8.2.1 The CoM Procurement and Contractor Management Policy applies to all Council staff and personnel engaged by Council to undertake procurement activities on its behalf, and it relates to all procurement activities associated with the acquisition of goods, works or services of any value by CoM.
- 8.2.2 The Policy prescribes that the procurement method for obtaining goods, works and services will be determined according to the estimated cost across the total life of the project; the nature of the procurement and the risk profile of the project.
- 8.2.3 In accordance with Council's Procurement Policy and associated Operating Guidelines, the CoM has prepared a Procurement Plan for the Project.
- 8.2.4 The procurement strategy has been developed in-line with the CoM's ten Procurement Principles:
- 8.2.4.1 Intent to Contract;
 - 8.2.4.2 Value for Money;
 - 8.2.4.3 Open and Effective Communication;
 - 8.2.4.4 Risk Management;
 - 8.2.4.5 Confidentiality;
 - 8.2.4.6 Probity, Accountability and Transparency;
 - 8.2.4.7 Efficient Procurement Practices;
 - 8.2.4.8 Work Health and Safety;
 - 8.2.4.9 Environmental Management; and
 - 8.2.4.10 Use of Local Contractors and Sustainable Procurement.
- 8.2.5 The following procurements relating to the Project have been made to date:
- 8.2.5.1 Architectural design services – Studio 9
 - 8.2.5.2 Structural and civil engineers – Walbridge and Gilbert
 - 8.2.5.3 Services engineering – Gascoigne Engineers
 - 8.2.5.4 Landscape architecture – Aspect Studio
 - 8.2.5.5 Traffic engineers – Phil Weaver



- 8.2.5.6 Cost consultants – Rider Levett Bucknall
- 8.2.5.7 Environmental – AECOM
- 8.2.5.8 Cultural Heritage Investigations – Parsons Brinkerhoff
- 8.2.5.9 Arborist review - Arborman
- 8.2.5.10 Financial modelling and facilities management – KPMG
- 8.2.5.11 Prudential Review – BRM Advisory
- 8.2.6 Following formal approval to proceed with the Project, there will be a number of additional procurements required including:
 - 8.2.6.1 Revised concept (for two court facility) and detailed design development;
 - 8.2.6.2 Cost management services;
 - 8.2.6.3 Construction; and
 - 8.2.6.4 Furniture fittings and equipment procurements.
- 8.2.7 The Procurement Plan appropriately identifies procurement methods which are consistent with CoM's Policy to procure the remaining services to complete the Project including undertaking a select tender process with a minimum of three tenderers for the revised design and construction contracts.



9. SALE AND OR DISPOSITION OF LAND

Local Government Act, Section 48 (2) The following are prudential issues for the purposes of subsection (1):

i) if the project involves the sale or disposition of land, the valuation of the land by a qualified valuer under the Land Valuers Act 1994.

9.1 Valuation of Land

The Project does not involve the sale or disposition of land and hence the requirements of Section 48 (2) (j) are not relevant to the project.



10. CONCLUSION

- 10.1 This report has been prepared to meet the requirements of CoM's Prudential Management Policy and Section 48 of the Local Government Act, to provide Council with a comprehensive understanding of the prudential issues relating to the Project.
- 10.2 The Project is the construction and upgrade of existing sport and recreation facilities at the Mitchell Park Oval Complex including two indoor multipurpose courts, updated community facilities and updated rooms for the existing users of the oval and precinct with the new facility to be known as the MPSCC.
- 10.3 The Project has a high degree of alignment with relevant strategic management plans and is specifically identified in CoM's four year and annual business plan as a priority Project. The detailed scope of the Project, i.e. the number of indoor courts, has not been disclosed to the community in these plans.
- 10.4 CoM's financial plans assume that the Project construction phase will be completed by 30 June 2020 which will not occur. Accordingly, a budget carry-forward will be required at the end of the current financial year to reflect updated construction timetable, with the Project now due for completion in March 2022.
- 10.5 There is also an overstatement of finance costs and depreciation in the first and second year of the Long Term Financial Plan as a result of the original assumption that the Project would be completed by 30 June 2020. The Annual Budget and the LTFP should be updated at the appropriate time to reflect the updated Project timeframes, the most recent available long term interest rates and the latest estimate of the CoM subsidy required to operate the MPSCC.
- 10.6 The Project constitutes Development meaning that a Development Application will need to be approved prior to commencing the Project. As a replacement / upgrade to an existing recreation facility, the Project is aligned to the current requirements of the Development Zone. It is likely that CoM's Council Assessment Panel will be the appropriate approving authority.
- 10.7 The construction phase of the Project will create economic benefits for the region and the broader national economy. According to the REMPLAN economic modelling undertaken, the Project is expected to add up to \$31.04 million to the national economy and create an additional 91 jobs during the construction phase.
- 10.8 Post construction, based on the current operating model assumptions, CoM expects to hire an additional 2.5 ongoing FTE positions to operate the MPSCC which will also lead to additional and ongoing economic activity.
- 10.9 The Project is not expected to have a negative impact on businesses in the proximity nor will it impact on fair competition in the market.
- 10.10 To date, community consultation and engagement on the proposed Project has been undertaken consistent with the CoM Policy. However, a majority of the consultation activities were undertaken on the assumption that CoM would be constructing a four indoor court facility.
- 10.11 Since the reduction in scope to two indoor courts, there has not been a defined consultation process undertaken although some key stakeholders have been informed of the updated Project scope.



- 10.12 Council may wish to consider whether it requires additional feedback from the community and an updated consultation summary report based on the current scope of the Project to inform their decision making on whether or not to proceed with the Project. This could also extend to seeking formal feedback from key users as to their preferences in terms of the future management model.
- 10.13 A detailed body of work has previously been undertaken (mostly in 2016) with regard to the financial impact of progressing the Project. However, again, this work was undertaken on the assumption that the Project included a four court indoor facility and made a number of assumptions about the future management model that are no longer relevant.
- 10.14 CoM has prepared an updated indicative financial model to quantify the expected costs of running the MPSCC. The modelling identifies that an annual Council subsidy in the order of \$0.271 million will be required per annum exclusive of finance costs, depreciation and Neighbourhood Centre staffing. This modelling is based on an assumption that CoM operates the MPSCC under an internal management model.
- 10.15 However, the modelling excludes a number of costs, most notably; depreciation, finance and other operating costs such as telecommunications, IT and software and does not include a cost allocation charge for administrative services that may be provided by Council.
- 10.16 Based on our knowledge of other comparable recreation facilities in South Australia, there is a risk that CoM may not be able to operate the MPSCC within the current modelled subsidy. Council should be aware that additional financial support could be required to commence and support operations of the MPSCC, particularly in the early years of operation where court utilisation may be below capacity and as operating structures are refined.
- 10.17 A risk assessment has been performed by CoM and mitigating actions have been considered for all risks identified. The highest risks relate to the construction process with the risk of overruns and delays being the key Project risks. There is also a risk in relation to the receipt of the \$5.0 million in grant funding which has been promised but has not yet been received. The receipt of the funding will be subject to review and negotiations relating to a funding Deed of Agreement.
- 10.18 CoM intends to outsource the key design and construction contracts to complete the Project. The Projects will be managed by an internal CoM Project management with support from the Project Steering Group and external experts as required.
- 10.19 The Project does not involve the sale or disposition of land.



ATTACHMENT ONE: LOCAL GOVERNMENT ACT, 1999 – SECTION 48

Section 48 – Prudential requirements for certain activities

- (aa1) A council must develop and maintain prudential management policies, practices and procedures for the assessment of projects to ensure that the council—
 - (a) acts with due care, diligence and foresight; and
 - (b) identifies and manages risks associated with a project; and
 - (c) makes informed decisions; and
 - (d) is accountable for the use of council and other public resources.
- (a1) The prudential management policies, practices and procedures developed by the council for the purposes of subsection (aa1) must be consistent with any regulations made for the purposes of this section.
- (1) Without limiting subsection (aa1), a council must obtain and consider a report that addresses the prudential issues set out in subsection (2) before the council—
 - (b) engages in any project (whether commercial or otherwise and including through a subsidiary or participation in a joint venture, trust, partnership or other similar body)—
 - (i) where the expected operating expenses calculated on an accrual basis of the council over the ensuing five years is likely to exceed 20 per cent of the council's average annual operating expenses over the previous five financial years (as shown in the council's financial statements); or
 - (ii) where the expected capital cost of the project over the ensuing five years is likely to exceed \$4 000 000 (indexed); or
 - (iii) where the council considers that it is necessary or appropriate.
- (2) The following are prudential issues for the purposes of subsection (1):
 - (a) the relationship between the project and relevant strategic management plans;
 - (b) the objectives of the Development Plan in the area where the project is to occur;
 - (c) the expected contribution of the project to the economic development of the local area, the impact that the project may have on businesses carried on in the proximity and, if appropriate, how the project should be established in a way that ensures fair competition in the market place;
 - (d) the level of consultation with the local community, including contact with persons who may be affected by the project and the representations that have been made by them, and the means by which the community can influence or contribute to the project or its outcomes;
 - (e) if the project is intended to produce revenue, revenue projections and potential financial risks;
 - (f) the recurrent and whole-of-life costs associated with the project including any costs arising out of proposed financial arrangements;
 - (g) the financial viability of the project, and the short and longer term estimated net effect of the project on the financial position of the council;
 - (h) any risks associated with the project, and the steps that can be taken to manage, reduce or eliminate those risks (including by the provision of periodic reports to the chief executive officer and to the council);
 - (i) the most appropriate mechanisms or arrangements for carrying out the project;
 - (j) if the project involves the sale or disposition of land, the valuation of the land by a qualified valuer under the Land Valuers Act 1994.
- (2a) The fact that a project is to be undertaken in stages does not limit the operation of subsection (1)(b) in relation to the project as a whole.
- (3) A report is not required under subsection (1) in relation to—
 - (a) road construction or maintenance; or
 - (b) drainage works.



- (4) A report under subsection (1) must be prepared by a person whom the council reasonably believes to be qualified to address the prudential issues set out in subsection (2).
- (4a) A report under subsection (1) must not be prepared by a person who has an interest in the relevant project (but may be prepared by a person who is an employee of the council).
- (4b) A council must give reasonable consideration to a report under subsection (1) (and must not delegate the requirement to do so under this subsection).
- (5) A report under subsection (1) must be available for public inspection at the principal office of the council once the council has made a decision on the relevant project (and may be available at an earlier time unless the council orders that the report be kept confidential until that time).
- (6) However, a council may take steps to prevent the disclosure of specific information in order to protect its commercial value or to avoid disclosing the financial affairs of a person (other than the council).
- (6a) For the purposes of subsection (4a), a person has an interest in a project if the person, or a person with whom the person is closely associated, would receive or have a reasonable expectation of receiving a direct or indirect pecuniary benefit or a non-pecuniary benefit or suffer or have a reasonable expectation of suffering a direct or indirect detriment or a non-pecuniary detriment if the project were to proceed.
- (6b) A person is closely associated with another person (the relevant person)—
 - (a) if that person is a body corporate of which the relevant person is a director or a member of the governing body; or
 - (b) if that person is a proprietary company in which the relevant person is a shareholder; or
 - (c) if that person is a beneficiary under a trust or an object of a discretionary trust of which the relevant person is a trustee; or
 - (d) if that person is a partner of the relevant person; or
 - (e) if that person is the employer or an employee of the relevant person; or
 - (f) if that person is a person from whom the relevant person has received or might reasonably be expected to receive a fee, commission or other reward for providing professional or other services; or
 - (g) if that person is a relative of the relevant person.
- (6c) However, a person, or a person closely associated with another person, will not be regarded as having an interest in a matter—
 - (a) by virtue only of the fact that the person—
 - (i) is a ratepayer, elector or resident in the area of the council; or
 - (ii) is a member of a non-profit association, other than where the person is a member of the governing body of the association or organisation; or
 - (b) in a prescribed circumstance.
- (6d) In this section, \$4 000 000 (indexed) means that that amount is to be adjusted for the purposes of this section on 1 January of each year, starting on 1 January 2011, by multiplying the amount by a proportion obtained by dividing the CPI for the September quarter of the immediately preceding year by the CPI for the September quarter, 2009.
- (6e) In this section—

employee of a council includes a person working for the council on a temporary basis;

non-profit association means a body (whether corporate or unincorporate)—

 - (a) that does not have as its principal object or 1 of its principal objects the carrying on of a trade or the making of a profit; and
 - (b) that is so constituted that its profits (if any) must be applied towards the purposes for which it is established and may not be distributed to its members.
- (7) The provisions of this section extend to subsidiaries as if a subsidiary were a council subject to any modifications, exclusions or additions prescribed by the regulations.



City of Marion
Section 48 Prudential Report: Mitchell Park Sports and Community Centre

ATTACHMENT TWO: 10 YEAR MPSCC MODEL PREPARED BY COM

Mitchell Park Sports and Community Club - Forecast Operating Statement											
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total 10 Years
Income											
Rent - Affiliate Clubs	\$ 10,000	\$ 10,250	\$ 10,506	\$ 10,769	\$ 11,038	\$ 11,314	\$ 11,597	\$ 11,887	\$ 12,184	\$ 12,489	\$ 112,034
Memberships	\$ 2,500	\$ 2,563	\$ 2,627	\$ 2,692	\$ 2,760	\$ 2,829	\$ 2,899	\$ 2,972	\$ 3,046	\$ 3,122	\$ 28,008
Court Hire	\$ 184,000	\$ 188,600	\$ 193,315	\$ 198,148	\$ 203,102	\$ 208,179	\$ 213,384	\$ 218,718	\$ 224,186	\$ 229,791	\$ 2,061,422
Bar & Meals - Net Revenue	\$ 104,200	\$ 106,805	\$ 109,475	\$ 112,212	\$ 115,017	\$ 117,893	\$ 120,840	\$ 123,861	\$ 126,958	\$ 130,132	\$ 1,167,392
Venue Hire	\$ 15,000	\$ 15,375	\$ 15,759	\$ 16,153	\$ 16,557	\$ 16,971	\$ 17,395	\$ 17,830	\$ 18,276	\$ 18,733	\$ 168,051
Oval Hire	\$ 10,000	\$ 10,250	\$ 10,506	\$ 10,769	\$ 11,038	\$ 11,314	\$ 11,597	\$ 11,887	\$ 12,184	\$ 12,489	\$ 112,034
Net Revenue	\$ 325,700	\$ 333,843	\$ 342,189	\$ 350,743	\$ 359,512	\$ 368,500	\$ 377,712	\$ 387,155	\$ 396,834	\$ 406,755	\$ 3,648,941
Staffing Costs											
Centre Manager	\$ 105,000	\$ 107,415	\$ 109,886	\$ 112,413	\$ 114,998	\$ 117,643	\$ 120,349	\$ 123,117	\$ 125,949	\$ 128,846	\$ 1,165,616
Sports Program Co-ordinator	\$ 146,000	\$ 149,358	\$ 152,793	\$ 156,307	\$ 159,903	\$ 163,580	\$ 167,343	\$ 171,192	\$ 175,129	\$ 179,157	\$ 1,620,762
Bar & Meals	\$ 64,133	\$ 65,608	\$ 67,117	\$ 68,661	\$ 70,240	\$ 71,856	\$ 73,509	\$ 75,199	\$ 76,929	\$ 78,698	\$ 711,951
Neighbourhood Centre	\$ 56,800	\$ 58,106	\$ 59,443	\$ 60,810	\$ 62,209	\$ 63,639	\$ 65,103	\$ 66,601	\$ 68,132	\$ 69,699	\$ 630,543
	\$ 371,933	\$ 380,488	\$ 389,239	\$ 398,192	\$ 407,350	\$ 416,719	\$ 426,304	\$ 436,108	\$ 446,139	\$ 456,400	\$ 4,128,872
Other Expenditure											
Cleaning - Building	\$ 34,220	\$ 35,076	\$ 35,952	\$ 36,851	\$ 37,772	\$ 38,717	\$ 39,685	\$ 40,677	\$ 41,694	\$ 42,736	\$ 383,380
Cleaning - Courts	\$ 30,000	\$ 30,750	\$ 31,519	\$ 32,307	\$ 33,114	\$ 33,942	\$ 34,791	\$ 35,661	\$ 36,552	\$ 37,466	\$ 336,101
Security Expenses	\$ 5,000	\$ 5,125	\$ 5,253	\$ 5,384	\$ 5,519	\$ 5,657	\$ 5,798	\$ 5,943	\$ 6,092	\$ 6,244	\$ 56,017
Building Insurance	\$ 14,000	\$ 14,350	\$ 14,709	\$ 15,076	\$ 15,453	\$ 15,840	\$ 16,236	\$ 16,642	\$ 17,058	\$ 17,484	\$ 156,847
Electricity	\$ 80,000	\$ 82,000	\$ 84,050	\$ 86,151	\$ 88,305	\$ 90,513	\$ 92,775	\$ 95,095	\$ 97,472	\$ 99,909	\$ 896,271
Water	\$ 21,594	\$ 22,134	\$ 22,687	\$ 23,254	\$ 23,836	\$ 24,432	\$ 25,042	\$ 25,668	\$ 26,310	\$ 26,968	\$ 241,926
Gas	\$ 5,000	\$ 5,125	\$ 5,253	\$ 5,384	\$ 5,519	\$ 5,657	\$ 5,798	\$ 5,943	\$ 6,092	\$ 6,244	\$ 56,017
Waste Management	\$ 6,400	\$ 6,560	\$ 6,724	\$ 6,892	\$ 7,064	\$ 7,241	\$ 7,422	\$ 7,608	\$ 7,798	\$ 7,993	\$ 71,702
Marketing	\$ 14,500	\$ 14,863	\$ 15,234	\$ 15,615	\$ 16,005	\$ 16,405	\$ 16,816	\$ 17,236	\$ 17,667	\$ 18,109	\$ 162,449
Admin & Other	\$ 31,000	\$ 31,775	\$ 32,569	\$ 33,384	\$ 34,218	\$ 35,074	\$ 35,950	\$ 36,849	\$ 37,770	\$ 38,715	\$ 347,305
Maintenance & Repairs	\$ 40,000	\$ 41,400	\$ 42,849	\$ 43,920	\$ 45,018	\$ 46,144	\$ 47,297	\$ 48,480	\$ 49,692	\$ 50,934	\$ 455,734
	\$ 281,714	\$ 289,157	\$ 296,800	\$ 304,220	\$ 311,825	\$ 319,621	\$ 327,611	\$ 335,802	\$ 344,197	\$ 352,802	\$ 3,163,748
Total Expenditure	\$ 653,647	\$ 669,645	\$ 686,039	\$ 702,411	\$ 719,175	\$ 736,340	\$ 753,915	\$ 771,910	\$ 790,336	\$ 809,202	\$ 7,292,620
Net MPSCC Operating Cost	\$ 327,947	\$ 335,802	\$ 343,850	\$ 351,668	\$ 359,663	\$ 367,840	\$ 376,203	\$ 384,755	\$ 393,502	\$ 402,447	\$ 3,643,678
Current CoM Operating Costs	\$ 119,800	\$ 122,795	\$ 125,865	\$ 129,011	\$ 132,237	\$ 135,543	\$ 138,931	\$ 142,405	\$ 145,965	\$ 149,614	\$ 1,342,165
Net Incremental Facility Operating Costs	\$ 208,147	\$ 213,007	\$ 217,985	\$ 222,657	\$ 227,427	\$ 232,298	\$ 237,272	\$ 242,351	\$ 247,537	\$ 252,833	\$ 2,301,513

Service Review Program and Recommendations - Progress Update

Originating Officer	Acting Performance and Innovation Leader - Karen Brewster
Corporate Manager	Acting Manager Innovation and Strategy - Cass Gannon
General Manager	Acting General Manager City Development - Fiona Harvey
Report Reference	FAC191008R09

REPORT OBJECTIVE

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

- The overall status of the Service Review program for FY2019/20
- The implementation of the Service Review Program recommendations as at 9 September 2019

EXECUTIVE SUMMARY

At the 25 June 2019 meeting of General Council, Council adopted the Service Review Program for FY2019/20. The program is progressing as planned, with the review of nine services (a blend of City of Marion and cross council reviews) to be undertaken. Tracking of the progress of the program can be viewed in Appendix 1.

The first stage of the cross council service review methodology involves conducting a desktop analysis. The detail of the resultant review is based on the outcomes of this analysis. Based on this approach, the specific number of service reviews delivered in FY2019/20 may vary.

Since the last report to the FAC, (FAC190820) and as of 9 September 2019, the implementation of recommendations from service reviews has progressed with highlights including:

- The Asset Management Strategy has been finalised to be taken to the 8 October General Council meeting.
- Open Space Phase 2 implementation is progressing, with automation applied for asset inspections, maintenance and repair tasks. Inspections are now being performed by a one person team and have been expanded for reserve based assets to include those required by Land and Property, Asset Management and Arts and Culture.
- A new Team Leader for the Records Management Team commenced mid-August 2019.
- The roles and responsibilities of different City of Marion teams regarding syringe collection, dumped rubbish and unsightliness/construction nuisance have been reviewed and redefined with the Community Safety Team determined responsible for performing these services.
- Monthly meetings have commenced with Kaurana Yerta Aboriginal Corporation representatives and City of Marion staff to progress the Living Kaurana Cultural Centre model adopted by Council in July 2019.

More detail on the progress of the implementation of recommendations from the Service Review Program is outlined in Appendix 2.

RECOMMENDATION

That the Finance and Audit Committee:

1. **Notes and provides comment on the following:**
 - 1.1 **Appendix 1 - Service Review Program FY2019/20 - Progress Update**
 - 1.2 **Appendix 2 - Service Review Recommendations - Progress Update**

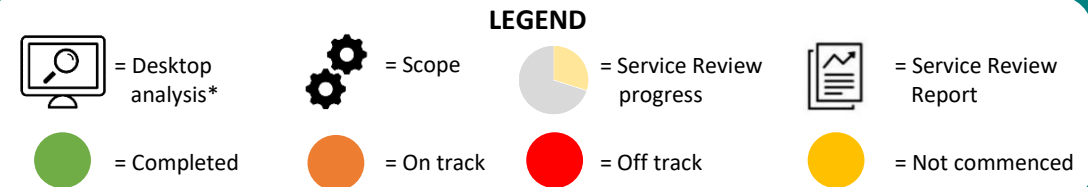
Attachment

#	Attachment	Type
1	FAC191008 - Service Review Program and Recommendations - Progress Update - Appendix 1	PDF File
2	FAC191008 - Service Review Program and Recommendations - Progress Update - Appendix 2	PDF File

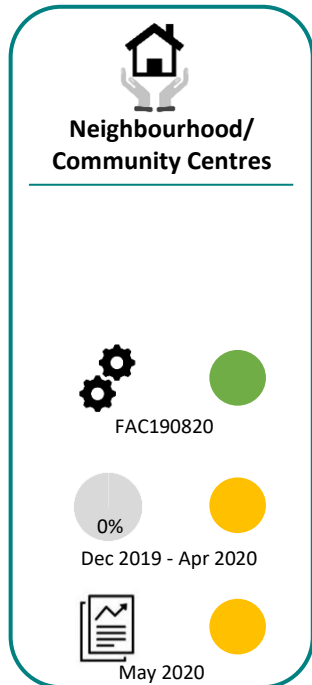
How are we progressing
overall with service reviews?



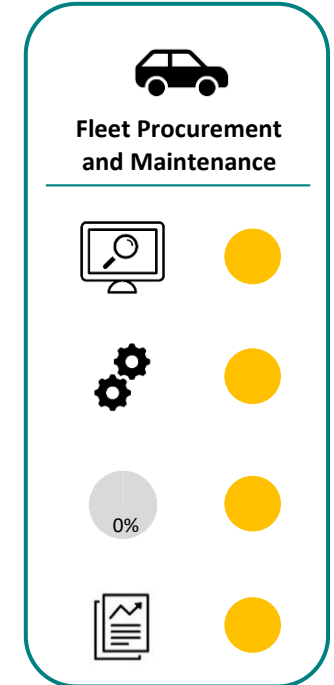
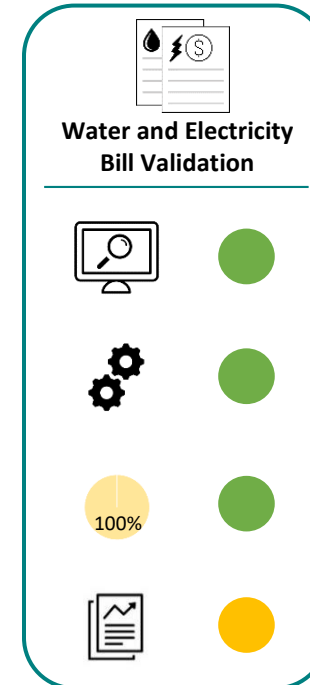
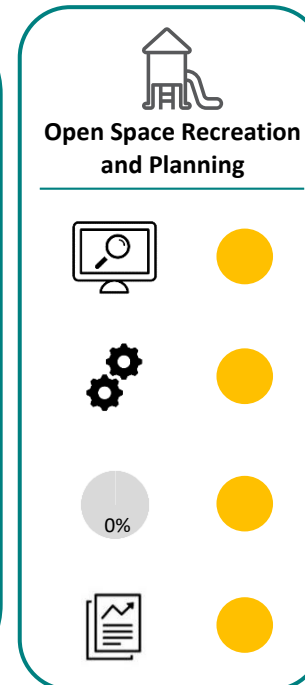
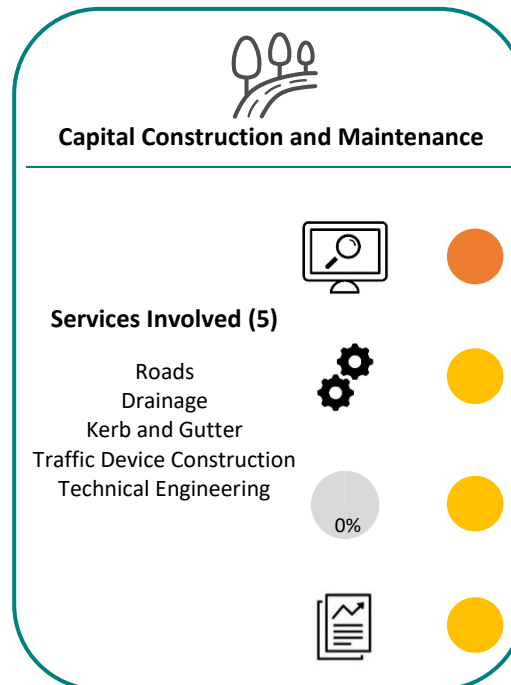
How are we progressing
per service review?



Standalone Service Reviews



Cross Council Service Reviews

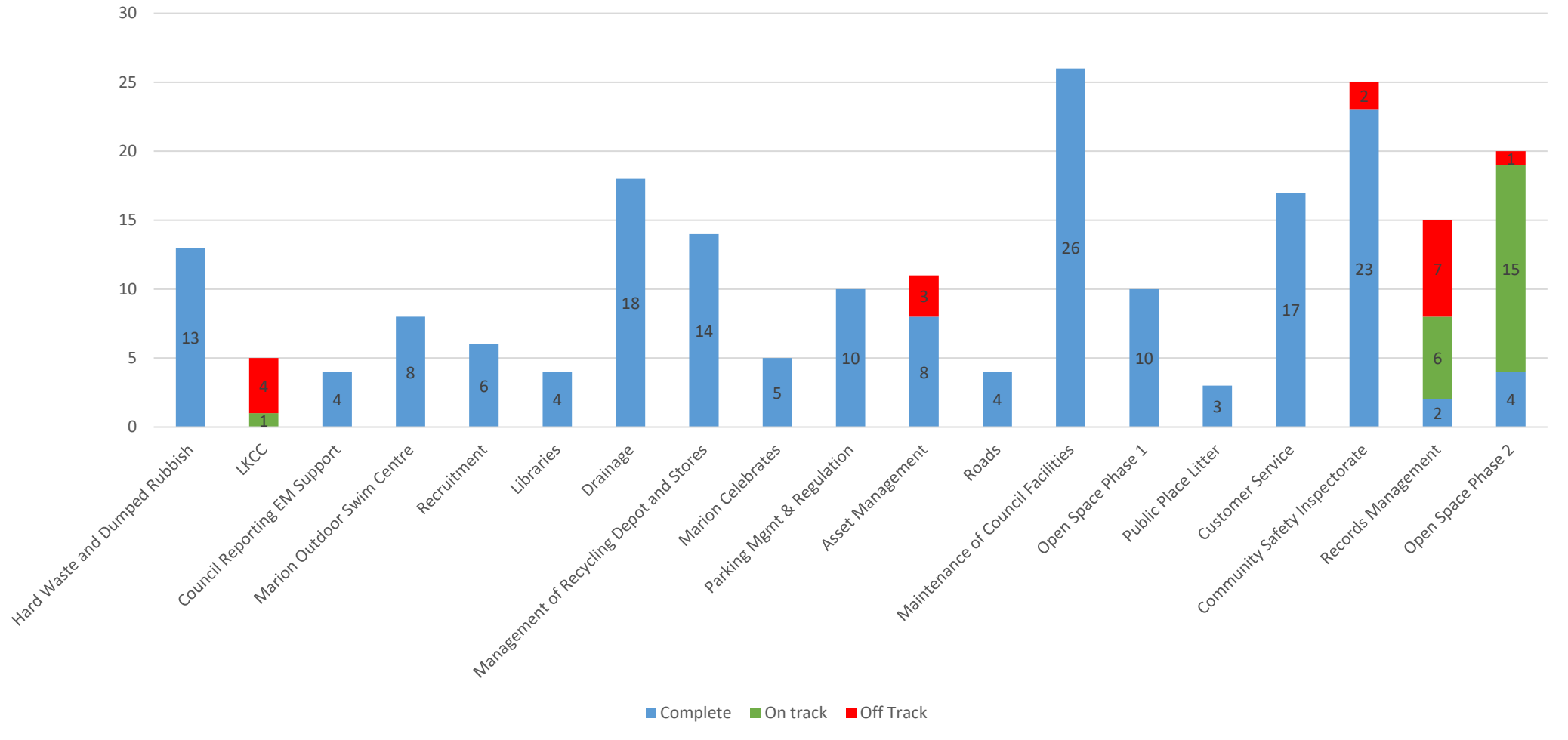


* Desktop analysis undertaken during cross council service reviews only

All Service Review Recommendations - Progress Update (Appendix 2)

(Status as at 9/09/2019 based on tracking against original completion dates)

Implementation of all SR Recommendation
Status by Actions (Mar 16 - Sep 19)



Open Service Reviews - Recommendations - Progress Update

(Status as at 9/9/2019 based on tracking against original completion dates)

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

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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 Kurna Cultural Centre	May-16	Dec-17, Dec-21	5	5	1	4		0%	<p>Since the last Council decision two of the recommendations (5 and 6) have been superseded and are no longer applicable.</p> <p>Monthly meetings have recommenced with KYAC representatives and Council to progress the model adopted by Council at GC 23 July 2019 to continue to work with KYAC to provide Kurna Management of the site through a proposed 51%/49% co-management model for Warriparinga. A meeting is being arranged with Indigenous Land and Sea Corporation and Indigenous Business Australia to progress funding models. A progress report is to be brought back to Council in January 2020.</p>
	Innovation and Strategy	Asset Management	Aug-17	Jun-18	4	11		3	8	73%	<p>Highlights of progress include:</p> <ul style="list-style-type: none"> • Cleansing activities continuing. • Finalisation of Draft Asset Management Strategy to take to General Council. • Initiation of project to review Asset Management Plans. • Preparation of Data Standards Documentation continuing. • Activity level process mapping continuing. • Supporting ICT in facilitation of ITAS.
	Development and Regulatory Services	Community Safety Inspectorate	May-18	Jul-19	7	25		2	23	92%	<p>Highlights of progress include:</p> <ul style="list-style-type: none"> • Mobile devices have been acquired. The ICT Department are configuring these, including continuing to develop an app prior to releasing the devices to staff. • The roles and responsibilities of City of Marion teams regarding syringe collection, dumped rubbish and unsightliness/ construction nuisance have been reviewed and defined. • The benefits realised review post year 1 has commenced, however key staff availability

Open Service Reviews - Recommendations - Progress Update

(Status as at 9/9/2019 based on tracking against original completion dates)

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

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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
											has delayed the completion of this action. This action has been prioritised and will be completed by end of October 2019.
Division Total					16	41	1	9	31	76%	
City Services	Engineering and Field Services	Open Space Phase 2	Aug-18	Jun-22	63	20	15	1	4	20%	Major highlights of progress include: <ul style="list-style-type: none"> Automation of asset inspections, maintenance and repair tasks. Inspections now being performed by a one person team. Inspections have been expanded for reserve based assets to include those required by Land and Property, Asset Management and Arts and Culture. Inspections and maintenance has been improved on drinking fountains, taps, fences and walkways. Proactive identification of sanding and oiling on timber furniture and structures. The one off track item relates to tree planting supplies sourcing and is 80% complete.
Division Total					63	20	15	1	4	20%	
Corporate Services	Corporate Governance	Records Management	Aug-18	Dec-19	15	15	6	7	2	13%	Highlights of progress include: <ul style="list-style-type: none"> The new Records management Team Leader has been recruited and commenced mid-August 2019. Strategic Records Management Framework Draft currently being reviewed by the new Team Leader. Draft Records Management Team 2 year business plan has been submitted for review.
Division Total					15	15	6	7	2	13%	

Completed Service Reviews

(March 2016 – September 2019)

- Inventory Management Recycling Depot (Recycling, Depot and Stores)
- Libraries
- Marion Outdoor Swim Centre
- Public Place Litter
- Recruitment
- Council Reporting and Elected Member Support
- Roads
- Drainage
- Hard Waste
- Parking Management and Regulation
- Maintenance of Council Facilities
- Marion Celebrates
- Open Space Phase 1
- Customer Service

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

Independence of Council's Auditor

Originating Officer	Unit Manager Statutory Finance and Payroll - David Harman
Corporate Manager	Manager Finance - Ray Barnwell
General Manager	General Manager Corporate Services - Sorana Dinmore
Report Reference	FAC191008R10

REPORT OBJECTIVE

In accordance with the Local Government Act 1999, Council's auditor can only undertake work for the Council that is within the scope and function of the auditor as prescribed under the Act. This includes undertaking the annual financial audit, and any audits as requested by Council under Section 130A in relation to the economy and efficiency of Council operations. The underlying principle of this requirement is to ensure that auditor independence is not compromised.

Regulation 16A(2) requires Council's Chief Executive Officer and the Presiding Member of the Audit Committee to each provide, on an annual basis, a statement that provides a certification as to compliance for the relevant financial year with the requirement that the auditor be independent of the City of Marion (refer to **Attachment 1**).

EXECUTIVE SUMMARY

During the 2018/19 financial year, Council has not engaged Deloitte Touche Tohmatsu to provide any services outside the scope of the auditor's functions as prescribed in the Local Government Act 1999.

Furthermore, management confirms that it is not aware of any circumstance that would impact on the independence of Council's Auditor and that the CEO will be signing the certification within his delegation.

In addition to the above statement, regulation 16A(4) also requires that Council's Auditor provide a statement (in the form provided at **Attachment 2**) attesting to their independence.

Auditor independence is an important aspect of an auditor's role. Independence is key to the confidence with which the audit is undertaken.

RECOMMENDATION

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 2018/19 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 2018/19 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 2018/19 financial year.**

Legal / Legislative / Policy: Local Government Act 1999, Local Government (Financial Management) Regulations 2011.

Attachment

#	Attachment	Type
1	1. Certification of Auditor Independence - CoM	PDF File
2	2. Certification of Auditor Independence - Deloitte	PDF File

City of Marion

General Purpose Financial Statements for the year ended 30 June 2019

Certification of Auditor Independence

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of City of Marion for the year ended 30 June 2019, the Council's Auditor, Deloitte Touche Tohmatsu has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22(3) *Local Government (Financial Management) Regulations 2011*.

Adrian Skull
CHIEF EXECUTIVE OFFICER

Greg Connor
PRESIDING MEMBER, AUDIT COMMITTEE

Date:

E. Independence Declaration

Audit focus areas

Other focus areas

Internal controls

Misstatements
and deficiencies

Independence

Mr. Greg Connor
Chair, Finance and Audit Committee
Corporation of the City of Marion
245 Sturt Road
Sturt, South Australia

30 September 2019

Dear Sir

Auditor's Independence Declaration to the Corporation of the City of Marion

In accordance with the Local Government (Financial Management) Regulations 2011, I am pleased to provide the following declaration of independence to the councillors of the Corporation of the City of Marion.

I confirm that, for the audit of the financial statements of the Corporation of the City of Marion for the 30 June 2019 financial year, I have maintained my independence in accordance with the requirements of APES 110—Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011 made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22 (5) Local Government (Financial Management) Regulations 2011.

Yours faithfully

Deloitte Touche Tohmatsu

Lee Girolamo
Partner

E. Independence Letter

Audit focus areas

Other focus areas

Internal controls

Misstatements
and deficiencies

Independence

Mr. Greg Connor
Chair, Finance and Audit Committee
Corporation of the City of Marion
245 Sturt Road
Sturt, South Australia

30 September 2019

Dear Sir

Independence letter for the Finance and Audit Committee

Deloitte Touche Tohmatsu ("Deloitte") has prepared the following letter to facilitate our communication with the Finance and Audit Committee of the Corporation of the City of Marion (the "Council") and to assist you in meeting your requirements under the *Local Government Act 1999* to communicate matters to the members of Council regarding Auditor independence.

To the best of our knowledge and belief, there have been no contraventions of the auditor independence requirements of the Local Government Act or of any applicable code of professional conduct in relation to the audit for the financial year ended 30 June 2019.

We are not aware of any relationships between Deloitte and the Council that, in our professional judgment, may reasonably be thought to bear on our independence.

This report is intended solely for the information and use of the Council and management for the purposes stated herein, and is not intended to be and should not be used or relied upon by any other person or by any person for any other purpose.

Should you have any queries or wish to discuss this matter further please do not hesitate to contact me on 8407 7070.

Yours faithfully

Deloitte Touche Tohmatsu

Lee Girolamo
Partner

Finance and Audit Committee Annual Report to Council 2018/19

Originating Officer	Manager Corporate Governance - Kate McKenzie
Corporate Manager	Manager Corporate Governance - Kate McKenzie
General Manager	General Manager Corporate Services - Sorana Dinmore
Report Reference	FAC191008R11

REPORT OBJECTIVE

To seek feedback from Finance and Audit Committee (FAC) Members on the attached draft "Report to the City of Marion on the operations of the Finance and Audit Committee for 2018/19 in accordance with the Committee's Terms of Reference, prior to being presented to General Council on 22 October 2019.

EXECUTIVE SUMMARY

The FAC Terms of Reference provides that the Committee shall report annually to the Council on its operation and activities during the previous financial year.

This report provides an important communication tool with Council in addition to the minutes received after each meeting.

RECOMMENDATION

That the Finance and Audit Committee:

- 1. Endorses the Annual Report to Council for 2018/19 provided at Appendix 1 to this report, subject to amendments as required, prior to being presented to the General Council meeting on 22 October 2019.**

Attachment

#	Attachment	Type
1	Appendix 1 - FAC Annual Report 2018-19	PDF File

APPENDIX 1

REPORT TO THE CITY OF MARION COUNCIL

ON THE OPERATIONS OF THE FINANCE AND AUDIT COMMITTEE FOR 2018/19

INTRODUCTION

This report provides an overview of the City of Marion Finance and Audit Committee (The Committee) operations for 2018/19 financial year.

Clause 4.21 of the Finance and Audit Committee Policy provides that the Audit Committee shall report annually to the Council on its operation and activities during the year. This report includes:

- A summary of the Committee's assessment of the City of Marion's Risk & Control Framework;
- A summary of the work the Committee performed during the year including a focus on;
 - Risk and internal control,
 - Financial reporting and prudential requirements,
 - Service reviews and internal audit.
- Meeting statistics;
- Future work scheduled for 2019/20.

This report is intended to invite comment and discussion from Council.

THE FINANCE AND AUDIT COMMITTEE'S ASSESSMENT OF THE CITY OF MARION'S RISK & CONTROL FRAMEWORK

The Committee's assessment of the Council's Risk, Control and Audit Frameworks draws from a number of sources including Council's external and internal audits/reviews, and Council's control and risk frameworks.

Work progressed in the last financial year to further imbed the organisations risk management framework and risk management process across the organisation. This is evident in the fluid management of the high risks across the Council which are monitored quarterly by Council.

The Committee recognises that the City of Marion has a mature and planned internal and external audit program. They are both outsourced creating an increased level of independency. The Internal Audit Program takes a risk approach and a number of high risks identified have been reviewed via the program with findings to further mitigate the risks.

It is evident that the Council's governance, prudential obligations and risk management culture continues to improve and reduce risk to acceptable levels. It is acknowledged that the Council is reviewing its Risk Management Framework and Policy and continuing on a path of further embedding solid risk management practices consistently across the Council.

SUMMARY OF WORK PERFORMED DURING THE FINANCIAL YEAR (2018-19)

Significant items brought before the Committee for consideration during the year included:

External Audit 2017/18 (considered in October 2018)

- Deloitte Touch Tohmatsu confirmed their independence in accordance with the Local Government Financial Regulations.
- The 2017/18 external audit was completed in accordance with the Australian Auditing Standards. No contraventions of the *Local Government Act 1999* were identified, and an unmodified audit opinion was given by Deloitte's identifying that:
 - The financial statements provide a true and fair view of the Council's financial position for the year ended 30 June 2018.

- The Council is in a strong financial position and demonstrated good performance by reporting an Operating Surplus of \$10.9m down on the \$11.7m reported from the previous financial year.
- Council received an unmodified audit opinion for the 2017/18 financial year with respect to the report effectiveness of its internal control environment and Council's compliance with section 125 of the *Local Government Act 1999*.
- A full comprehensive valuation was completed in 2017/18 for both Infrastructure Assets and Land and Buildings. Council's Infrastructure, Property, Plant and Equipment decreased by \$3.1m or .03% compared to the previous year. Land valuation also decreased by \$8m which predominantly related to the re-classification of land at the Marion Golf Course from Residential to Hills facing.
- Employee costs were down by approximately \$740k on original budget and this was due to vacancies (particularly from the restructure from the previous financial year). It was noted that there were no retrenchment costs in the 2017/18 financial year.
- Council received a cash distribution from its regional subsidiary, Southern Region waste Authority (SRWRA) of \$765k.
- The Committee met with Council's external Auditors in the absence of management. The Committee also met with the Internal Auditors without management being present. In both instances, both sets of auditors reported a willingness from management to provide timely information, and act quickly on any recommendations made.
- The Committee recommended to Council the adoption of the Audited Financial Statements for 2017/18 and noted the excellent results and financial outcomes.

Financial Reporting and Prudential Requirements

- The Committee considered and provided feedback on the framework and key assumptions of the *Annual Business Plan and Budget 2019/20*. Following this, the Committee reviewed the draft *Annual Business Plan and Long Term Financial Plan* noting that the program Council has set is very ambitious and it needs to ensure that it has the resources available to deliver. The Committee also noted that with the full program of works, it provides little opportunity for new ideas or projects.
- The Committee noted that Council was looking to keep rates low at approximately 1.8%.
- The Committee reviewed a section 48 Prudential Report for Waste Services. This report was considered in confidence due to the commercial information of the tenders.

Service Reviews

- The Committee reviewed and provided comment regarding the progress of the Service Review Program noting that the data and quality of the service review program has improved as the program has matured. The following services were reviewed with various opportunities for improvement identified:
 - Open Space Operations Transformations Phase 2
 - Records Management
 - Corporate Information and Communication (ICT)
- The Committee considered the Service Review Plan for 2019/20 noting that the following reviews will occur:
 - Neighbourhood/Community Centres
 - Cross Council Service Reviews
 - Capital Construction and Maintenance

- Open Space recreation and Planning
- Water and Electricity Bill Validation
- Fleet Maintenance

Internal Audit

- The City of Marion's Internal Audit 2017-2019 program was completed.
- The Committee considered the final year of the Internal Audit program and ensured the Audits were aligned to Councils high risks.
- Various internal audit reports were presented to the Committee during the financial year including:
 - Fines and Enforcement
 - Development Assessment Planning
 - Procure to Pay
 - Customer Experience
 - Tendering
 - Business Continuity
 - Cyber Security
- Each of these audits had various findings and the Committee continues to monitor closely the implementation of recommendations.
- The tender for Internal Audit was also advertised as a joint tender with the City of Charles Sturt to enhance collaboration across the sector. The tender was competitive and KPMG was appointed as Internal Auditors for both Councils for 2 years (with the option for a further 2 year extension).

Internal Controls and Risk Management

- Internal controls are reviewed annually as part of the external audit process.
- The Committee focused on a number of risk programs during the 2017/18 financial year including:
 - Implementation of the Fraud and Corruption Framework
 - Outcomes of the Biennial WHS and Risk Evaluation from the LGA
 - Climate Change Risks
 - Maturity of the Business Continuity Program
- The Committee considered the corporate risk profile at its meeting in May 2019. This report identified 107 risks with nine (9) risks being rated as high, 79 as medium and 19 as low (after consideration of controls). The nine (9) high risks come from the following categories:

1. Property and Infrastructure	6. Business Continuity and Community Safety
2. WHS Management	7. Major Projects
3. Governance and Risk	8. Environment Management/Climate Change
4. ICT/Cyber Security	
5. Contractor Management	
- In comparison to industry counterparts, the City of Marion's risks are aligned to the sector's top rated risks. It is noted that two of the sector's top risks, Financial Sustainability/Stability and Human Resources Management, are rated as medium or low by the City of Marion (hence not listed above). This provides assurance to Council

that the risk management program is working well to mitigate risks and reduce the risk exposure against the sector's highest rated risks.

Bi-Annual Performance and Effectiveness Review of the Finance and Audit Committee

Section 5.6.5 of the Committees terms of reference states that the Committee will review its performance on a bi-annual basis using performance indicators developed for that purpose. The Committee therefore completed its bi-annual performance and effectiveness survey noting good results and the Committee is performing well. 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 agreed that a workshop with Council and the Committee in August 2019 on risk tolerance would be a positive step.

Other

Other reports considered by the Committee in 2018/19 included;

- WHS – Annual Performance Report 2018
- Business Continuity Exercise Report
- Corporate Reporting Framework
- Australian Service Excellence Standards – Audit Outcomes
- Debtors Report
- Investment Performance 17/18
- Claims and Insurance Report
- FAC Annual Report to Council 2017/18
- Project Management Framework
- Expression of Interest – 262 Sturt Road – outcome of business case (confidential report)
- Ombudsman's Annual Report 2017/18
- Framework and Key Assumptions for the preparation of the 19/20 ABP&B and LTFP
- Biennial WHS and Risk combined evaluation
- The Committees work program and meeting schedule for 2019
- Treasury Management – Borrowings versus Cash Strategy

DETAILS OF MEETINGS

During 2018/19, five meetings were convened;

- 21 August 2018 (joint Council and FAC Forum)
- 2 October 2018
- 12 December 2018
- 26 February 2019
- 28 May 2019

The Committee went into confidence on three (3) occasions to consider the following reports;

- Internal Audit Tender
- Section 48 Prudential Report for Waste Services
- Expression of Interest – 262 Sturt Road, Marion – Outline of Business Case Process

Committee Member attendance at meetings overview		
Member	Eligible to attend	Attended
Mr Greg Connor (Chairperson)	5	5
Ms Emma Hinchey	5	5
Ms Natalie Johnston	5	4
Councillor Raelene Telfer	2	2
Councillor Nick Kerry	2	1
Councillor Tim Gard	3	3
Councillor Kendra Clancy	3	2

FUTURE WORK PROGRAM PROPOSAL

Major items for the Committee to review and provide comment / feedback for 2018/19 include progress on:

- Collaboration Internal Audit Program with City of Charles Sturt
- Review of the Risk Management Framework
- Section 48 Report for Mitchell Park Sports and Community
- Service Review Program

CONCLUSION

In conclusion, this report indicates that the Committee has undertaken its principal functions as set out in Section 126(4) of the Local Government Act 1999 which include:

- a) reviewing annual financial statements to ensure that they present fairly the state of affairs of the Council;
- b) proposing, and providing information relevant to, a review of the Council's strategic management plans and annual business plan; and
- c) Liaising with the Council's auditor.

The body of work undertaken by the Committee is maturing and the Committee is striving to ensure that its work is useful in the context of contributing to the City of Marion's strategic objectives. The Committee invites Council's feedback on the opportunities for continuing development of the Committee's operations.

I record my thanks for the support and diligence of those involved in the Committee being my fellow Finance and Audit Committee Members and the Council's Elected Members. I would also like to thank the management team for their hard work in the production of quality reporting that allows robust and fruitful discussions. As this is my last report as Chair of the Finance and Audit Committee, I wish the Council well with its future endeavours.

Greg Connor
Chairperson
City of Marion Finance and Audit Committee

Fraud and Corruption Management Annual Performance Report 2019

Originating Officer	Unit Manager Risk - Sherie Walczak
Corporate Manager	Manager Corporate Governance - Kate McKenzie
General Manager	General Manager Corporate Services - Sorana Dinmore
Report Reference	FAC191008R12

REPORT OBJECTIVE

To provide the Finance and Audit Committee (FAC) with assurance that the Fraud and Corruption Program is being implemented in accordance with the Fraud and Corruption Policy which outlines the responsibility of the FAC being "to assist the Council in discharging its responsibility in relation to Fraud and Corruption control".

EXECUTIVE SUMMARY

The City of Marion's Fraud and Corruption Framework (the Framework) is designed to provide a robust approach to protect its reputation, revenue, expenditure and property from any attempts to make gain by deceit through minimising the opportunity for fraud and corruption activities.

The Fraud and Corruption Control Elements consist of planning and resourcing, prevention and detection mechanisms and response procedures. Robust internal controls are in place across the organisation to prevent against the occurrence of fraud and corruption. These internal controls are subject to annual testing through the external audit process with the outcomes being reported to Council via the Finance and Audit Committee. Our detection systems identified one instance of suspected fraud which was subject to an internal investigation and is currently under litigation.

The program of works completed under the Fraud and Corruption Program in 2018-19 included:

- Corporate fraud and corruption training sessions for relevant staff
- The inclusion of identified fraud and corruption risk assessment actions in the corporate risk register and
- Evaluation of fraud and corruption controls provided through two check-list control tools covering the implementation of corporate controls and the embedding of these controls into work areas including Senior Leadership teams.

The result of the evaluation undertaken of the Fraud and Corruption Control Reports identified a number of improvement actions which have been incorporated into the Corporate Risk Register for monitoring by the Risk Working Group. Primary recommendations included development of new processes and an opportunity for increased training and awareness aimed at increased compliance with current processes.

RECOMMENDATION

That the Finance and Audit Committee:

1. **Notes the report.**
2. **Reviews and provides feedback on initiatives to prevent and detect Fraud and Corruption.**

DISCUSSION

The ongoing implementation of the Fraud and Corruption program includes the provision of:

- Resources – Policy, Framework and Control Reports
- Training – To identified staff with responsibilities
- Evaluation – Assurance provided through the review of Control Reports and identification of actions.

Resources:

The Fraud and Corruption Control Reports were first undertaken in 2018 and an evaluation of the process identified a number of continual improvements. The Work Area Control Report was subsequently revised, an SLT Control Report was introduced and the Corporate Control Report was automated through SharePoint as a pilot. It is planned to transfer all Control Reports to SharePoint for next year.

Fraud and Corruption risk assessment undertaken with the implementation of the Fraud and Corruption Framework in 2017 has now been incorporated into the Corporate Risk Register resulting in the mitigating actions being subject to regular review by the General Manager Corporate Services and quarterly monitoring by the Risk Working Group.

Training:

Fraud and Corruption Awareness training sessions, previously delivered by LGRS, were facilitated internally for new Senior Leadership Team members and staff in key roles during May 2019, providing awareness of the Fraud and Corruption Management Policy and Framework, the organisational Values, the Code of Conduct, and other relevant policies to ensure an understanding of the minimum standards of behaviour expected.

Public Interest Disclosure (PID) Act training was completed by the Manager Corporate Governance and Manager Human Resources who are both 'Responsible Officers' under the PID Act and the Fraud and Corruption Framework, as captured within the corporate Training Needs Analysis and individual Training Plans.

Evaluation:

The Fraud and Corruption Control Reports, at Corporate, Senior Leadership and Work Area levels have been undertaken, evaluated and summarised for review by General Manager Corporate Services as part of the end of financial year assurance process.

Corporate Fraud And Corruption Control Report – provides an evaluation corporate controls, with results evidencing the degree to which related internal controls are operating at a higher level across the organisation in preventing and detecting fraudulent and corrupt activities. This report complements the reports undertaken at a work area level.

Work Area Fraud And Corruption Control Report – provides a work area evaluation, with results evidencing how deeply corporate controls have been embedded into the work area.

The completed program recognises that Fraud and Corruption risk is primarily being managed and mitigated via;

- internal and external audits
- internal controls, policies, procedures and processes
- the corporate Code of Expected Behaviours
- workplace culture
- corporate training and awareness for roles and responsibilities as public officers
- an environment of accountability and transparency

The Fraud and Corruption program provides all key stakeholders with an assurance that fraud and corruption internal controls are being applied, and where appropriate, further strengthening and reviews have been identified which are scheduled into the ongoing Fraud and Corruption work program.

The result of the evaluation undertaken of the Fraud and Corruption Control Reports identified a number of improvement actions (outlined in **Appendix 1**) which were reported to ELT to provide assurance for the end of financial year audited statement. These improvement actions have been incorporated into the Corporate Risk Register for monitoring by the Risk Working Group.

The program provided further reinforcement that robust internal controls are in place across the organisation to prevent against the occurrence of fraud and corruption. These internal controls are subject to annual testing through the external audit process with the outcomes being reported to Council via the Finance and Audit Committee. The program also highlighted that our detection systems identified one instance of suspected fraud which was subject to an internal investigation and is currently under litigation.

Recommendations arising from the evaluation included a strengthening of a number of internal control processes including increased monitoring of human resource controls, the strengthening of Purchase Card processes, increased awareness for corporate data storage and security, increased compliance for purchasing processes, increased compliance with records management processes, the development of a Cab Charge Procedure plus an opportunity for increased training and awareness across our staff.

NEXT STEPS

Further implementation of the Fraud and Corruption program is planned to include the following:

- Monitoring of improvement actions by Risk Working Group
- Incorporation of Fraud and Corruption risk into a new on-line risk management training module
- Mandatory training for all staff on the PID Act and ICAC Act
- Upgrading the manual Control Tools to SharePoint

CONCLUSION

Over the last year, the corporate Fraud and Corruption program has achieved progress in embedding awareness for Fraud and Corruption issues and the positive role of workplace culture, corporate values and robust internal controls. During the coming 12 months, this Fraud and Corruption program will mature further, strengthening existing processes and provide assurance that Fraud and Corruption issues are being prevented, detected, responded to, monitored and reviewed. This assurance will be evidenced from all levels of the organisation via the control reports providing Council and all key stakeholders with confirmation of the existence of both good corporate governance and a strong internal control environment.

Attachment

#	Attachment	Type
1	Fraud and Corruption Management Annual Performance Report 2019 - Appendix 1	PDF File

Ref.	2019 Fraud And Corruption - Actions Plan	Action Owner(s)	Date	Status
Work Area Checklist - A: Human Resources				
A1.1	Develop a reporting process to vouch for staff members who have signed the Code of Expected Behaviours	UM HR:	31/12/19	Complete
A1.2	Check HR process for monitoring responses & recording any exceptions – Code of Expected Behaviours	UM HR	31/10/19	Complete
A2	Clarify process for verifying compliance with Code of Conduct . Process already in place - accountability with People Leaders – issues addressed through HR partnering	UM HR	31/10/19	Complete
A4	Investigate improvements for reporting completion of the PDP process	UM HR	30/06/20	Commenced
A5	Provide and implement a clear process for completion of accurate timesheets/leave requests	UM Stat.Fin/Payroll	31/12/19	Commenced
A7	Continue to provide and implement a corporate strategy on the management of excess annual leave Process in place, revised Policy, accountability with People Leaders, Payroll report to People Leaders & high priority for ELT. Conversation & plans in place for people with excessive leave. Policy changes ensure higher levels of accountability/awareness	UM HR	31/10/19	Complete
Work Area Checklist - B: Finance				
B1	Provide and implement a clear process for purchase card security/sharing of cards	Mgr Fin	31/12/19	Commenced
B2	Provide a clear process and ready accessibility to information for purchase card review, reconciliation and approval process	Mgr Fin	31/12/19	Commenced
B3	Provide for robust partnering within the budget setting process	UM Fin.Ptr.	31/12/19	Commenced
Work Area Checklist – D: ICT				
D1	Provided corporate awareness for corporate 'data storage' protocol to ensure documentation captured by daily back ups	UM ICT	31/12/19	Commenced
D2	Ensure robust process in place & communicated for computer password security/etiquette	UM ICT	31/12/19	Commenced
Work Area Checklist E: Contracts & Procurement				
E1	Raise awareness and check consistency for all procurement >\$3,000 requiring written quotes (as per the CoM Procurement Procedure)	UM Op Support	31/10/19	Commenced
E3	Raise awareness for correct procurement processes re: requisition orders and reconcile listed exemptions to ensure current.	UM Op Support	31/12/19	Commenced
E4.1	Review existing process for review of CoM mobile phone accounts, including appropriate & timely notifications regarding personal usage & need for reimbursements to Council to ensure any required recharges are communicated in a clear and timely manner	Mgr Fin	31/12/19	Commenced
E4.2	Reconcile CoM mobile phone agreement process to reimbursement payments for personal usage to ensure recovery of CoM costs	Mgr Fint	31/12/19	Commenced
Work Area Checklist F:Records Management				
F1.1	Raise corporate awareness for legislated Sharepoint 'record management' process	TL Records Mgt.	30/04/20	Commenced
F1.2	Provide the required support to identified Work Areas to ensure all basic requirements of 'legislated Sharepoint 'record management' process are complied with	TL Records Mgt.	30/04/20	Commenced
Corporate Checklist:				
Risk & Governance	Develop and implement a Cab Charge Procedure document	UM Op.Support	31/12/19	Not commenced
	Implement corporate process for the reconciliation of monthly statements to Cab Charge voucher records	UM Op Support	31/12/19	Commenced

REPORTS FOR NOTING

Debtors Report

Originating Officer	Assistant Financial Accountant - Melissa Virgin
Corporate Manager	Manager Finance - Ray Barnwell
General Manager	General Manager Corporate Services - Sorana Dinmore
Report Reference	FAC191008R13

REPORT OBJECTIVE

The purpose of this report is to provide the Finance and Audit Committee (FAC) with an annual update in relation to the outstanding balances in Sundry Debtors and Rates Debtors in line with the year-end accounts.

RECOMMENDATION

That the Finance and Audit committee:

1. **Note this report.**

GENERAL ANALYSIS

Council Debtors

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

1. Sundry Debtors
2. Rates Debtors

DISCUSSION

Sundry Debtors

Sundry Debtors (shown as 'Debtors – General') and Rates Debtors are included under "Trade and Other Receivables" in the Financial Statements in Note 5(b), with Rates Postponed for State Seniors being separately identified.

The total for 'Debtors – General' also includes fines (parking, animal and statutory) along with amounts receivable from Council's insurers (Workers Compensation and Income Protection reimbursements) in addition to amounts receivable from sundry debtors. The total combined amount reflected in the Financial Statements as at 30 June 2019 is \$4,130k.

Council's Sundry Debtors made up a total of \$3,202k (**Attachment 1**) with \$60k (1.9%) in the 90+ Days category. The overdue amounts in the 90+ Days category have increased from the prior year total of \$40k (4.7%).

Of the total \$60k in 90+ Days outstanding, \$20k has been subsequently settled. After working through our follow-up actions, we are now reviewing a number of aged debts with our debt collection agency.

Rates Debtors

Rates Debtors have moved from a balance of \$2,474k (3.3% of total annual rates) at 30 June 2018 to \$2,762k (3.6% of total annual rates) (**Attachment 2**). The increase relates primarily to properties that have progressed to debt collection and probable legal process. The cumulative effect of the rates and associated fines and interest increase the debt each year. To mitigate this, Council actively encourages ratepayers to commence payment plans.

The postponed amount has increased to from \$159k to \$186k in 2018/19. This amount refers to the accumulation of rates levied and the prescribed interest component for those who have applied, and are eligible for the senior postponement scheme.

The amount of arrears greater than three years is \$635k (61% of all arrears). The Local Government Act provides that a council may sell any land where the rates have been in arrears for three years or more.

Section 184 (S184) of the Act is noted in Council's adopted Rating Policy under section (9) '**Sale of land for Non-Payment of Rates**'. While the Rating Policy includes S184, Council has not pursued this option previously. In April 2019, Council endorsed Finance, under delegated authority of the General Manager Corp Services, to initiate sale of land for non-payment of rates (section 184 Local Govt. Act). Part of this included developing assessment criteria. The purpose being to assess individual circumstances for possible exemption to initiating Section 184 action.

In May 2019, Council commenced its first Section 184 action on seven properties and recovered rates arrears of \$57k on receipt of a pre Section 184 letter from Council's lawyer advising of Council's intention to initiate proceedings.

Six more properties are currently up for review to initiate S184 action. These properties are not owner occupied. None meet the criteria allowing for an exemption. The six properties have total arrears of \$39k.

There are a further 35 properties to be reviewed. Of these, 32 are residential and owner occupied. The other three properties are residential, but it is unclear if they are owner occupied. The total outstanding balance for the 35 properties is \$303k.

All will be evaluated using the Assessment Criteria. S184 action will be initiated on those where an exemption cannot be established.

Debt Collection Process

Sundry Debtors

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

- Monthly statements sent out directly to debtors
- Reminder letters are sent to debtors once outstanding debt reach 60+ days
- Follow up phone calls, letters and emails are sent to debtor by Sundry Debtors Officer as required
- Outstanding debt 90+ days is referred to the originating officers for follow-up with the debtor
- Payment plans are put in place if appropriate to enable collection of outstanding debt
- If no payment is made a letter is issued to the debtor requesting payment within 48 hours to avoid recovery action being taken
- If no payment is received an assessment is made to send to council's debt collector where financially viable to do so

- Where the charge relates to a good or service incurred on the land (ie directly related to the property), amounts can be transferred to the landowner's Rates account

Rates Debtors

The following key steps are taken in regards to debt collection:

- Overdue Notice issued approximately one week after the last day to pay.
- If debt is not paid it will be assessed for referral to the Debt Collection Agency based on criteria including > \$500 and 2 instalments overdue, or no arrangement in place.
- Council will refer the debt to the Debt Collection Agency who then proceed with letters of demand requesting payment or a payment arrangement.
- If no payment or arrangement is made, Council will instruct the Debt Collection Agency to commence legal proceedings for recovery of the debt.

Note - payment plans can be put in place at any time.

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

- Payment plans
- Extensions to pay
- Remit fines and interest
- Postponement of rates for seniors
- Postponement of rates for hardship

Postponed rates debts are included as a component of "Trade and Other Receivables" in Current Assets and separately disclosed in Note 5(b) to the Financial Statements.

It should also be noted that legislation allows Council to be given high priority to recover any outstanding debts, including accumulated interest, from the proceeds on the disposal of a property.

Attachment

#	Attachment	Type
1	Debtors Outstanding Report - 30 June 2019	PDF File
2	Rates Outstanding Report - 30 June 2019	PDF File

Debtor	Total Balance	Current	30 Days	60 Days	90 Days	90+ Days	Percentage of total 90+ day balance	Comments for 90+ Day balances
General Total	37,059.66	28,300.49	7,512.44	1,246.73	.00	.00	0%	
Neighbourhood Centres Total	8,872.50	4,665.00	472.50	320.00	.00	3,415.00	6%	Made up of 1 out of 16 debtors. This debtor is on a payment plan through the debt collector which is not being met.
Regulatory Services Land Clearing Total	4,306.69	867.15	.00	.00	.00	3,439.54	6%	Made up of 5 out of 6 debtors, with one account totalling \$1,725.35. Two accounts totalling \$715.27 have subsequently been settled.
City Property Facilities Total	86,552.58	65,993.69	1,370.08	3,672.60	4,501.23	11,014.98	18%	Made up of 6 out of 29 debtors, with one account totalling \$4,107.39. Five accounts totalling \$8,050.52 have subsequently been settled.
Civil Services Private Works Total	45,292.00	11,960.00	3,020.00	1,149.00	4,740.00	24,423.00	40%	Made up of 18 out of 34 debtors in this category, with eight of these totalling \$11,728.00 relating to works not commenced, awaiting payment, one of the remaining accounts totals \$3,190.00. Five accounts totalling \$5,005.00 are on payment plans, payments of \$745.00 have subsequently been received.Four accounts totalling \$6,618.00 have subsequntly been settled in full.
Swim Centre Debtors Total	2,218.00	.00	.00	676.00	618.00	924.00	2%	Made up of 1 out of 3 debtors. This account has subsequently been settled.
Grants & Subsidies Total	2,959,248.00	2,242,075.00	317,173.00	400,000.00	.00	.00	0%	
Environmental Health Inspections Total	12,201.50	1,461.00	1,896.00	1,698.00	121.00	7,025.50	12%	Made up of 42 out of 76 debtors, with none individually significant. Four accounts totalling \$431.00 have subsequently been settled.
Regulatory Services Other Total	17,432.00	4,995.00	1,490.00	.00	2,735.00	8,212.00	14%	Made up of 42 out of 86 debtors in this category, with none individually significant. Six accounts totalling \$694.00 have subsequently been settled.
Living Kurna Cultural Centre Total	6,250.80	4,723.20	1,015.60	.00	.00	512.00	1%	Made up of 1 out of 16 debtors in this category. This account has subsequently been settled.
Local Government Total	5,032.61	3,682.61	.00	.00	.00	1,350.00	2%	Made up of 1 out of 2 debtors in this categry. This account has subsequerntly been settled.
Economic Development Total	13,509.65	13,200.00	309.65	.00	.00	.00	0%	
Marion Cultural Centre Total	4,061.50	2,291.50	1,770.00	.00	.00	.00	0%	
Total	3,202,037.49	2,384,214.64	336,029.27	408,762.33	12,715.23	60,316.02		
Total Aging Profile		74%	10%	13%	0%	1.88%		

Category	Description
Employees	Anything that relates to CoM employees.
General	Anything that does not fit into one of the below categories.
Neighbourhood Centres	For hire of rooms in Neighbourhood Centres, etc. - usually charged out at an hourly rate. Also includes cultural workshops and tours.
Regulatory Services Land Clearing	When council has had to clear land due to non-compliance of owner.
Sporting Clubs & Other Leases	Rent, electricity, water, maintenance, etc. charged out to lessees.
Civil Services Private Works	Repairs or modifications to infrastructure (footpaths, kerbs, driveway inverts). Can be at resident request.
Swim Centre Debtors	Outdoor Swimming Centre - used for lane hire, school visits, etc.
Grants & Subsidies	Government grants and subsidies.
Environmental Health Inspections	Food Inspection fees.
Regulatory Services Other	Vehicle Impoundment fees and other regulatory services.
Supplier Refunds	Where a supplier owes the City of Marion funds. This category is used to keep track to ensure we have received payment for credits.
Development Services	Includes contribution from residents and/or developers for the removal and/or replacement of Council Street Trees and significant trees.
Living Kurna Cultural Centre	Relates to programs run through the LKCC.
Environmental Health Testing	Environmental testing fees.
Local Government	Transactions with other Local Government corporations.
Communications	Anything related to communications.
Economic Development	Events, etc. relating to economic development within the City of Marion.
Marion Cultural Centre	Hiring of the Marion Cultural Centre.

*any category that does not have any outstanding invoices will not be displayed.

Rates Report - Collection of Rates to 30 June 2019

ANALYSIS OF OUTSTANDING RATES AS AT 30 JUNE 2019

	<u>Note</u>	<u>2019</u>	<u>% of Total Annual Rates</u>	<u>2018</u>	<u>% of Total Annual Rates</u>
CURRENT	1	-\$ 751,129	-1.0%	-\$ 675,172	-0.9%
OVERDUE	2	\$ 2,169,957	2.8%	\$ 1,980,489	2.6%
ARREARS	3	\$ 1,042,449	1.4%	\$ 901,053	1.2%
INTEREST	4	\$ 92,682	0.1%	\$ 80,834	0.1%
POSTPONED	5	\$ 186,058	0.2%	\$ 159,056	0.2%
LEGALS	6	\$ 22,355	0.0%	\$ 27,845	0.0%
		<u>\$ 2,762,372</u>	<u>3.6%</u>	<u>\$ 2,474,105</u>	<u>3.3%</u>
TOTAL ANNUAL RATES FOR YEAR		<u>\$ 77,172,549</u>		<u>\$ 74,841,878</u>	

Note 1: Current

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

Note 2: Overdue

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

Note 3: Arrears

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

Note 4: Interest

Interest represent the fines and interest applied to overdue rates and rates in arrears.

Note 5: Postponed

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

Note 6: Legals

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

Investment Performance 2018/19

Originating Officer	Treasury Accountant - John Stewart
Corporate Manager	Manager Finance - Ray Barnwell
General Manager	General Manager Corporate Services - Sorana Dinmore
Report Reference	FAC191008R14

REPORT OBJECTIVE

Section 140 of the Local Government Act requires Council to review the performance of its investments on an annual basis. This report is reviewed by the Finance and Audit Committee and will be presented to Council for adoption at its General Council Meeting on 22 October 2019.

A summary of the 2018/19 Investment Performance is provided at Appendix 1 for the Committee's information, showing that Council recorded a favourable result against the benchmark indicator. A favourable result has been experienced each Financial Year since 2007/08.

RECOMMENDATION

That the Finance and Audit Committee:

- Notes the Investment Performance Report 2018/19.**

Legal / Legislative / Policy: In compliance with Section 140 Local Government Act.

DISCUSSION

Decision making regarding investments are carried out under the guidance and limitations set within Council's Treasury Management Policy.

Compliance with Treasury Management Policy (Investments)

Council has complied with all elements of the Treasury Management Policy. Compliance has been achieved against the following major policy requirements:

Policy Requirement	Review
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.	Investments in Fixed Term Deposits were made between a range of 30-363 days with an average maturity of 86 days and an average return of 2.65%. The average 'at call' rate of return was 1.72%. No Fixed Term Deposits were required to be broken during the year.
In the case of Fixed Term Investments, the term should not exceed a point in time where the funds could otherwise be applied to cost-effectively defer the need to raise a new borrowing or reduce the level of Council's variable interest rate borrowing facility.	The variable interest rate borrowing facility was not required to be accessed.

Council will select the investment type which delivers the best value, having regard to investment returns, transaction costs and other relevant and objectively quantifiable factors.	<p>The Council supports the Local Government Finance Authority of South Australia (LGFA) for the placement of investment funds. The LGFA is a statutory authority established for the benefit of Councils in South Australia. Utilising the services of the LGFA provides an efficient means of investing surplus funds and a source of highly competitive interest rates. All deposits made with the LGFA are also guaranteed by the Treasurer of South Australia.</p> <p>To ensure Council continues to receive competitive rates for investments, quotations are regularly obtained from authorised institutions on investments of \$1,000,000 or more where the period of investment exceeds 30 days. During 2018/19 all surplus funds were invested with the LGFA, who, on all occasions offered the most competitive interest rates.</p>
Investments fixed for a period greater than 12 months to be approved by Council.	No Investments were placed for a period greater than 12 months.
The Policy indicates where surplus funds can be invested and that if they are invested in choices outside of the Policy, Council approval is required.	All surplus funds invested during the 2018/19 financial year were invested with the LGFA which is an allowable option under the Policy.
The Policy indicates investment activities that Council would not participate such as shares in private/public companies, listed or unlisted property trusts and derivatives.	No investments were placed in such options.

Performance against Benchmarks

Reserve Bank Cash Rate

Council earned \$1,213,615 of interest on its investments in 2018/19 at an average rate of return of 2.52%, a favourable outcome compared to the benchmark indicator (average Reserve Bank cash rate) of 1.49%.

Bank Bill Swap Rate (BBSW)

The Finance and Audit Committee commented, when reviewing the 2014/15 Investment Report, that it would also be useful to benchmark against commercial rates being offered.

The BBSW is the rate at which banks will lend to each other. It is a short term swap rate, and reflects a compilation and average of market rates supplied by domestic banks regarding specific maturities of bank bills. The BBSW is published daily and therefore an annual average index can be readily calculated for comparative purposes.

The most common index applied is the 90 Day BBSW which also closely aligns with Council's average maturity of 86 days. For the 2018/19 financial year, the 90 Day BBSW was 1.86%. Council's annual rate of return of 2.52% is also favourable compared to the BBSW indicator, the fourth consecutive year that this has been achieved.

Interest on Investments Budget Performance

The performance of Interest on Investments is also monitored and managed against the Budgeted forecast. The actual value of investment interest of \$1,213,615 was a 4.16% favourable variance against a final revised budget forecast of \$1,165,178.

Finance and Audit Committee Advice

Administration welcomes any Finance and Audit Committee feedback prior to forwarding to Council the Investment Performance Result for 2018/19.

Conclusion

The investment performance for 2018/19 was satisfactory when compared to relevant benchmark indicators. Investments were placed exercising due care and diligence and in strict accordance with Council's Treasury Management Policy.

Attachment

#	Attachment	Type
1	FAC191008R - Investment Performance 2018-19 Appendix 1	PDF File

Appendix 1**Investment Performance 2018/19****Interest on Investments**

Interest on investments for 2018/19 was \$1,213,615. Recent interest on investment history reveals the following:

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Total Interest (including LGFA Bonus)	\$793k	\$888k	\$696k	\$929k	\$1,111k	\$1,214k
LGFA Bonus	\$87k	\$86k	\$109k	\$90k	\$132k	\$168k

The increase of interest on investments in 2018/19 can be mainly attributed to the increase in the average amount invested per day, increasing from \$46.8m in 2017/18 to \$48.2m in 18/19. This would indicate that funds were able to be kept on deposit for longer periods in 2018/19, prior to being required to meet payment obligations for creditors, payroll and progress payments for major capital projects.

The breakdown by Institution of the above total interest of \$1,214k for 2018/19 was as follows;

Term Deposits

LGFA	\$1,201k	Annual Average Rate of Return 2.58% which includes the annual LGFA bonus distribution. Best rate was 2.75% over 240 Days (includes LGFA bonus) – last experienced October 2018.
Other Institutions	<u>\$Nil</u>	
Sub-Total	\$1,201k	
<u>Operating Account</u>		
BankSA	<u>\$13k</u>	Annual Average Rate of Return 0.81%
Total	<u>\$1,214k</u>	

Competitive quotes were sourced during the financial year and all investments were placed with the LGFA who provided the best competitive rates in all instances.

Peak Value of Investments

Investments peaked in December 2018 at \$53,323,629. The peak value of investments history reveals the following:

2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
\$30.9m	\$34.9m	\$30.1m	\$47.1m	\$52.6m	\$53.3m
Jun 2014	Sep 2014	Mar 2016	Jun 2017	Mar 2018	Dec 2018

Traditionally investments reach their peak in the first half of the financial year due to a portion of ratepayers paying their rates in full rather than paying quarterly. Large grant revenue receipts and the timing of significant Capital Expenditure projects also have an impact on investment balances.

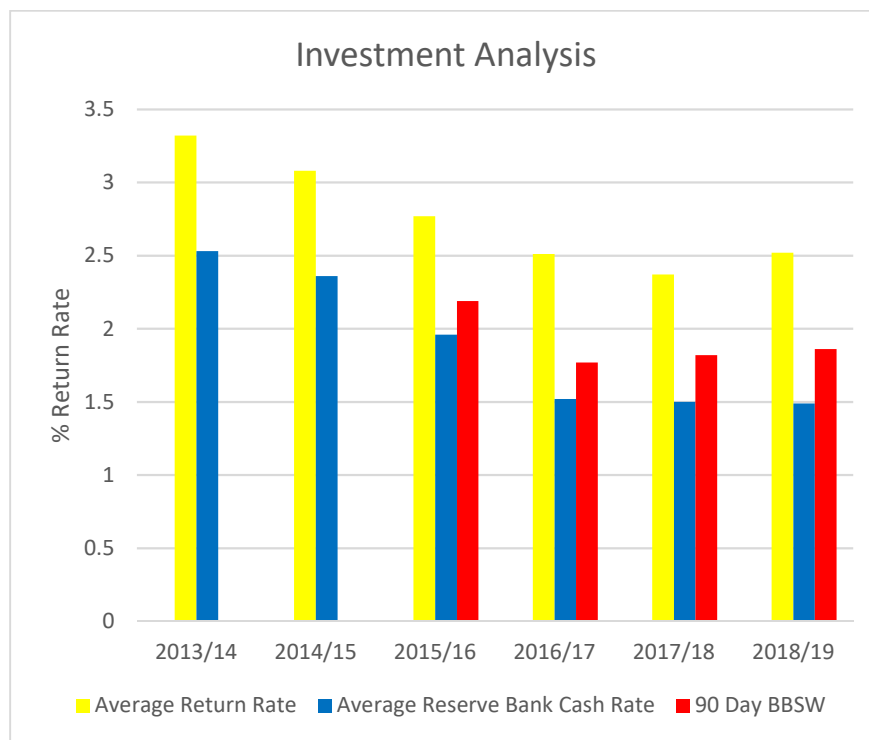
Annual Rate of Return on Investments

Council's Investment performance is measured against a recommended benchmark and submitted for consideration by Council on an annual basis. This is in accordance with guidelines contained in the "Investment Policy & Review of Investments" document published by the South Australian Local Government Financial Management Group.

The benchmark indicator referred to above that measures our investment performance, is the average annual Reserve Bank cash rate. The cash rate remained at 1.50% for the majority of the financial year, with a 0.25% negative adjustment implemented on 5 June 2019.

The annual rate of return on investment for the City of Marion in 2018/19 was 2.52% compared to the annual average bench mark rate of 1.49%, providing reassurance that funds invested by City of Marion were well managed. The following table and graph summarises Council's history of annual rate of return on investments.

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Annual Rate of Return	3.32%	3.08%	2.77%	2.51%	2.37%	2.52%
Average Reserve Bank Cash Rate	2.53%	2.36%	1.96%	1.52%	1.50%	1.49%
Benchmark Variation	+0.79%	+0.72%	+0.81%	+0.99%	+0.87%	+1.03%



The Council's annual rate of return includes the annual bonus paid by Council's principal investment financial institution – LGFA. The bonus amount paid to Councils by LGFA is based on a combination of Council's investment and borrowing activity for the prior year.

The table indicates a positive variation in each financial year against the average Reserve Bank Cash Rate. The 2018/19 result is the twelfth consecutive year of a favourable outcome against this benchmark. In addition, the 2018/19 annual rate of return of 2.52% also marks the fourth consecutive year that Council's investments outperformed the BBSW indicator.

Council's General Bank Account earned an average rate of 0.81% in 2018/19, which is factored into the benchmark result. The inclusion of the General Bank Account earnings in the overall investment performance does make it more challenging to achieve a positive benchmark performance. As a result, it is important that the Treasury Management function monitors and minimises any potential negative impact.

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 - Sorana Dinmore
Report Reference	FAC191008R15

REPORT OBJECTIVE

To provide the Finance and Audit Committee (FAC) with an update of the status of recommendations from the 2017/18 and 2018/19 Internal Audit program.

EXECUTIVE SUMMARY

The FAC was provided with a status report at its previous meeting on 20 August 2019 regarding the City of Marion's Internal Audit Program. It was reported that all five audits completed for the 2017/18 financial year had commenced implementing finding recommendations to 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 following audits have commenced or been completed for the 2018/19 Internal Audit Program;

- Procure to Pay - completed December 2018 (FAC181211R04)
- Customer Experience - completed February 2019 (FAC190226R03)
- Tendering - completed May 2019 (FAC190528R09)
- BCP and Emergency Management - completed May 2019 (FAC190528R09)
- Cyber Security (FAC190820).

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 in the summary to give context to the comments made against each project.

RECOMMENDATION

That the Finance and Audit Committee;

- 1. Notes the status of the Internal Audit Program (Appendix 1)**

Attachment

#	Attachment	Type
1	Implementation of Recommendations - Appendix 1	PDF File

Overall Summary

Project	Findings	On Track	Overdue	Completed	Not Commenced	General Comments
Capital Works Program 2015/16			Complete (August '19)			
Corporate Performance Reporting 2016/17	4		1	3		There is 1 outstanding recommendation. The item is 50% and not on track however is currently being investigated through the metrix that matters project.
Accounts Receivable 2016/17			Complete (February '19)			
ICT Cyber Security Maturity (2016/17)	6		1	5		There is 1 outstanding recommendation. This item is 30% complete and not on track. An extension has been sought until 31 December 2019.
Policy Review (2016/17)			Complete (August '18)			
Property Portfolio Management (2016/17)	7		1	6		There is 1 outstanding recommendation. This item is not on track with the revised due date for completion by the end of September and is 95% complete.
Volunteer Management (2017/18)			Complete (August '18)			
NDIS (2017/18)	1	1				Maintain watching brief
Contractor Management (2017/18)	5		3	2		There are 3 recommendations outstanding. The items are 50% complete and not on track. Completion of one item expected by 31 December 2019.
Regulatory Fines and Enforcements (2017/18)			Complete (July '19)			
Development Assessment (Planning) (2017/18)			Complete (June '19)			
Procure to Pay (2018/19)	9			7	2	There are 2 outstanding recommendations. These are Performance Improvement Opportunities due for completion by the end of December 2019. They have not yet commenced and are awaiting the outcomes of the Business Systems Fitness Review.
Customer Experience	8	3		2	3	3 items are on track with some parts that have not yet commenced. 3 items have not yet commenced. 2 items have been completed in entirety.
Cyber Security 2019	6	3	1			3 items are on track with some parts that have not yet commenced and 1 part complete. 2 items have not yet commenced. 1 item is not on track with funding recommendation to be reviewed/confirmed.

Capital Works

RECOMMENDATION	AGREED MANAGEMENT ACTION	ACTION START DATE	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
<p>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:</p> <ul style="list-style-type: none"> • Project initiation (asset management plan/ad-hoc) • Project evaluation (concept, feasibility/business case) • Program development (budgeting, prioritisation, programming) • Program/project delivery (procurement, design, construct) • Project completion and handover <p>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).</p> <p>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.</p> <p>Improved consistency in project management should provide the City of Marion with sustained benefits including reduction and minimisation in carry overs.</p>						2019/20 Capital Works programs developed and loaded into CAMMS. Financial integration complete. Project Management Framework including business rules being finalised for provision to FAC in August	Completed	100%	Project Management Framework including business rules presented to FAC in August, completing the action.

Corporate Reporting

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
CoM investigates the ability to optimise the use of the systems, through development of purpose built reporting (e.g. From Authority) to reduce the level of manual manipulation of data.	3.3	Agreed.	30/06/2019	Not on Track	50%	This is being investigated through the metrix that matters project.	Not on Track	50%	This is being investigated through the metrix that matters project.

Cyber Security

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	ACTION START DATE	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
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.	3.4	This will be further investigated and implemented where necessary	1/05/2017	31/12/2018 revised due date 30/06/2019	Not on Track	30%	Further delays experienced due to commitment of resources to Waste Tender evaluation and Contracts restructure. Extension to 30 September 2019 requested	Not on Track	30%	Overall Cyber Security processes and contractual clauses have been provided by IT Cyber Security experts (CQ Partners). Procurement are reviewing the information for proposal of implementation. Recommendations to be submitted to ELT for approval and implementation. Extension requested until 31/12/2019.

Property Portfolio

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	ACTION START DATE	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
Contract management approaches are improved to ensure contractors are managed effectively.	1.3	Agreed	1/06/2017	Original Target Date August 2017 Revised Due Date 31/08/19 Revised Due Date 30/09/2019	On Track	95%	Key contractor meetings being set up. EOI put out for handyman/ maintenance work, panel being set up Ongoing internal checking of the use of existing panels of contractors and correction where staff go outside of process.	Not on Track	95%	Contracts are in the process of finalising the EOI for the Handyman / minor maintenance panel. 3 companies will be selected to form the panel As part of the process, it has been decided that further panels will be established with contractors for painting and Minor Building works

Contractor Management

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	ACTION START DATE	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
As part of the next training session for Contract Administrators, time is allocated to update staff on the documentation required to be formally stored and maintained in the SharePoint system.	2.2	As part of the next training session for Contract Administrators, time is allocated to update staff on the documentation required to be formally stored and maintained in the SharePoint system.	29/05/2018	28/02/2019	Not on Track	10%	Strategic Procurement Lead is currently reviewing contract management processes. Paper to be presented to ELT for endorsement with future completion date to be aged.	Not on Track	50%	Contract management education and documentation is currently in progress. Attendance at team meetings has commenced to formalise the procurement service offering of support to contract management, including implementation of KPI's, SLA's and Deliverables within contracts, as well as support in managing the supplier interaction, including Procurement attendance at 'kick off' meetings etc. Documentation and self help library currently in progress, as a shared process across CCS, COM and PAE. Completion expected by 31/12/19
It is recommended that the City of Marion considers introducing a risk based approach to manage it [sic] contractors, so that the level of effort in relation to contract management is matched to the overall contract [sic] risk.	3.1	The contract management procedure will be strengthened to provide additional guidance to Contract Administrators to promote a risk based approach to contract management activities.	29/05/2018	30/09/2018	Not on Track	10%	Strategic Procurement Lead is currently reviewing contract management processes. Paper to be presented to ELT for endorsement with future completion date to be agreed.	Not on Track	50%	It is of the view from Strategic Procurement Lead that the current procedure is adequate to manage this risk. At present, contract owners do not adequately provide evidence of the contract management undertaken. The Strategic Procurement Lead will commence attendance at the relevant Team

										Page 283
										Meetings to re-educate staff of their obligations under this procedure. Noting that risk assessments are not regularly undertaken for procurement processes at present, introduction of these will further strengthen the understanding of the risks associated. A pilot of a Tender Initiation Form is currently underway to further support these processes and elements of overall procurement and contract management.
It is recommended that the CoM investigates alternative options to the existing excel 'preferred contractor register' to assess the potential for benefits of transitioning to an alternative corporate wide IT system. The potential benefits associated with this recommendation would be: * Provide improved organisational wide visibility of the contracts registers (on a relevant user access basis).	4.1	Management will assess alternatives to the existing excel preferred contractor register and validate whether potential benefits could be realised. The outcome of this assessment will determine what further action is required. In addition, the current contract management process will be enhanced by; 2. Advice being provided to key internal stakeholders of pending existing contracts (implement by 30 June 2018). 3. Introducing tender panels of preferred suppliers for services including general repairs and maintenance, painting, plumbing and electrical (implement by 30 September 2018).	29/05/2018	30/06/2019	Not on Track	10%	Contract Management System implementation is dependent upon the outcomes of the current council-wide ICT Applications review.	Not on Track	50%	It is still of the view that a formalised contract management system should be implemented as part of the wider IT strategy and form part of a formalised implementation of an enterprise system. At present the excel spreadsheet can be utilised to understand contracts available.

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	ACTION START DATE	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
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.	0	<p>The CoM will investigate on-line invoice approval options that exist with Civica to reduce the level of manual processing that currently exists.</p> <p>The CoM will also investigate the software options available and implementation costs for automatic invoice validation.</p>	0/01/1900	31/12/2019	Not Commenced	0%	Awaiting outcomes of Business Fitness Systems Review	Not Commenced	0%	Awaiting outcomes of Business Fitness Systems Review
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 orders to invoice payments and contract, 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.	0	as above	0/01/1900	31/12/2019	Not Commenced	0%	Awaiting outcomes of Business Fitness Systems Review	Not Commenced	0%	Awaiting outcomes of Business Fitness Systems Review

Customer Experience

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	ACTION START DATE	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
<p>Internal Audit recommends that the CoM undertake a review of KPI's on a departmental basis to ensure that they reflect:</p> <ul style="list-style-type: none"> - customer expectations - where it is not possible to meet customer expectations, understand why this is not possible and have clearer communication in place to bridge the gap with customer expectations. <p>Any delays in meeting customer expectations should be accompanied by timely communication with the customer of the status of remedial actions, in order to mitigate potential dissatisfaction. This communication requirement should be reflected in the CoM customer experience procedures (see the recommendation in Finding 4). In order to gain an understanding of customer expectations the CoM may:</p> <ul style="list-style-type: none"> - undertake a survey or focus groups of customer satisfaction with the current KPI's - compare reviewed KPI time frames with other councils or similar service organisations to determine what better practice is expected by customers. 	1.2	2. Review the customer satisfaction outcomes identified from the tool and recommend changes to KPI's.		30/09/2019	On Track	40%	The survey is now out and we have trained staff on how to analyse data ready for analysis. Analysis will occur through September	On Track	50%	We have had a key person resign from the team. New starter has been recruited and will commence on the 11th November. This item will be completed by end of year

	1.3	3. Implement changes to the KPI's as identified in step 2 above.		31/12/2019	Not Commenced	0%	Will commence once 1.2 is complete.	Not Commenced	0%	Will commence once 1.2 is complete.
<p>The CoM should investigate whether standardised templates can be designed in the CES to suit departmental reporting in relation to customer experience. However, given the CES is not user friendly, it is also recommended that the CoM investigate the possible use of a CRM system that may be better support the reporting requirements (see the recommendation in Finding 3).</p> <p>The CoM should also implement regular reporting for each department in relation to customer experience and the management of their KPI's.</p> <p>In the interim, it is recommended that the CoM provide training to staff in relation to key reports they would like to extract from CES, and how to access key information in CES. This could be supported by user guides.</p>	2.3	<p>Long-term:</p> <p>Once the CoM have implemented the 'Metrics that Matter' project, management will develop a corporate report for the ELT that includes the monitoring of customer events. This report will cascade to SLT and the wider leadership team for ongoing management of customer events.</p> <p>(The completion of this action 3 is reliant on the delivery of 'Metrics that Matter' (business intelligence reporting) project, which will give the CoM the reporting capability to monitor customer events more simply. The interim report within action 2 is manual and will be replaced with the new system.)</p>		31/12/2019	Not Commenced			Not Commenced	0%	
<p>It is recommended that the CoM create formalised procedures in relation to customer experience. To create these procedures the CoM may perform customer journey maps (i.e. looking at the journey of the customer with a department of the CoM such as dealing with Development applications from the customers' point of view). Any customer journey maps created by the CoM should identify:</p> <ul style="list-style-type: none"> •any pain points for the customer •areas which are taking too long for the customer •any other relevant issues faced by the customer. <p>The CoM should then look to change or</p>	4.1	<p>Develop a 'Customer Journey Mapping' toolkit for the CoM to be able to use, linked to the Innovation Learning Lab training that staff have recently completed. Management will then map the top ten customer event type customer journeys across the CoM, developing procedures with the findings.</p> <p>As part of this project, the CoM will develop 'Customer Journey Mapping' champions across the departments to</p>		31/12/2019	On Track	20%	Customer Experience Plan endorsed 5/8/2019 by ELT which includes the development. Project has commenced with scope to be finalised by end of August	On Track	20%	Customer Experience Plan endorsed 5/8/2019 by ELT which includes the development. Project has commenced with scope to be finalised by end of August

remove the pain points in order to create a better customer experience.

develop continuous improvement opportunities.

It is recommended that the CoM undertake a review of those departments that are failing to meet KPIs in relation to meeting customer event targets and review if resourcing is a contributing factor to the delays. As part of the review, the departments should ensure that resources are being used efficiently and effectively to meet KPIs across the department and organisation.

5.1

Once the actions for Findings F1 and F2 are delivered Management will complete a review of resources within departments, making recommendations to allocate existing resources to meet customer demand.

Where efficiencies are identified and savings made across departments, Management will recommend reallocation of resources to the Customer Experience team to continue to deliver Customer Experience Plan.

31/03/2020

Not Commenced

Not Commenced

It is recommended that the CoM provide customer facing employees with:•customer experience training as part of initial onboarding•customer experience refresher training on an annual basis.It is also recommended that the CoM tailor their refresher customer experience training for current staff to be relevant to the customers they deal with. For example, the CoM could create customer personas which detail what is relevant to each customer group, as different things are important to customers depending on their needs and expectations. This information could also be obtained from a CRM.

PIO2.1

Management will investigate Customer Experience training to focus on language skills for a positive first response, including:•How to handle aggressive customers•How to 'wrap up' an interaction.Management will include formal customer experience training within the induction process (as outlined in PIO 1).Training/(s) identified will be added to the training matrices by 31 December 2019, for implementation (as a refresher course) by 30 June 2020.

31/12/2019

On Track

25%

No further action this period of time. Tanya Perry is away and other priorities in place.

On Track

70%

All tasks are now complete except for:.. How to Wrap up an interaction We have proposals from Tanya Perry and will look at formalising course content and roll out to relevant staff by the end of Q4.

It is recommended the CoM look to provide copies of the Complaints and Grievance Policy in the manner specified in section 4.5 of ISO 10002 2018 within the Customer Service Centre. The CoM should also look to provide copies of the policy online in other languages (the languages selected could be modelled on customer data if a CRM is developed). Additional internal communications should be provided to advise the organisation of the centralised complaints function that is available and explanation of how this fits into the CoM's overall Complaints and Grievance policies and procedures.

PIO3.1

This performance improvement opportunity will be investigated further and implemented based on available budget.

31/12/2019

Not Commenced

Not Commenced

0%

This item is due at the end of 2019.

Cyber Security 2019

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	ACTION START DATE	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
<p>The following opportunities for improvement were identified during our current assessment which will assist with further increasing the CoM's maturity in leadership and governance:</p> <p>1. Whilst the Cyber Security Assurance Framework and Cyber Security Operating Manual sets out key cyber security governance, processes and activities for cyber security management, there is now a need to:</p> <ul style="list-style-type: none"> • Fully implement, operationalise and embed the framework and operating manual into IT and across the organisation and develop processes so that they are followed. • Clearly define, agree and communicate Executive level accountability for cyber security within the CoM. It is important for Management to acknowledge that while third parties support the CoM to manage elements of cyber security, the associated accountability and responsibility for the management of these risks cannot be outsourced. • Ensure that policy and documentation developed by IT to support cyber security 	PIO1.1	Nil			Nil	Nil	Nil			

management is in a consistent format, using consistent versioning.									Page 291
Formally define, agree and communicate the overall Executive level accountability for cyber security within the organisation (e.g. Chief Executive), with responsibility assigned to the Manager ICT. Additionally, position descriptions and associated key performance indicators should be updated and defined as appropriate for those roles accountable and responsible.	1.1	Engage HR to develop Management position descriptions as per recommendation and develop communication plan.		31/03/2020	Nil	Nil	Nil	Not Commenced	Meeting with HR to be scheduled to review PD wording for inclusion
Fully implement and embed the Cyber Security Assurance Framework and Cyber Security Operating Manual into IT and across the organisation and develop processes to ensure that they are followed. Furthermore, while there is intent and commitment for the CoM to	1.2	Implement and embed a change management plan for cyber security awareness and continue to align where appropriate to ISO27001:2013.		30/06/2020	Nil	Nil	Nil	On Track	50% Cyber Security Assurance Framework and Operating Manual are managed by an annual review in the Cyber Security Assurance Program and listed as an annual activity. A gaps analysis has

align to the requirements of the ISO 27001:2013 standard, it is recommended that the CoM only implements those elements relevant and necessary to adequately manage cyber security risks in line with the nature and size of the organisation. It may also be appropriate for the CoM to use relevant aspects of other cyber security industry standards, such as NIST, in conjunction with ISO 27001.										
As part of implementing and embedding the Cyber Security Assurance Framework and Cyber Security Operating Manual, confirm that the relevant policies, procedures and guidelines are documented (in a consistent format, using consistent versioning), communicated and made available to all relevant staff.	1.3	Work to update documents into a consistent CoM format.		30/06/2020	Nil	Nil	Nil	On Track	50%	Both Cyber Security Assurance Framework and Operating Manual are being updated to align with the ICT Policies and updated to a consistent format with versioning.
1. There is currently no mechanism through which to assess, monitor and improve staff attitudes and understanding of cyber security across the organisation, such as surveys.	PIO2.1	0		0/01/1900	Nil	Nil	Nil			
2. The CoM last conducted a staff phishing exercise in 2017/18 and the last physical social engineering exercise was in March 2018. It is expected that these types of live assessments would be conducted on an annual basis.	PIO2.2			0/01/1900	Nil	Nil	Nil	On Track	20%	Scoping the requirements to including this as a standing item in the Cyber Security program to seek budget.
Whilst it is noted that staff are tested at the end of each module within the current online security training, the CoM should also consider adding a few questions on cyber security to the existing Pulse survey to measure the	2.1	Review Pulse Survey appropriateness for cyber security questions, further develop security awareness program questions.		31/03/2020	Nil	Nil	Nil	On Track	10%	The Pulse Survey is not the correct vehicle to include Cyber Security awareness. ICT will engage with HR and consider other means

strength of understanding and awareness of cyber security across the organisation. The output from this can then be used to tailor and further refine the current cyber security awareness program.										
Conducting more regular phishing assessments of staff (e.g. annually) so that staff are provided more training and awareness opportunities and to assist in uplifting employee focus on cyber security as part of performing their day-to-day activities.	2.2	Review effectiveness of cyber security awareness program with the view to adjust frequency of phishing scans as required.		30/06/2020	Nil	Nil	Nil	On Track	10%	HR will engage with ICT to plan the review of the ICT security awareness program.
The following were identified as areas for improvement in the 2017 report which have not been fully addressed by the CoM through the activities undertaken since 2017: 1. There is currently limited definition of the associated requirements that staff must comply with for the sharing of information both internally and externally (including USBs and third-party sharing sites).	PIO3.1 (2017)	0		0/01/1900	Nil	Nil	Nil			
2. There is currently no formally documented IT asset management policy or associated procedures in place to document requirements relating to IT asset management, including asset review for completeness and accuracy. Furthermore, whilst hardware and some software based asset registers exist, there is currently no record of information assets.	PIO3.2 (2017)	0		0/01/1900	Nil	Nil	Nil			
3. A formal cyber risk assessment has not been performed over all critical assets across the business,	PIO3.3 (2017)	0		0/01/1900	Nil	Nil	Nil	On Track		Meeting set up with ICT to undertake the risk assessment

including both tangible and intangible assets.										
<p>The following have been identified as areas for improvement in 2019 to increase the CoM's cyber security maturity relating to the Information Risk Management:</p> <p>1. Whilst cyber security obligations have been identified and provided to Procurement for consideration in third party agreements, this has not been formalised or endorsed. It is also noted that the onus is still currently on the individual department engaging with the third-party vendor to ensure that appropriate due diligence has been performed prior to formally engaging the third party.</p>	PIO3.1 (2019)	0		0/01/1900	Nil	Nil	Nil	On track		Meeting set up with ICT & Procurement to develop a process
<p>While the CoM adheres to the State Records Act for information classification, this is only limited to information stored in the electronic records management system. For information classification to be fully implemented in an organisation, we would expect all information assets to be covered (e.g. IT systems and hardware).</p>	PIO3.2 (2019)	0		0/01/1900	Nil	Nil	Nil			
<p>CoM currently records their technical IT risks in two separate registers within SharePoint, a vulnerabilities register and an ICT risk register. However, there is no visibility of this corporately and no centralised, consistent and proactive process for cyber and IT related risks and vulnerabilities, to be reported to Executive, so that it can be</p>	PIO3.3 (2019)	0		0/01/1900	Nil	Nil	Nil	On Track	50%	ICT have further developed the ICT Vulnerabilities Register in CoMConnect to roll up significant ICT and Business Risks to the Corporate Risk Register making the ICT Risk register redundant. Risk to confirm this is

tracked and managed centrally.									Page 295 Assessable given appropriate parties (Risk, ICTSC etc) can view the items..
<p>The following should be considered as recommendations for increasing maturity in the Information Risk Management domain, particularly when implementing, operationalising and embedding the Cyber Security Assurance Framework and Cyber Security Operating Manual:</p> <p>1. Clearly define and communicate the requirements for sharing of information both internally and externally. Consideration should be also given to implementing controls for removable and portable media control as part of a data loss prevention strategy, such as storage, handling, whitelisting allowed USB devices, encryption and destruction.</p>	3.1	Implement a Data Governance Framework to classify CoM's information and define appropriate resources to manage this function to communicate requirement for information sharing.		31/03/2020	Nil	Nil	Nil	On Track	The Data Governance Framework Document has been developed and endorsed by ICT Steering Committee. ICT Structure being reviewed and role definition for accountability of this function will form a part of the review.
2. Formally define the requirements for IT asset management and document the associated processes in place, including relating to the periodic review of asset registers for completeness and accuracy. Perform an assessment to identify and document tangible and intangible assets (physical, logical and information assets) across the organisation and clearly assign ownership. Once	3.2	Work with Strategic Asset Department to include ICT Assets in line with Asset Management Strategy.		30/06/2020	Nil	Nil	Nil	Completed	Have met with the Asset Team and defined the ICT Asset Classes and will fall in line with the strategic asset review process timing.

established, classification of information assets should also occur.									
3. Perform a formal risk assessment over tangible and intangible critical assets to ensure that all cyber security related risks are appropriately tracked, managed and mitigated, where possible. Ensure that risks are captured in a formal register.	3.3	Review and include ICT assets in risk assessment process.		30/06/2020	Nil	Nil	Nil	On Track	Meeting set up with ICT to undertake the risk assessment
4. Formalise and have the Executive Leadership Team endorse the cyber security obligations to be included in all third-party contracts. 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 the CoM's minimum requirements.	3.4	Contracts to include cyber security clauses into standard contracts.		31/12/2019	Nil	Nil	Nil	On Track	Overall Cyber Security processes and contractual clauses have been provided by IT Cyber Security experts (CQ Partners). Procurement are reviewing the information for proposal of implementation. Recommendations to be submitted to ELT for approval and implementation by current due date
4. Formalise the IT risk register and the vulnerabilities register process so that IT and cyber risks are translated into business impact and raised up to the CoM strategic risk register. In addition, a centralised IT and vulnerabilities register should be implemented to capture known risks, issues and exceptions that can be tracked and monitored.	3.5	Work with Risk Department to implement process for ICT risks to roll up to corporate risk register.		31/12/2019	Nil	Nil	Nil	On Track	50%

<p>As per the recent Business Continuity, IT Disaster Recovery and Emergency Management Internal Audit, the following finding was raised with Management actions agreed:</p> <p>1.While a Technical Impact Assessment has been completed and documented by the IT team, which provides an ICT focus and is used to inform the ICT Site Recovery Plan, a holistic Business Impact Assessment (BIA) has not been undertaken for the CoM to identify and prioritise critical business processes. The BIA will allow the CoM to identify and prioritise the critical business processes across the organisation, including maximum allowable outage periods.</p> <p>2. Following completion of the BIA, the IT outcomes should be communicated directly to IT, so that IT can ensure appropriate IT disaster recovery solutions, plans and processes are in place and aligned to business requirements.</p> <p>1.Ensure that defined recovery objectives have been communicate and validated with IT to ensure that these are achievable.</p>	PIO4.1	Nil		0/01/1900	Nil	Nil	Nil	On Track		
	PIO4.2	Nil		0/01/1900	Nil	Nil	Nil	Not Commenced		
	4.1	1.Review validity of departmental recovery objectives and in conjunction with Risk Department run BCP workshops where recovery objectives are unrealistic or unachievable.		30/06/2020	Nil	Nil	Nil	Not Commenced		

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BIA scope has been developed for approval and subsequent procurement of appropriate contractor to undertake

Based on the size and nature of the CoM business and the supporting IT environment, and the role which CQR provides to the CoM for supporting technical cyber security elements, we have not provided any further specific recommendations to improve current maturity in this domain. However, we would encourage Management to continue to invest as appropriate in technology solutions as changes are considered and made throughout the organisation and to the IT environment, and as the external cyber landscape changes.	5.1	Continue to invest in Cyber Security program and appropriate technology.		Ongoing	Nil	Nil	Nil	Not on Track	50%	Cyber security program looks to have its budget halved in future years based on cross council recommendations. This will diminish the investment in ICT security and decrease CoM's Security position. Funding recommendation will need to be reviewed/confirmed.
The following were identified as areas for improvement in the 2017 report which have not been fully addressed by the CoM through the activities undertaken since 2017: 1. Whilst an informal compliance assessment has been undertaken by Corporate Governance, this has not been formalised or communicated. There is also no central register maintained to ensure that all areas of CoM are aware of and comply with all relevant statutory, regulatory or contractual requirements, industry based requirements (such as PCI-DSS) or industry better practice relating to cyber security where deemed relevant (such as ISO/IEC 27001).	PIO6.1	0		0/01/1900	Nil	Nil	Nil			

<p>The following should be considered as a recommendation for increasing maturity in the Legal and Compliance domain:</p> <p>1.Consider improving and formalising the current information security compliance program to ensure that all statutory, regulatory, contractual and industry based (such as PCI-DSS) requirements are well understood, analysed, implemented and monitored. IT, in conjunction with Corporate Governance, should ensure that all cyber security related compliance obligations are assessed and incorporated into the development of the policy framework.</p>	6.1	1.ICT will, in conjunction with Corporate Governance, review processes identifying legislative change to cyber security to be incorporated into future policy governance frameworks.		Ongoing	Nil	Nil	Nil	Not Commenced		<p>Meeting with Corporate Governance required to clarify the process</p>
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WORKSHOP / PRESENTATION ITEMS - Nil

OTHER BUSINESS

MEETING CLOSURE