

His Worship the Mayor
Councillors
City of Marion

Notice of Finance, Risk and Audit Committee

Council Chamber, Council Administration Centre
245 Sturt Road, Sturt

Tuesday, 14 December 2021 at 2.00 pm

The CEO hereby gives Notice pursuant to the provisions under Section 83 of the *Local Government Act 1999* that a Finance, Risk and Audit Committee 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. Due to COVID-19, interested members of the community are welcome to attend by electronic means. Access to the meeting is via the link published on the City of Marion website (<https://www.marion.sa.gov.au/about-council/council-meetings/council-meeting-livestream>) on the day of the meeting.



Tony Harrison
Chief Executive Officer

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1 Open Meeting**2 Kaurna Acknowledgement**

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

3 Elected Member Declaration of Interest (if any)**4 Confirmation of Minutes****4.1 Confirmation of Minutes of the Finance and Audit Committee Meeting held on 12 October 2021**

Report Reference	FRAC211214R4.1
Originating Officer	Unit Manager Governance and Council Support – Victoria Moritz
Corporate Manager	Manager Office of the Chief Executive – Kate McKenzie
General Manager	Chief Executive Officer – Tony Harrison

RECOMMENDATION

That the minutes of the Finance and Audit Committee Meeting held on 12 October 2021 be taken as read and confirmed.

ATTACHMENTS

1. FAC211012 - Final Minutes [4.1.1 - 17 pages]



**Minutes of the Finance and Audit Committee
held on Tuesday, 12 October 2021 at 2.00 pm
Council Chamber, Council Administration Centre
245 Sturt Road, Sturt**



**PRESENT**

Ms Emma Hinchey (Chair)
Ms Nicolle Rantanen
Mr David Papa
Councillor Maggie Duncan

In Attendance

Chief Executive Officer - Tony Harrison
General Manager City Services - Tony Lines
General Manager Corporate Services - Sorana Dinmore
General Manager City Development - Ilia Houridis
Chief Financial Officer – Ray Barnwell
Acting Manager Office of the CEO - Sherie Walczak
Unit Manager Governance and Council Support - Victoria Moritz
Manager IT Operations – Michael Bowden
Mr Eric Beere (KMPG)
Ms Heather Martens (KPMG)
Mr Lee Girolamo (Deloitte Touche Tohmatsu)

1 Open Meeting

The Chair opened the meeting at 2.01pm.

2 Kurna Acknowledgement

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

3 Elected Member Declaration of Interest (if any)

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

The following interests were disclosed:

- Ms Emma Hinchey declared a perceived conflict of interest in the item *Annual Financial Statements for the financial year ended 30 June 2021* as she is a Committee Member on the SRWRA Audit committee.
- Ms Rantanen declared a perceived conflict of interest in the item *Annual Financial Statements for the financial year ended 30 June 2021* as she is a Committee Member on the board of CAWRA (Central Adelaide Waste and Recycling Authority) Audit Committee.



4 Confirmation of Minutes

4.1 Confirmation of Minutes of the Finance and Audit Committee Meeting held on 17 August 2021

Report Reference FAC211012R4.1

Moved Ms Rantanen

Seconded Councillor Duncan

That the minutes of the Finance and Audit Committee Meeting held on 17 August 2021 be taken as read and confirmed.

Carried Unanimously

5 Business Arising

5.1 Business Arising Statement - Action Items

Report Reference FAC211012R5.1

The Committee noted the Business Arising Statement, meeting schedule and upcoming items and made the following comments:

- The Committee queried our intent regarding COVID-19 vaccinations and how we are continuing to respond to the pandemic. Management advised they are continuing to follow guidelines and directions from SA Health to provide a continuity of services. No policy position has been set around vaccinations as yet, as there has been no clear guidelines from the Government to enable us to enforce this. Management is offering flexibility to staff receiving vaccinations during work hours. Regular discussions occur with the Executive Leadership Team to discuss evolving situations and potential scenarios. The organisation is well equipped to engage a Team A and Team B working environment if needed or transition to working from home. It was also noted that Volunteers and Staff working with disability and aged care services are complying with regulations.
- The Committee requested the scheduled Work Program and Business Arising be thoroughly reviewed prior to the next meeting.

Moved Ms Rantanen

Seconded Mr Papa

That the Finance and Audit Committee:

1. Notes the business arising statement, meeting schedule and upcoming items.

Carried Unanimously



6 Reports for Discussion

6.1 Elected Member Report

Report Reference FAC211012R6.1

The Committee noted the Elected Member Report and queried when the Section 48 Report relating to the Cove Sports and Community Club would be coming through to the Committee and requested this be added into the scheduled Work Program. Staff Indicated they are aiming for the Section 48 report to be brought to the Committee for review and comment in the February 2022 meeting.

The Committee also queried the Fraud and Corruption Matter with staff confirming there were no budget or risk implications although there was current discussion around the process of notification. Management advised that processes were being reviewed and updated to ensure timely reporting.

Action: Add Cove Sports and Community Club Section 48 Report to the FAC Work Program for February (to be confirmed)

Moved Ms Rantanen

Seconded Mr Papa

That the Finance and Audit Committee:

1. Notes this report.

Carried Unanimously

ORDER OF AGENDA

The Chair sought and was granted leave of the meeting to vary the order of agenda items and consider item 6.4 *Meeting with External Auditors in Confidence* next on the agenda.

6.4 Meeting with the External Auditors in Confidence

Report Reference FAC211012R6.4

Moved Councillor Duncan

Seconded Ms Rantanen

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 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.

Carried Unanimously

2.20pm the meeting went into confidence



Moved Councillor Duncan

Seconded Ms Rantanen

That the Finance and Audit Committee:

1. Include the following comments within the minutes:

The Committee met with the External Auditors without management present. In response to questions, the Auditors commented that the audit process had been smooth and an improvement on last year as they were able to meet face to face with staff this year. The management team were cooperative and open to questioning. The communication between both groups was of a high standard and the finance team responded appropriately to all discussions.

Carried Unanimously

2.27pm the meeting came out of confidence.

ORDER OF AGENDA

The Chair sought and was granted leave of the meeting to vary the order of agenda items and consider items 6.2 *Independence of Council's Auditors* and 6.3 *Annual Financial Statements for the year ended June 2021* next on the agenda.

6.2 Independence of Council's Auditors

Report Reference FAC211012R6.2

Mr Lee Girolamo from Deloitte Touche Tohmatsu was present for the item and confirmed the statement attesting to their independence.

Moved Mr Papa

Seconded Ms Rantanen

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 2020/21 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 2020/21 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 2020/21 financial year.

Carried Unanimously



6.3 Annual Financial Statements for the year ended 30 June 2021

Report Reference FAC211012R6.3

The Chief Financial Officer provided a summary of the item noting, the 2020-21 Annual Financial Statements demonstrate Council's continued strong financial performance, providing a sound basis for long-term objectives set out in the Strategic Plan.

There were no audit findings in relation to the Annual Financial Statements and Council's auditors have indicated that they expect to issue an unmodified audit opinion. In relation to the assessment of Council's internal control environment there were no new findings this year. There are two recommendations being carried over from the prior year, both with an insignificant risk rating, which will be addressed with the implementation of council's new Finance System and Asset Management Information System (AMIS).

The annual accounts show councils robust financial position with an Operating Surplus of \$256k (0.26%) within the targeted range of 0- 10%. The operating result in 2020-21 reflects the impact of a zero rate increase in 202-21 and the significant contribution to developing our streetscapes and the progression of council's digital transformation projects.

The Committee noted the Annual Financial Statements and made the following comments:

- The Committee sought clarity on how items are categorised and noted the significant contribution to streetscapes in the operating costs
- The line allocated to 'sundry' expenses appeared high this year in comparison to last year. Staff advised a large portion of this was in relation to streetscape projects and contributions including Destination Playspace at Glenthorne \$1m, Birch Street and Alawoona Avenue (1.9m). The Birch crescent streetscapes while located within City of Marion is mainly on land along the rail corridor not owned by City of Marion. Grant funding of \$1.8m was received for these works. Staff will amend the notes in the accounts to reflect this movement in sundry expenses. . It was further noted that there are both capital and operational elements to these works.
- When planning for next year's budget, it was noted that the final project list is scheduled to be finalised by end of March 2022 and teams are working collaboratively to ensure the accuracy of the classification of works between capital and operating.
- The Committee noted the revaluation of infrastructure assets down due to the asset data cleansing activities prior to the implementation of the new AMIS and independent valuation. The Committee sought to ensure there was consistency in how these changes are treated through the revaluation reserve. It was noted most of the revaluation adjustment related to the stormwater assets under arterial roads which are not the responsibility of the City of Marion. The Committee requested the notes to the Financial Statements include further reference to AASB 101 and 108. The Committee noted the Rate Revenue Ratio talk about council reliance on rates and need for council to seek alternative sources of income. Is this realistic – finding other sources. Staff acknowledged that the core source of council revenue will always be from rates but seeking other sources of revenue to support this is beneficial. It was noted that of councils total revenue for the 2020-21 year included \$19.361m due to the attraction of grant funding.
- It was noted the working capital ratio target being between 1 and 1.1 but actual for the past 3 years is substantially above that – should council be adjusting this target to make it useful? Staff commented that there is substantial funding quarantined for multi-year major projects including the \$13.05m BMX and Soccer facilities set to be delivered by March 2022. As we progress these and other projects this will have a significant impact on this ratio. Management's view is that we should still have the target set between 1.0 and 1.1 and continue to keep rates low and utilise the available cash to complete the quarantined projects which will bring council closer to the targeted ratio.

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- The Committee commented it would be good to see ratios run out under bottom line of the Long Term Financial Plan when presented next year to see how all the ratios are tracking in the longer term.
- The Committee queried the asset consumption ratio target of 80-100 noting the comment that 40 – 80% is considered reasonable. It may be appropriate to review the target for this ratio. The committee also queried whether this ratio was still commonly used or whether the Asset Renewal Funding Ratio was the key ratio.
- The Committee noted the net financial liabilities is indicating council is collecting rates before residents are seeing the benefits. Staff commented with the current cash position and expending the funding quarantined for projects over the next 12-18 months will bring this ratio back in line. The ratio reflects the amount of funding set aside for these major multi-year projects which are ongoing with many set for completion in 2021-22.
- Committee queried why employee leave expenses reduced in 2021. Staff confirmed this reflects all movements of provisions. The prior year data reflects the reduction in annual leave taken due to COVID pushing up last year's figures slightly higher than would have been expected.
- The Committee commended the work that had gone into the preparation of the accounts, noting they are always presented well with minimal errors.

Action: The Committee requested an amendment to the notes in the accounts to identify the grant contributions included in the Sundry expense line.

Action: The Committee requested the notes to the Financial Statements include further reference to AASB 101 and 108.

Action: The Committee requested that the ratios be shown under the figures in the Long-Term Financial Plan when it is next presented.

Moved Councillor Duncan

Seconded Ms Rantanen

That the Finance and Audit Committee:

1. Recommends to Council that the audited Annual Financial Statements for the year ended 30 June 2021, as included at Attachments 3-4, be adopted.
2. Notes Deloitte's management letter, as included at Attachment 5.
3. Notes the comparative analysis to prior year audited Annual Financial Statements and original adopted 2020-21 budget (Analytical Review), as included at Attachment 2.

Carried Unanimously

ORDER OF AGENDA

The Chair sought and was granted leave of the meeting to vary the order of agenda items and consider item 6.6 *Internal Audit 2021/22 – Plan and Scope (Fraud and Corruption, Community Facilities, Management Model, Scope Collaboration)* next on the agenda.



6.6 Internal Audit 2021/22 - Plan and scope (Fraud and Corruption, Community Facilities Management Model, Scope Collaboration)

Report Reference FAC211012R6.6

Ms Heather Martens and Mr Eric Beere from KMPG introduced the item and provided an overview of the Internal Audit Reviews and Collaborative Scopes. The following comments were noted:

Community Facilities Management Model Internal Audit Review

KMPG commented:

- The scope of the review looked at a variety of models across the three councils. When looking at each model, key considerations included leasing and licensing, policy, governance maintenance and capital replacement.
- Although there was a wide variety of models in place, there was a key focus on financial sustainability to deliver the models and how each model delivered on strategic objectives and outcomes.
- Key considerations include next steps with the appropriate model, how City of Marion effectively delivers on its outcomes and building on the output from the review, identifying some of the improvements. Other matters include looking at the Leasing and Licensing policy as part of the next phase and a supporting leasing system to manage invoices etc.
- Identified key recommendations to streamline the process and governance reporting enforcing critical obligations and requirements.
- The scope was interpreted as indirect support required, focusing on the correlation between the model and outcomes and single use facilities.

The Committee provided the following feedback:

- Process appears manual and administrative in nature from an officer's perspective and queried whether this is being considered. Management advised property management is captured broadly through the DTP. There is an opportunity towards the end of the DTP project to review leasing and include further process mapping.
- The review appeared reminiscent of work already undertaken on leasing and licensing and as a result of the scope, the committee was expecting to see further outcomes and whether the chosen model is working for the community.
- The committee raised concern that the audit does not tell us if the model is the right fit for the City of Marion and that further exploration into the management model (why, what, how) could done.
- The recommendations and outcomes seem positive and encouraged the continual momentum and overall work on the framework.

Fraud Framework Internal Audit Review

KPMG commented:

- The Framework was reviewed against KPMG's 15-point better practice model as well as sample testing, with an overall positive report.



- City of Marion compares favorably against the other councils, however small opportunities were identified.
- KPMG commented on the good practice of the Internet Portal to educate staff.
- The foundational elements are there and acknowledged the commitment of senior managers.
- It was noted additional training around fraud and corruption, would help to raise awareness more broadly with staff.
- The Internal Control Framework is good and contributes to lower fraud risk
- The fraud risk assessment has been undertaken at a high-level, however this could be reviewed in more detail.
- Pre-employment screening could be improved through a formalised process
- Better practice for fraud detection could be to have an anonymous hotline / chatline to increase channels for people and provide an extra avenue for reporting.

The committee provided the following feedback:

- Queried whether the amendments and changes to ICAC would impact the review, how are we going to adjust and what measures will be put in place to close the gap?
- Management confirmed this would be achieved through encouraging internal reporting and that the organisation would continue with business-as-usual utilising current reporting practices until advised otherwise. The transition to the new system would not occur until mandated practices were in place to maintain continuity.
- The Committee commented on the high level maturity compared to other councils and queried whether using only councils is the right comparison level. Consider looking at the private sector, State Government, etc. as this may result in greater learnings. KPMG advised that by addressing the recommendations, this would then align to the levels obtained in the private sector and in State Government.
- The committee raised concerns over the fraud cover of \$500,000 which seems low and questioned whether there was an option to increase insurance coverage.
- The committee questioned whether the cab charges process was still relevant or required.

Action: Investigate the option of increase the insurance for fraud cover

Health Check (Collaborative) Scope

KMPG provided an overview of the scope, noting that it has been reviewed and signed off by the other two councils. It was also noted there was an understanding within the agreement that the project is clearly defined, measured and reported.

The Committee provided the following feedback:

- The scope could be expanded to include reviewing whether we have adequately captured risks as a result of the approach, and whether we have articulated risk and documented controls appropriately.



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- It was suggested the audit could identify whether we are getting value from the outcomes and sought clarity on the benefits of the program and the value to the City of Marion as a result of the collaboration.
- Appreciated seeing previous comments that have been considered and incorporated.

Contract Management (Collaborative) Scope

The Committee commented on the corrective action as a consequence of the review and queried the reporting exception report which would close the loop in this space.

Moved Ms Rantanen

Seconded Councillor Duncan

That the Finance and Audit Committee:

1. Endorses the Community Facilities Management Model Internal Audit Review
2. Endorses the Fraud Framework Internal Audit Review
3. Endorses the Collaborative Project(s) Health Check (Collaborative) Scope
4. Endorses the Contract Management (Collaborative) Scope

Carried Unanimously

ORDER OF AGENDA

The Chair sought and was granted leave of the meeting to vary the order of agenda items and consider item 7.3 *Internal Audit Program – Implementation of Recommendations* next on the agenda.

7.3 Internal Audit Program - Implementation of Recommendations

Report Reference FAC211012R7.3

Moved Ms Rantanen

Seconded Mr Papa

That the Finance and Audit Committee:

1. Notes the status of the Internal Audit Program (Attachment 1).

Carried Unanimously

ORDER OF AGENDA

The Chair sought and was granted leave of the meeting to vary the order of agenda items and consider item 9.1 next on the agenda.



9.1 Cover Report - 2020-21 ACSC Annual Cyber Threat Report

Report Reference FAC211012F9.1

Moved Ms Rantanen

Seconded Mr Papa

That pursuant to Section 90(2) and (3)(e) of the *Local Government Act 1999*, the Council orders that all persons present, with the exception of the following persons: Chief Executive Officer, General Manager City Development, General Manager Corporate Services, General Manager City Services, Manager Office of the CEO, Chief Financial Officer, Manager IT Operations, Unit Manager Governance and Council Support and Governance Officer, be excluded from the meeting as the Council receives and considers information relating to 2020-21 ACSC Annual Cyber Threat Report, upon the basis that the Council 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 internal and external security assessments.

Carried Unanimously

3.40pm the meeting went into confidence.

Moved Ms Rantanen

Seconded Mr Papa

In accordance with Section 91(7) and (9) of the *Local Government Act 1999* the Council orders that this report, 2020-21 ACSC Annual Cyber Threat Report, any appendices and the minutes arising from this report having been considered in confidence under Section 90(2) and (3)(e) 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 2021.

Carried Unanimously

4.01pm the meeting came out of confidence.

6.5 Finance and Audit Committee Annual Report to Council 2020/21

Report Reference FAC211012R6.5

The Committee noted the Finance and Audit Committee Annual Report to Council 2020-21 and advised that they will be providing an Addendum to the report which will address outcomes from the Bi-Annual Effectiveness Survey.

Moved Councillor Duncan

Seconded Ms Rantanen

That the Finance and Audit Committee:

1. Endorses the Annual Report to Council for 2020/21 provided at Attachment 1 to this report, subject to amendments as required, prior to being presented to the General Council meeting on 26 October 2021.

Carried Unanimously

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6.7 Results of the Bi-Annual Performance and Effectiveness Review of the Finance and Audit Committee

Report Reference FAC211012R6.7

The Committee noted the results of the Performance and Effectiveness Review for 2021, identifying that improvements to be implemented will be included in an Addendum to the Finance and Audit Committee Annual Report to Council. The Committee also provided the following feedback was provided:

- The Committee was disappointed to see the low response rate and suggested the process could be reviewed with the questions to better reflect the results of committee and breakdown of membership to assist in identifying where appropriate action can be taken.
- The Committee would like to see more than one Council Member on the Committee and suggested they could look at the timing of the meetings to make this more accessible to Council Members who may work during the day.
- Requested management to provide recommendations on areas for improvement.

Management commended the Committee for their work recognising the importance of what they do. They noted that the current process is very robust with genuine and adequate level of skills and knowledge. Senior Executive will continue to look at improvement processes and value adding with a focus on constructive scrutiny across the organisation.

There may be an opportunity to determine how the Committee can be more complementary to assist the Chief Executive Officer and Executive Leadership Team to continue to improve good governance and improved alignment. These practices are currently being analysed to determine governance reporting, responsibilities, new committees and reporting processes and greater independence.

6.8 Strategic Risk Report

Report Reference FAC211012R6.8

Ms Walczak introduced the item and provided the following background and comments:

- A key recommendation from a previous Audit was that a Strategic Risk Register be developed.
- A desktop review of City Charles Sturt and Port Adelaide Enfield resulted in a draft report to the Committee with feedback given around number of risks and strategic level identifying that some of the risks could be combined.
- A workshop was undertaken with the Executive team to further develop the Strategic Risk Register.



- The timing of this work falls at the end of the current Strategic Plan, however it will give us a good foundation heading into next 4-year plan.

The Committee praised the report noting the evolution was evident and acknowledged previous feedback had been considered and incorporated. An improvement would be to tie the major projects in the business plan into the strategic risks so that the correlation between the two was evident.

Moved Mr Papa

Seconded Ms Rantanen

That the Finance and Audit Committee:

1. Review and provide feedback on the Strategic Risks

Carried Unanimously

6.9 Service Review Program and Recommendations Progress Update

Report Reference FAC211012R6.9

The Committee noted the Service Review Program and Recommendations Progress Update and provided the following feedback:

- Noted the good progress on the Neighbourhood Centres recommendations
- Queried the recommendations relating to the Fleet Management and whether any recommendations that related to procurement would be implemented before or during the procurement.

Staff acknowledged the comments made by the committee and provided the following comments:

- Monthly catch ups are occurring with the three partner councils and the joint fleet manager to coordinate the implementation of recommendations with any purchasing.
- Currently investigating the use of joint fleet and not just purchasing across the councils. It was noted the Irrigation Construction Team are sharing implementation plant and people.

4.18pm Ms Rantanen left the meeting

Moved Councillor Duncan

Seconded Mr Papa

That the Finance and Audit Committee notes:

1. That the future approach to the Service Review Program is under development.
2. Implementation progress of the Service Review Program recommendations (Appendix 1).

Carried Unanimously

4.21pm Ms Rantanen re-entered the meeting



7 Reports for Noting

7.1 Annual Investment Report 2020-21

Report Reference FAC211012R7.1

The Chief Financial Officer introduced the item and provided an overview of the 2020-21 Investment Performance identifying that Council recorded a favourable result against the benchmark indicator, further noting a favourable result has been experienced each Financial Year since 2007/08.

The Committee noted the good result and provided the following feedback:

- The positive result highlights the amount of money council has, which in current market conditions is not attracting a lot of interest.
- The Committee discussed exploring offering discounts for ratepayers payments made in full and what fines we are charging for late payments, however acknowledged there was balance of equity that needed to be taken into consideration. Staff commented that rewarding the 6% who could afford to pay upfront would be unfair to those who would not be in a position to do so and the equity and fairness of the option would need to be considered.
- The only investment currently is investing in term deposits and the like, questioning whether there was any opportunity to expand. It was noted, given the legislative requirements, this was unlikely.

4.27pm Councillor Duncan left the meeting.

Moved Ms Rantanen

Seconded Mr Papa

That the Finance and Audit Committee:

1. Notes the Investment Performance Report 2020/21.

Carried Unanimously

7.2 Debtors Report

Report Reference FAC211012R7.2

4.29pm Councillor Duncan re-entered the meeting

The Committee noted the report and the annual update provided in relation to the outstanding balances in Rates Debtors and Sundry Debtors and commented:

- It appears regulatory services debtors are challenging to get paid. Staff advised this is challenging due to the difficulty in trying to recover smaller amounts legally as well as a change in the planning code resulting in more building requirements which could be an escalating issue.
- Suggested implementing a more robust process and consider requesting payment first.
- There was an error on P259 which should be no new applications since November 2020 instead of November 2021.



Moved Mr Papa

Seconded Ms Rantanen

That the Finance and Audit Committee:

1. Note this Report

Carried Unanimously

7.4 External Audit Tender

Report Reference FAC211012R7.4

The Finance and Audit Committee noted the proposed process and timeline for the upcoming external audit tender and provided the following feedback in relation to the proposed process:

- Expressed concerns regarding a joint assessment panel and whether this would deliver the best outcome for the City of Marion. The Committee commented on the procurement value in the tender, identifying the concept of value may differ from council to council raising concerns if a compromise is reached, this may not be the best outcome for the City of Marion.
- Further concerns were raised as to whether the eligible field would be limited with any potential interests declared, precluding the City of Marion from selecting an auditor who may be eligible for us, but not another council.
- Highlighted the importance of ensuring there is rigor around the process, and that it is open and transparent. The Committee suggested including the rationale for those who are selected to tender.
- Requested that a City of Marion Finance and Audit Committee member be involved to ensure independence and integrity over the process with a successful outcome for the City of Marion.

Staff acknowledged the comments made by the committee and provided the following comments:

- The councils are committed to ensuring there is equal representation and working together to ensure the objectives of the tender are aligned to what is important which is essentially providing value to ratepayers.
- The joint collaboration removes the duplication of effort in the tender process
- Management acknowledged they are committed to the collaboration, however are also aware to ensure that there is no disadvantage through the process. It was noted the questions will be reviewed.

Action: The Committee requested that a member of the Committee participate in the Tender Evaluation Process to enable the Committee to provide an informed recommendation to Council on the appointment of the auditor in compliance with the requirements of Section 128 of the Local Government Act 1999.



Moved Ms Rantanen

Seconded Mr Papa

That the Finance and Audit Committee:

1. Note the proposed process and timeline for the upcoming external audit tender and provide any feedback in relation to the proposed process

Carried Unanimously

7.5 Digital Transformation Program Update

Report Reference FAC211012R7.5

The Committee noted the update on the Digital Transformation Program and update on the status of the projects as of October 2021 and provided the following comments:

- The Committee noted the ESRI and Payroll systems had been implemented and queried whether there was a post implementation review to capture and document learnings. Staff advised they are currently in the process of undertaking the payroll review. ESRI was very well accepted, with a second stage added to the project. A final review will be conducted once the final stage is complete. It was confirmed a post implementation review would be undertaken a documented for each project.
- It was noted we are in the initial scoping stages determining the appropriate criteria to reduce fraud through the invoicing process.
- The Committee noted some of the reporting data was out of date, although this has been updated through the DTP committee.
- Concerns were raised in relation to the accountability and tracking of the recommendations. It was suggested there be a central location for tracking all actions from all projects and this clearly sets out action owners, due dates, updates etc enabling a transparent overview. It was noted the recommendations are tracked through the internal audit and that these are also linked to the Governance Framework, however the Committee highlighted the benefit of a central implementation record.
- The Committee commented on the retention of key IT staff, noting that this continues to be a challenge and suggested starting the recruitment process at a higher level and equal to what the market is paying.
- The Committee also highlighted the importance of using clear and consistent language so there is no ambiguity as to what is happening, this is clear and transparent.

Moved Ms Rantanen

Seconded Mr Papa

That the Finance and Audit Committee note:

1. The update on the Digital Transformation Program
2. Management's remediation actions on IT governance as recommended by both KPMG and EQI Consulting.

Carried Unanimously



10 Other Business

11 Meeting Closure

The meeting shall conclude on or before 5.00pm unless there is a specific motion adopted at the meeting to continue beyond that time.

The meeting was declared closed at 4:58pm.

CONFIRMED THIS 14TH DAY OF DECEMBER 2021.

CHAIRPERSON

5 Business Arising

5.1 Business Arising Statement - Action Items

Report Reference	FRAC211214R5.1
Originating Officer	Unit Manager Governance and Council Support – Victoria Moritz
Corporate Manager	Manager Office of the Chief Executive – Kate McKenzie
General Manager	Chief Executive Officer – Tony Harrison

REPORT OBJECTIVE

The purpose of this report is to review the business arising from previous meetings of the Finance, Risk and Audit Committee meetings, the meeting schedule and upcoming items.

RECOMMENDATION

That the Finance, Risk and Audit Committee:

- 1. Notes the business arising statement, meeting schedule and upcoming items.**

ATTACHMENTS

1. Business arising statement 9 December 2021 [5.1.1 - 7 pages]

CITY OF MARION
BUSINESS ARISING FROM FINANCE AND AUDIT COMMITTEE MEETINGS
AS AT 7 OCTOBER 2021



	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
1.	23 Feb 2021	Internal Audit – Assurance Map Action – The Committee acknowledged that this work has aggregated a number of risks together and requested that a further report be considered regarding if the risks are acceptable within our risk framework and what is outside of tolerance.	Manager Office of the CEO	June 2021	Strategic Risks noted by Council at its meeting of 23 November 2021	complete
2.	18 May 2021	Elected Member Report Action: Quarterly Budget Review Report (required under S9 of the Local Government (Financial Management) Regulations 2011 – Statutory Reports to Council) to be presented to the Finance and Audit Committee prior to Council. Action: Review the Committees Terms of Reference to include the review of the Quarterly Budget Review Report.	CFO Manager Office of the CEO	October 2021 November 2021	The first Quarterly Budget Review was presented to the Committee in October. The Terms of Reference have been updated and will be presented to Council in November 2021	Complete Complete
3.	18 May 2021	Draft Annual Business Plan 2021-22 and Long-Term Financial Plan Update Action: In future, the actual/forecasted KPI performance for the current year to be presented alongside the budget figures, in the same way that the financial results for the current year are presented alongside the budget figures.	CFO	Feb 2022	The draft budget prior to consultation will be first presented to FAC in Feb next year. All future KPI comparatives will include the current year and forecast years to enable proper assessment of the proposed KPI's	

City of Marion
Finance & Audit Committee Action Arising Statement as at 8 October 2020

	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
4.	18 May 2021	Annual Business Continuity Management Program Action: Confirm that any changes to policies and delegations as a result of COVID-19 have been returned to normal requirements and controls are back in place. Action: Check that all credit cards expenditure limits have returned to pre-COVID status. Action: Provide the committee with assurance that the Council is operating within its Credit Card Policy. Action: Confirm the Credit Card Policy has maximum limits specified.	Manager P&C Manager City Property CFO CFO CFO	August 2021	Covid Leave Policy: Still in place. Additional Cleaning: Still in place. Credit Cards: Review undertaken and all card limits are operating within our Purchase Card policy. One card remains at a higher limit (\$20k) to meet current operational needs The purchase card policy has been reviewed in the light of FAC's advice presented to Council and endorsed by ELT as a Corporate Policy with maximum limits specified in the policy.	Revised due date to Dec 2021 Completed
5.	18 May 2021	Service Review Program and Recommendations - Progress Update Action: A report be brought back to the Finance and Audit Committee in August with a status updated including a program detailing expectations and commitments for this year and next. Action: The CEO committed to having discussions around accountability of	Manager Customer Experience Business Improvement Officer Performance and	August 2021	The CoM's Executive Leadership Team (ELT) discussed a future approach to the program at its planning session on 24 September 2021. An update to be provided to the Committee once developments progress and the Elected Member planning day has occurred (January 2022).	February 2022

City of Marion
Finance & Audit Committee Action Arising Statement as at 8 October 2020

	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
		actions and closing out outstanding actions.	Innovation Lead		Regular status reports on the implementation of recommendations will continue to be provided at each Committee meeting.	
6.	17 August 2021	Australian Service Excellence Standards – Audit Outcome Action: Investigate the options for tracking the recommendations and provide a report back to the Committee in August 2022 with an update on the implementation of actions.	Manager Community Connections	August 2022	Working with the Records team a List has been created in Sharepoint for managing and tracking the implementation of the recommended actions.	
7.	12 October 2021	Elected Member Report Action: Cove Sports and Community Club Section 48 Report to the FAC Work Program for February (to be confirmed)	Unit Manager Governance & Council Support	October 2021	Item has been added to the upcoming schedule of works for 2022.	Complete – October 2021
8.	12 October 2021	Annual Financial Statements for the year ended 30 June 2021 Action: The Committee requested an amendment to the notes in the accounts to identify the grant contributions included in the Sundry expense line. Action: The Committee requested the notes to the Financial Statements include further reference to AASB 101 and 108. Action: The Committee requested that the ratios be shown under the figures in the Long-Term Financial Plan when it is next presented.	Chief Finance Officer			Completed - October 2021 Completed October 2021

City of Marion
Finance & Audit Committee Action Arising Statement as at 8 October 2020

	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
9.	12 October 2021	Internal Audit 2021/22 – Plan and Scope (Fraud Framework Internal Audit Review) Action: Investigate the option to increase the insurance for fraud cover	Unit Manager Risk	December 2021	Staff are liaising with the insurers. Quotes have been received and currently undertaking an assessment of these.	Complete November 2021
10.	12 October 2021	External Audit Tender Action: The Committee requested that a member of the Committee participate in the Tender Evaluation Process to enable the Committee to provide an informed recommendation to Council on the appointment of the auditor in compliance with the requirements of Section 128 of the Local Government Act 1999.	Chief Finance Officer		Ms Rantanen is participating in the Tender Evaluation Process which will be completed in Feb 2022	In progress –

* Completed items to be removed are shaded

SCHEDULE OF MEETINGS 2021			
Day	Date	Time	Venue
Tuesday	23 February 2021	2 pm – 5pm	Administration Centre
Tuesday	18 May 2021	2 pm – 5pm	Administration Centre
Tuesday	17 August 2021	4.00 – 6.00 pm Followed by 6.30 – 8.30 pm (Joint workshop with Council)	Administration Centre
Tuesday	12 October 2021	2 pm – 5pm	Administration Centre
Tuesday	14 December 2021	2 pm – 5pm	Administration Centre

INDICATIVE AUDIT COMMITTEE WORK PROGRAM - 2021
TUESDAY, 23 February 2021

Topic	Action
Elected Member Report	Communication Report
Draft Annual Business Plan and Budget 2021/22 and Draft Long Term Financial Plan - Update	Review and Feedback
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback
Quarterly Risk Report	Review and Feedback
External Audit Engagement Letter for the year ending June 2020	Review and Feedback
Internal Audit Contract Review	Recommendation to Council

TUESDAY, 18 May 2021

Topic	Action
Elected Member Report	Communication Report
Draft Annual Business Plan and Budget 2021/22 (after public consultation) & Draft Long Term Financial Plan	Review and Feedback
Internal Audit Program – Reviews and Monitoring	Review and Feedback
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback
Annual Report on Business Continuity	Review and Feedback
Annual Corporate Risk Profile & Strategic Risk Register	Review and Feedback

City of Marion

Quarterly Risk Reporting	Review and Feedback
Internal Audit Plan for 2021/22 & 2022/23	Review and Feedback

TUESDAY, 17 August 2021 (Joint Workshop with Council)

Topic	Action
Elected Member Report	Communication Report
Meeting with Internal auditors in camera	Seeking feedback from Auditors
Annual Review of HSE Program	Review and Feedback
Annual Insurance and Claims	Review and Feedback
Asset Valuations	Review and Feedback
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback
FAC Annual Report to Council	For discussion prior to October
Quarterly Risk Reporting	Review and Feedback
Service Review Program – Scopes, Reviews and Monitoring	Review and Feedback
Joint Workshop with Council (6.30pm onwards)	TBA

TUESDAY, 12 October 2021

Topic	Action
Elected Member Report	Communication Report
FAC Annual Report to Council 2020/21	Review and Recommendation to Council
Independence of Council's Auditor for the year end 30 June 2021	Review and Recommendation to Council
Audited Annual Financial Statements for the year end 30 June 2021	Review and Recommendation to Council
Investment Performance 2020/21	Noting
Debtors Report	Noting
Meeting with external auditors in camera	Seeking feedback from Auditors
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback

City of Marion

First Budget Review 2021/22	Review and Feedback
Quarterly Risk Reporting	Review and Feedback
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback
Outcomes of FAC Effectiveness Survey	Review and Feedback

Tuesday, 14 December 2021

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 2022	Review and Feedback
Framework and Key Assumptions for preparation of 2022/23 ABP and LTFP	Review and Feedback
Fraud and Corruption Annual Review	Note: Instead of an Annual Review the Fraud and Corruption Annual Insurance process was reviewed and reported via the internal audit in October.
Asset Valuations	Review and Feedback

To be considered in 2022

Topic	Action
Cove Sports and Community Club – Section 48 Report (February Meeting TBC)	Review and Feedback

6 Reports for Discussion

6.1 Elected Member Report

Report Reference	FRAC211214R6.1
Originating Officer	Unit Manager Governance and Council Support – Victoria Moritz
Corporate Manager	Manager Office of the CEO - Kate McKenzie
General Manager	Chief Executive Officer - Tony Harrison

REPORT OBJECTIVE

Section 3.5 of the Finance, Risk 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, Risk and Audit Committee:

1. Notes this report.

DISCUSSION

Council Member Representative – Councillor Maggie Duncan

Since the last FAC meeting, Council has met three times for General Council Meetings. At these meetings, Council made the following decisions that relate to the Finance and Audit Committee Terms of Reference in chronological order. If the Committee wishes to discuss any of the items considered in confidence in further detail, the Committee will be required to move into confidence.

12 October 2021 – GENERAL COUNCIL MEETING

Local Government Reform - Section 90A Information or Briefing Sessions

Report Reference GC211012R11.7

Noted the addition of Section 90A – Information or briefings sessions in the Statutes Amendment (Local Government Review) Act 2021 and changes in process resulting from this.

Code of Conduct

Report Reference GC211012R7.1

Report and Minutes not retained in confidence.

Council considered the next steps for the Code of Conduct matter relating to Councillor Hull. The matter will be referred to the Ombudsman if not resolved.

26 October 2021 – GENERAL COUNCIL MEETING

Annual Financial Statements for the year ended 30 June 2021

Report Reference GC211026R10.1

This report presents the City of Marion’s Annual Financial Statements for the financial year ended 30 June 2021.

These reports were provided for consideration to the Finance and Audit Committee (FAC) on 12 October 2021(FAC211012R6.3) and have been fully endorsed by the FAC prior to being brought to Council for adoption.

City of Marion Annual Report 2020/21**Report Reference GC211026R10.2**

Presented the City of Marion Annual Report in accordance with Legislative Requirements.

Finance and Audit Committee Annual Report to Council 2020/21**Report Reference GC211026R10.3**

Presented the Finance and Audit Committee's Annual Report to Council for 2020-21 including the Addendum provided by the Finance and Audit Committee.

1st Budget Review 2021/22**Report Reference GC211026R10.4**

Adopted the revised budgeted statements including the Income Statement, Balance Sheet, Statement of Changes in Equity and Statement of Cash Flows. Council also approved the identified savings following the completion of the 2020-21 audited Annual Financial Statements of \$1.141m to be transferred to the Asset Sustainability Reserve

Annual Investment Report 2020-21**Report Reference GC211026R11.2**

Council noted the Investment Report prepared in accordance with Section 140 of the Local Government Act 1999 requires. This report was presented to the Finance and Audit Committee on 12 October 2021.

Finance Report - September 2021**Report Reference GC211026R11.3**

Council noted the monthly finance report.

Confidential

Unsolicited Proposal - 262 Sturt Road, Marion

Report Reference GC211026F16.4

Culinary Escapades Pty Ltd Lease at the Marion Cultural Centre

Report Reference GC211026F16.1

Edwardstown Urban Renewal Project - Update

Report Reference GC211026F16.5

23 November 2021 - GENERAL COUNCIL MEETING**Policy Review - Purchase Card Policy and Procurement and Contract Management****Report Reference GC211123R11.7**

Council rescinded the Purchase Card Policy, noting that it has been replaced with a Corporate Policy. Amendments to the policy included:

- monthly purchase card overall facility limit increased from \$75,000 to \$125,000
- maximum limit per card be increased from \$2,000 to \$3,000
- the Chief Executive Officer be authorised to approve a limit above \$3,000, up to a maximum of \$20,000, where an operational need is demonstrated

Council Endorse the revised Procurement and Contract Management Policy. The policy was revised to include reference to the use of purchase cards and associated reporting. The policy amendments should be endorsed to provide clarity and transparency to the public on the City of Marion's use of corporate purchase cards and mandatory reporting through the City of Marion's

Annual Report, as required by the Local Government (General) (Annual Reports) Variation Regulations 2021 which are yet to be proclaimed.

Local Government Reform - Round 2 Regulations - Feedback Sought

Report Reference GC211123R11.8

Council endorses the submission and feedback to the Local Government Association on the Local Government Reform Round 2 Regulations Summary Paper. The Round two regulations include:

- Local Government (Financial Management) (Review) Variation Regulations 2021
- Local Government (General) (Annual Report) Variation Regulations 2021
- Local Government (Transitional Provisions) (Stage 2) Variation Regulations 2021

Review of Terms of Reference - Finance and Audit Committee and Review and Selection Committee

Report Reference GC211123R11.9

Council adopted amended Terms of Reference for the Finance and Audit Committee and Review and Selection Committee as a result of the amendments resulting from the *Statutes Amendment (Local Government Review) Act 2021*. Key amendments to the Finance and Audit Committee Terms of Reference include:

- An additional point added to Section 5.4 Financial Reporting and Prudential Requirements - The Quarterly Budget Review Reports (required under S9 of the Local Government (Financial Management) Regulations 2011 – Statutory reports to Council) to be presented to the Finance and Audit Committee prior to Council.
- The Local Government Reform and anticipated Round Two commencement which includes the Local Government (Financial Management) (Review) Variation Regulations 2021 have yet to be proclaimed and will commence on a date yet to be determined. However, the proposed amendments will make the current ToR complying and are minor in nature. Once the proposed amendments are enacted, no further change should be required to the ToR's for this Committee. The amendments include:
 - Page 133 GC211123 - General Council Meeting - 23 November 2021 o Section 126 of the Local Government Act 1999 reference to 'Audit Committees' is changed to 'Audit and Risk Committees'. It is therefore proposed to name this Committee the Finance, Risk and Audit Committee (FRAC).
 - 17(1)(b) Local Government (Financial Management) Regulations 2011 will be deleted: "Must include at least 1 person who is not a member of the council and who is determined by the council to have financial experience relevant to the functions of an audit committee;"

Corporate Risk Review Report Q1 2021/22

Report Reference GC211123R12.2

Council was presented with the outcomes of Quarter 1 (July to September) 2021 Corporate Risk Review. The quarter 1 2021/22 review of the Corporate Risk Register resulted in a total of 102 risks identified. The current risk ratings are: 6 high, 67 medium and 29 low

Strategic Risk Report

Report Reference GC211123R12.3

Council noted the outcomes from the project undertaken to develop a suite of Strategic Risks and current risks ratings outlined within the report.

Finance Report - October 2021

Report Reference GC211123R12.7

Council Received and noted the report "Finance Report – October 2021"

Confidential**The Boatshed Cafe - Leasing Arrangements****Report Reference GC211123F16.1 – *Minutes released***

Council was provided a report and information to enable them to make a decision in relation to the lease for The Boatshed at Hallett Cove, in particular in relation to works required to be undertaken to the premise, and the application of a commercial market rent.

Unsolicited Proposal - 262 Sturt Road, Marion**Report Reference GC211123F16.2****ATTACHMENTS**

Nil

6.2 1st Budget Review 2021/22

Report Reference	FRAC211214R6.2
Originating Officer	Assistant Accountant Partnering – Katherine Galea
Corporate Manager	Chief Financial Officer - Ray Barnwell
General Manager	General Manager Corporate Services - Sorana Dinmore

REPORT OBJECTIVE

The purpose of this report is to provide the Finance Risk and Audit Committee (FRAC) with the financial results for the 1st Budget Review for 2021-22. The budget review is a revised forecast of the original 2021-22 budget and as such any savings identified during the budget reviews will not be confirmed until the financial statements are prepared and audited at the end of the financial year.

EXECUTIVE SUMMARY

The completion of the 1st Budget Review has identified a favourable cash adjustment of \$0.194m. Adding this to the Original Budget deficit of \$0.681m brings the revised forecast full year cash deficit to \$0.487m.

The 2021-22 1st Budget Review favourable cash adjustment is attributable to the following:

Cash Statement Reconciliation		\$
Original Budget Cash Deficit		(681,024)
1st Budget Review Adjustments		
Add Favourable adjustments		
Glandore Playground Grant Funding (received in arrears)	75,000	
Additional Grants Commission Funding received	662,312	737,312
Less Unfavourable adjustments		
Other various net adjustments	(43,513)	(43,513)
Total 1st Budget Review adjustments		693,799
Revised 2021-22 Cash Surplus/(Deficit) before Council Resolutions		12,775
Less Council Resolutions funded from Rates		
Seacliff Park Boundary Realignment (GC210824R11.2)	(200,000)	
Funding allocated through confidential resolutions	(175,000)	
Glandore Oval Cricket Training Facilities (GC210622R07)	(50,000)	
Hallett Cove Beach Outdoor Pool Consultation (GC210727R11.5)	(35,000)	
Environmental Volunteer Group Support (GC210525R07)	(20,000)	
Carbon Sequestration (GC2104727R11.6)	(10,000)	
Smart Cities Strategic Plan Monitoring (GC200825R11)	(10,000)	(500,000)
Total 1st Budget Review adjustments including Council Resolutions		193,799
Revised 2021-22 Forecast Cash Deficit		(487,225)

Further details and analysis, including the revised financial statements, are included in the 1st Budget Review 2021-22 Report presented and adopted by Council on 26 October 2021 (Appendix 1 to this report).

RECOMMENDATION

That the Finance, Risk and Audit Committee:

- 1. Note the 1st Budget Review 2021-22 position.**

DISCUSSION

The 1st Budget Review forecasts a revised cash deficit position of \$0.487m, a favourable adjustment of \$0.194m to the original adopted budget deficit of \$0.681m. These adjustments are predominantly the result of an increase in the Grants Commission Financial Assistance Grant of \$0.662m offset by Council Resolutions funded from Rates of \$0.500m.

Operating Statement

The 1st Budget Review forecasts an operating deficit of \$1.728m, down from an operating surplus of \$4.203m in the original budget for 2021-22.

While the Operating Statement reflects an unfavourable adjustment of \$5.932m from the original budget surplus, these adjustments are predominantly due to a favourable increase in the Grants Commission Financial Assistance Grant of \$0.662m offset by unfavourable adjustments for Council Resolutions classified as Operating of \$0.750m and non-cash budget adjustments of \$5.591m.

The non-cash adjustments can be attributed to:

- operating carryovers that were budgeted in 2020-21 or funding was received in 2020-21 but was not spent by 30 June 2021 (including funding for the multi-year Digital Transformation project of \$2.801m)
- financial assistance grant income expected to be received in 2021-22 but paid in advance in June 2021
- reclassification of capital works budgets that have now been classified as operating in nature rather than capital, no change to overall budget for these works (including landscaping, contributions to capital works not on Council land)
- increase in depreciation expense resulting from the completion of the 2020-21 financial statements

Labour Budgets

Labour Budgets remain unchanged at \$39.912m. A further comprehensive review of the labour budgets will be performed during the 2nd Budget Review scheduled for January.

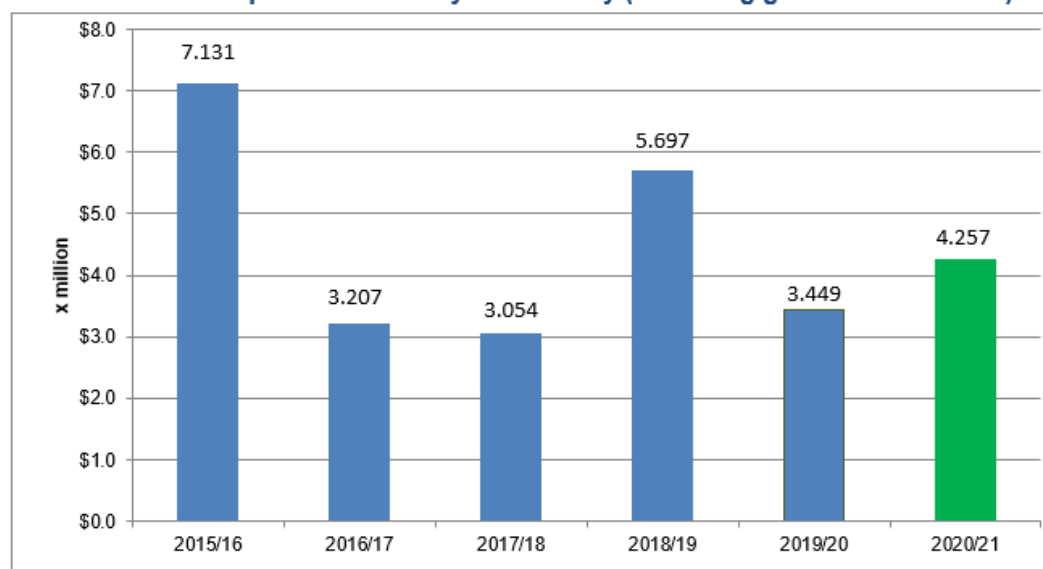
Operating Statement Reconciliation		\$
Original Budget Operating Surplus/(Deficit)		4,203,328
1st Budget Review Adjustments		
Add : Grant Commission Supplementary Roads Funding (favourable)	483,615	
Add : Grants Commission Financial Assistance Grant income adjustment (favourable)	178,697	
Less : Other various net adjustments (unfavourable)	(253,286)	409,026
Revised 2021-22 Operating Surplus before Council Resolutions & Non Cash Adjustments		4,612,354
Less Operating Council Resolutions		
Removal of Cove BMX Track (GC210914F18.1)(from ASR)	(250,000)	
Seacliff Park Boundary Realignment (GC210824R11.2)	(200,000)	
Cove Sports & Community Club Prudential Report (GC210914R18.1)	(175,000)	
Glandore Oval Cricket Training Facilities (GC210622R07)	(50,000)	
Hallett Cove Beach Outdoor Pool Consultation (GC210727R11.5)	(35,000)	
Environmental Volunteer Group Support (GC210525R07)	(20,000)	
Carbon Sequestration (GC2104727R11.6)	(10,000)	
Smart Cities Strategic Plan Monitoring (GC200825R11)	(10,000)	(750,000)
Non Cash Adjustments		
Add : Operating Grants received in prior years to be recognised in 2021-22 (favourable)	2,862,746	
Less : Operating Carryovers funded in 2020/21 (including grants) (unfavourable)	(1,956,126)	
Less : Digital Transformation Carryover (Multi Year Project) funded in 2020/21 (unfavourable)	(2,801,000)	
Less : Financial Assistance Grants Paid in Advance in 2020-21 (unfavourable)	(1,678,075)	
Less : Reclassification from Capital to Operating (unfavourable)	(1,883,210)	
Less : Increase in Depreciation (unfavourable)	(135,000)	(5,590,665)
Revised 2021-22 Operating Deficit		(1,728,311)

Capital Works and Carryovers

The Capital Works budgets have increased by \$4.911m in the 1st Budget Review to \$59.554m. This adjustment was predominantly resulting from the non-cash adjustments for Carryovers from 2020-21 of \$6.148m offset by the non-cash reclassification from Capital to Operating budgets on capital works of \$1.883m.

Following the completion of the 2020-21 Annual Financial Statements the total funding carried over into 2021-22 was \$20.430m. This carryover figure is inclusive of grant funded projects (capital and operating) of \$13.247m and Council funded capital works of \$4.257m.

Council Funded Capital Works Carryover History (excluding grant funded works)



Reserves

The 1st Budget Review reports an increase in the use of Reserves of \$10.869m predominantly due to the 2020-21 Carryovers loaded into the 2021-22 budget:

Increase in use of reserves	\$'000
Grants & Carryovers	10,521
Funding allocated for confidential resolutions	250
YMCA Solar System (GC210914R11.3)	48
SWBMX Pump Track (GC210727M14.2)	64
Marion Golf Park - works retimed to 2022-23	(330)
LED Lighting Transition - balance remaining	236
Other minor Reserve transfers	80
	10,869

The use of Reserves increased through the 1st Budget Review by \$10.869m predominantly due to the transfer from Grants & Carryovers Reserve of \$10.521m.

2020-21 Year End Identified Cash Surplus/Savings

Our independent audit of the financial statements for the year ended 30th June 2021 has been completed and Surplus/Savings of \$1.141m have been identified. These identified Surplus/Savings have been transferred to the Asset Sustainability Reserve.

Further details and analysis, including the revised financial statements, are included in the 1st Budget Review 2021-22 Report presented and adopted by Council on 26 October 2021 (Appendix 1 to this report).

ATTACHMENTS

1. Appendix 1 - 1st Budget Review 2021-22 - Council Report [6.2.1 - 19 pages]

10.4 1st Budget Review 2021/22

Report Reference	GC211026R10.4
Originating Officer	Assistant Accountant Partnering – Katherine Galea
Corporate Manager	Chief Financial Officer - Ray Barnwell
General Manager	General Manager Corporate Services - Sorana Dinmore

REPORT OBJECTIVE

The purpose of this report is to provide the financial results for the 1st Budget Review for 2021-22. The budget review is a revised forecast of the original 2021-22 budget and as such any savings identified during the budget reviews will not be confirmed until the financial statements are prepared and audited at the end of the financial year.

EXECUTIVE SUMMARY

The completion of the 1st Budget Review has identified a favourable cash adjustment of \$0.194m. Adding this to the Original Budget deficit of \$0.681m brings the revised forecast full year cash deficit to \$0.488m.

The 2021-22 1st Budget Review adjustments can be attributed to the following:

Cash Statement Reconciliation	\$
Original Budget Cash Deficit	(681,024)
1st Budget Review Adjustments	
Add Favourable adjustments	
Glandore Playground Grant Funding (received in arrears)	75,000
Additional Grants Commission Funding received	662,312
	737,312
Less Unfavourable adjustments	
Other various net adjustments	(43,513)
	(43,513)
Total 1st Budget Review adjustments	693,799
Revised 2021-22 Cash Surplus/(Deficit) before Council Resolutions	12,775
Less Council Resolutions funded from Rates	
Seacliff Park Boundary Realignment (GC210824R11.2)	(200,000)
Funding allocated through confidential resolutions	(175,000)
Glandore Oval Cricket Training Facilities (GC210622R07)	(50,000)
Hallett Cove Beach Outdoor Pool Consultation (GC210727R11.5)	(35,000)
Environmental Volunteer Group Support (GC210525R07)	(20,000)
Carbon Sequestration (GC2104727R11.6)	(10,000)
Smart Cities Strategic Plan Monitoring (GC200825R11)	(10,000)
	(500,000)
Total 1st Budget Review adjustments including Council Resolutions	193,799
Revised 2021-22 Forecast Cash Deficit	(487,225)



RECOMMENDATION

That Council:

1. **Adopt the revised budgeted statements including the Income Statement, Balance Sheet, Statement of Changes in Equity and Statement of Cash Flows.**
2. **Approves the identified savings following the completion of the 2020-21 audited Annual Financial Statements of \$1.141m to be transferred to the Asset Sustainability Reserve**

GENERAL ANALYSIS

BACKGROUND

Council is required to reconsider the approved budget three times during the year in accordance with *Section 123 (13) of the Local Government Act 1999* and *Section 9 of the Local Government (Financial Management) Regulations 2011*.

The original 2021-22 budget was developed within the context of a long term framework to achieve a balance between meeting the objectives of the Strategic Plan and attaining financial sustainability in the long term.

FRAMEWORK

This budget review continues the focus on achieving the framework set by Council when developing the 2021-22 budget, this being:

- Support the achievement of the City of Marion's Strategic Directions;
- Address issues arising and opportunities identified from internal audit reviews and business excellence assessments;
- Maintain, on average, a breakeven or positive funding (cash) position over the Long Term Financial Plan;
- Continue to improve the maintenance of assets in accordance with Council's Asset Management Plans, with a priority on maintenance before renewal, and renewal before new where it is cost effective to do so;
- Review existing services and assets to ensure they meet prioritised community needs;
- Council only approve new major projects where it has the identified funding capacity to do so;
- Maintain Council's position for an average residential rate which remains among the lower rating metropolitan councils



DISCUSSION

Cash Position

The completion of the 1st Budget Review has identified a favourable net cash adjustment of **\$0.194m**. Adding this to the Original Budget Deficit of (\$0.681m) leaves a revised full year cash deficit of (\$0.487m).

This budget review's favourable adjustments are attributable to the following adjustments to the Original Budget from 2021-22:

Cash Statement Reconciliation		\$
Original Budget Cash Deficit		(681,024)
1st Budget Review Adjustments		
Add Favourable adjustments		
Glandore Playground Grant Funding (received in arrears)	75,000	
Additional Grants Commission Funding received	662,312	737,312
Less Unfavourable adjustments		
Other various net adjustments	(43,513)	(43,513)
Total 1st Budget Review adjustments		693,799
Revised 2021-22 Cash Surplus/(Deficit) before Council Resolutions		12,775
Less Council Resolutions funded from Rates		
Seacliff Park Boundary Realignment (GC210824R11.2)	(200,000)	
Funding allocated through confidential resolutions	(175,000)	
Glandore Oval Cricket Training Facilities (GC210622R07)	(50,000)	
Hallett Cove Beach Outdoor Pool Consultation (GC210727R11.5)	(35,000)	
Environmental Volunteer Group Support (GC210525R07)	(20,000)	
Carbon Sequestration (GC2104727R11.6)	(10,000)	
Smart Cities Strategic Plan Monitoring (GC200825R11)	(10,000)	(500,000)
Total 1st Budget Review adjustments including Council Resolutions		193,799
Revised 2021-22 Forecast Cash Deficit		(487,225)

The cash result:

- Identifies the cash difference between total revenues and expenditures of Council after allowing for funding from loans, investments, cash draw-downs and reserves.
- Includes capital expenditures, which are excluded from the operating result.
- Provides information of changes in uncommitted financial resources available to Council.
- Returns a cash surplus where savings arise from the original budget, representing an increase in uncommitted financial resources or returns a cash deficit when costs are greater than the original budget, representing a decrease in available financial resources.

The 1st Budget review is based upon actual results to the end of September 2021 and forecast to June 2022. In accordance with the Local Government (Financial Management) Regulations 2011 a revised budgeted income statement, balance sheet, statement of changes in equity and statement of cash flows are provided in the Attachments to Appendix 1.

Operating Position

The 1st Budget Review forecasts an operating deficit of **(\$1.728m)**, down from an operating surplus of \$4.203m in the adopted annual budget for 2021-22.



The revised forecast operating deficit of (\$1.728m) includes the impact of a reduction in the 2021-22 Grants Commission Funding received in advance (June 2021) of \$1.678m. Total cash funding remains unchanged however the adjustment reflects the timing of the funding being received.

Included in the fully funded operating carryovers (\$4.757m) is funding for the multi-year Digital Transformation Project of \$2.801m.

The addition of Operating Council Resolutions of \$750k has also impacted on the operating deficit position.

Operating Statement Reconciliation		\$
Original Budget Operating Surplus/(Deficit)		4,203,328
Less : Operating Carryovers funded in 2020/21 (including grants) *	(4,757,126)	
Less : Financial Assistance Grants Paid in Advance in 2020-21 *	(1,678,075)	(6,435,201)
Add : Operating Grants received in prior years to be recognised in 2021-22 *		2,862,746
Adjusted Original Budget Operating Surplus/(Deficit)		630,873
1st Budget Review Adjustments		
Add favourable adjustments		
Grant Commission Supplementary Roads Funding (favourable)	483,615	
Grants Commission Financial Assistance Grant income adjustment (favourable)	178,697	662,312
Less unfavourable adjustments		
Other various net adjustments (unfavourable)	(253,286)	(253,286)
Less non cash adjustments		
Reclassification from Capital to Operating (unfavourable) *	(1,883,210)	
Increase in Depreciation (unfavourable) *	(135,000)	(2,018,210)
Total 1st Budget Review Adjustments		(1,609,184)
Revised 2021-22 Operating Surplus/(Deficit) before Council Resolutions		(978,311)
Less Operating Council Resolutions		
Funding allocated through confidential resolutions	(425,000)	
Seacliff Park Boundary Realignment (GC210824R11.2)	(200,000)	
Glandore Oval Cricket Training Facilities (GC210622R07)	(50,000)	
Hallett Cove Beach Outdoor Pool Consultation (GC210727R11.5)	(35,000)	
Environmental Volunteer Group Support (GC210525R07)	(20,000)	
Carbon Sequestration (GC210472R11.6)	(10,000)	
Smart Cities Strategic Plan Monitoring (GC200825R11)	(10,000)	(750,000)
Revised 2021-22 Operating Deficit		(1,728,311)

* No cash impact. Relates to accounting classification only

The non-cash reclassification from Capital to Operating expenditure of \$1.883m relates to the accounting classification of the operational element of capital projects, the total project budgets remain unchanged from a cash perspective.

Capital Budget

The 1st Budget Review forecasts capital expenditure increasing by \$4.911m from \$54.643m to \$59.554m (Renewal \$17.747m, New \$41.807m)

Increase in Capital Works Expenditure	\$'000
Capital Works Carry Overs (including grant funding)	6,148
Mitchell Park Sports Club grant funding retiming	1,500
Local Roads & Community Infrastructure Round 3 Grant Funded Projects	416
LED Lighting Transition (balance of funding from Reserve)	236
Lander Road Young Street upgrade grant funding	129
SWBMX Pump Track (GC210727M14.2)	64
YMCA Solar System (GC210914R11.3)	48
Reclassification from Capital to Operating expenditure on Capital Projects	(1,883)
Marion Golf Park Upgrade works retimed to 2022-23	(1,900)
Other various net movements	153
	4,911

Borrowings

The 1st Budget review forecasts no change to the original budget level of required loan funding or loan principal repayments.

Council also currently has substantial cash backed reserves and further consideration of the timing of taking out future borrowings will be reviewed as part of the 2022-23 Annual Business Planning process.

Reserves

The 1st Budget Review reports an increase in the use of Reserves of \$10.869m mainly as a result of the 2020-21 Carryovers loaded in 2021-22:

Increase in use of reserves	\$'000
Grants & Carryovers	10,521
Funding allocated for confidential resolutions	250
YMCA Solar System (GC210914R11.3)	48
SWBMX Pump Track (GC210727M14.2)	64
Marion Golf Park - works retimed to 2022-23	(330)
LED Lighting Transition - balance remaining	236
Other minor Reserve transfers	80
	10,869

Labour Budgets

Overall labour budgets remain unchanged in the 1st Budget Review at \$39.912m.

Depreciation

The Depreciation budgets for 2021-22 have increased in the 1st Budget Review by \$135k to \$16.135m mainly due to adjustments resulting from the completion of the year end accounts.

Carryovers

Following the completion of the Annual Financial Statements the total funding being carried over is \$23.085m made up of grant funded projects of \$13.247m, Council funded capital works of \$4.257m and Council funded operating projects of \$2.960m

A breakdown of the Grants & Carry Overs Reserve at 30th June 2021 is shown below:



Carryovers 2020-21		\$'000
Capital		
Capital Carryovers - excluding grant funded projects		4,257
Capital Carryovers - Grant Funded		10,186
Total Capital Carryovers		14,443
Operating		
2021-22 Financial Assistance Grant received in advance (June 2021)		1,678
Operating Carryovers - Grant Funded		1,382
Operating Carryovers - Council funded		2,961
Total Operating Carryovers		6,021
Total Carryovers from 2020-21 Budgets transferred to Carryover Reserve		20,464
Budgets held in Grants & Carryovers Reserve from prior years		2,621
Balance of Grants & Carryovers Reserve at 30 June 2021 (per Audited Accounts)		23,085

Carryover Analysis 2020-21	
Capital (Council Funded)	4,256,841
Fleet Vehicle replacement program	612,500
Marion RSL Carpark	376,416
CCTV Upgrade for Council Buildings	300,000
Oaklands Precinct Stage 2	282,551
Boatshed Café Building upgrades	280,025
DDA Kerb Ramp Upgrades	228,293
Lander Road/Young St Intersection Upgrade	220,680
Berrima Road Footpath	198,024
Other Capital Works	1,758,352
Grants - Capital Works	10,185,817
BMX Track Development	2,583,005
Local Roads & Com Infra Grant	1,580,811
Coastal Walking Trail Renewal	1,193,187
Hugh Johnson Reserve Upgrade	801,184
Capella Drive Reserve Statepark/Playground	732,540
Regional Football Facility	1,028,750
Lucretia Way Dam Construction	623,811
Streetscape Birch Crescent	543,534
Glandore Sports Cricket Pitch Upgrade	352,720
Mitchell Park Sports Club Redevelopment	230,360
Other Capital Grants	515,915
Grants - Operating	3,059,900
Grants Commission funding received in advance	1,678,075
Food Waste Recycling Program	572,750
Other Grants Operating	809,075
Other Carryovers - Operating (Council Funded)	2,960,795
Digital Transformation Project	2,340,546
Tree Planting Streetscape	248,564
CPSAMP Implementation	120,000
Other	251,685
Total Carryovers	20,463,353



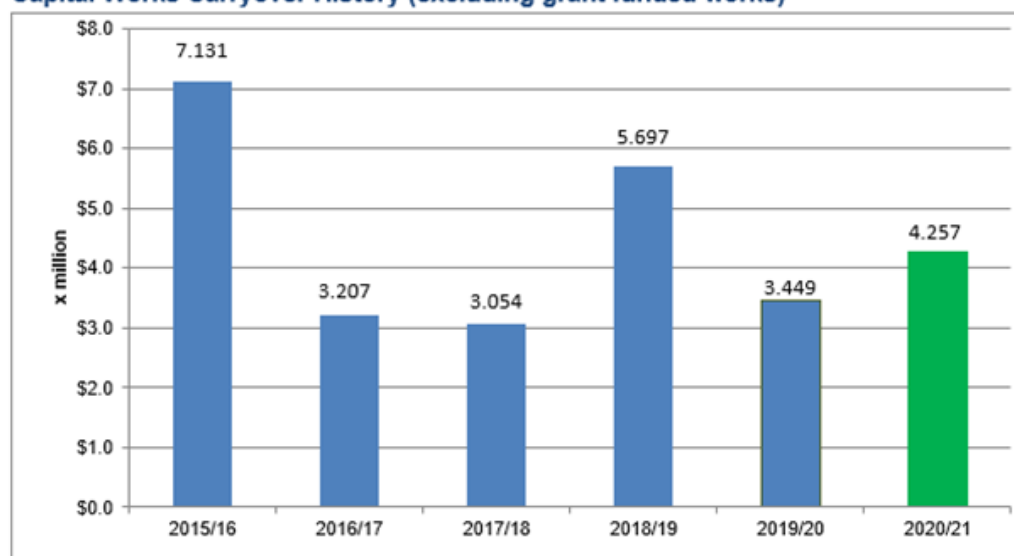
The current status of programmed capital works budgets carried over from 2020-21 (\$4.257m) as at the 15th October 2021 is provided below:

	Carry Over Budget	Completed	Budget Remaining
Infrastructure	815,260	201,710	613,550
Land & Property	2,054,911	592,270	1,462,641
Open Space Planning	685,712	223,155	462,557
Other	700,958	568,455	132,503
Total	4,256,841	1,585,590	2,671,251

These works are expected to be completed by the 30th June 2022.

A detailed listing of capital carryover works is included in Appendix 2 with a previous year comparative below.

Capital Works Carryover History (excluding grant funded works)



2020-21 Year End Identified Cash Surplus/Savings

Section 7 (2) of the Local Government (Financial Management) Regulations requires that the first reconsideration of a budget in a particular financial year must include a review which takes account of the financial outcomes of the council, council subsidiary or regional subsidiary for the previous financial year.

Our independent audit of the financial statements for the year ended 30th June 2021 has been completed and surplus/savings of \$1.141m have been identified. These identified Savings/Surplus will be transferred to the Asset Sustainability Reserve.



2020-21 Year End Identified Cash Surplus/Savings	
2020-21 Original Budget Funding Surplus	154,250
Favourable Variations	
Net Capital Works completed under budget	642,963
Vehicle Replacement Program realignment	559,937
Buidling Maintenance expenditure	261,996
Learning & Development	179,781
Lower than anticipated Rates Rebates claimed	164,242
Fuel for Fleet Vehicles	105,202
Community Grants not administered due to Covid	88,896
Other various net adjustments	363,054
Unfavourable Variations	
Additional Covid Cleaning & maintenance requirements	(346,079)
Labour Costs predominantly due to increase in grant funded positions	(260,885)
Investment income due to a decrease in interest rates	(251,010)
Community Club COVID Relief	(246,097)
Recruitment Costs	(164,389)
Legal Consultants	(110,777)
Total Net Savings Identified	986,834
2020-21 Cash Surplus/Savings	1,141,084

ATTACHMENTS

1. Appendix 1 Financial Statements [IK7S] [10.4.1 - 10 pages]
2. Appendix 2 2020 21 Capital Carry Overs [V2SZ] [10.4.2 - 1 page]

APPENDIX 1

Budgeted Funding Statement

The following report details the proposed budget changes for the 1st Budget Review.

CITY OF MARION				
Budgeted Funding Statement				
	Budget Original \$000's	Carryovers \$000's	2021/22 1st Review \$000's	Revised Budget \$000's
OPERATING REVENUE				
Rates				
General	79,673	-	37	79,710
Other	2,020	-	-	2,020
Statutory Charges	2,106	-	-	2,106
User Charges	2,827	-	(41)	2,786
Operating Grants and Subsidies	6,726	1,185	1,329	9,240
Investment Income	347	-	(1)	346
Reimbursements	1,222	-	(149)	1,073
Other Revenues	538	-	106	644
Share of Profit - Equity Accounted Investments	365	-	-	365
	95,823	1,185	1,281	98,290
OPERATING EXPENSES				
Employee Costs	39,912	-	-	39,912
Contractual Services	21,659	4,156	2,962	28,777
Materials	5,186	537	(63)	5,660
Finance Charges	254	-	(2)	252
Depreciation	16,000	-	135	16,135
Other	8,610	64	608	9,282
	91,620	4,757	3,640	100,018
Operating Surplus/(Deficit) before Capital rev's	4,203	(3,572)	(2,359)	(1,728)
<i>Add</i>				
(a) Capital Revenue				
Capital Grants and Contributions	4,577	(801)	833	4,609
Physical Resources received free of charge	-	-	-	-
Asset disposal and fair value adjustments	-	-	-	-
<i>Equals</i> Net Surplus/(Deficit) resulting from operations	8,780	(4,373)	(1,526)	2,881
<i>Add</i>				
Depreciation	16,000	-	135	16,135
(Gain)/Loss on disposal of assets	-	-	-	-
Share of Profit SRWRA	(365)	-	-	(365)
<i>Equals</i> Funding available for Capital Investment exp	24,415	(4,373)	(1,391)	18,651
Capital				
Less Capital Expenditure - Renewal	20,283	2,644	(5,180)	17,747
Less Capital Expenditure - New	34,360	3,503	3,944	41,807
Less Capital - contributed assets	-	-	-	-
<i>Equals</i> Net Overall funding Surplus/(Deficit)	(30,228)	(10,520)	(155)	(40,904)

APPENDIX 1

CITY OF MARION Budgeted Funding Statement				
	Budget Original \$000's	Carryovers \$000's	2021/22 1st Review \$000's	Revised Budget \$000's
Funding transactions associated with accommodating the above net overall funding deficit (or applying the net overall funding surplus) are as follows:				
LOANS				
Loan Principal Receipts (Net)	10,920	-	-	10,920
Loan Receipts from Sporting Clubs (Net)	-	-	-	-
Less Loan Principal Payments	827	-	-	827
Loan funding (Net)	10,093	-	-	10,093
Movement in level of cash & accruals				
(b) Cash Surplus/(Deficit) funding requirements	(682)	-	194	(488)
Reserves Net (transfer to/(transfer from))	(19,453)	(10,520)	(349)	(30,323)
Cash/Investments/Accruals Funding	(20,135)	(10,520)	(155)	(30,811)
<i>Equals</i> Funding Transactions	30,228	10,520	155	40,904

(a) Capital Revenue excludes book gains/loss on sale of assets

(b) Relates to use of cash to fund major projects

The 1st Budget Review reports a cash deficit of \$0.488m.

APPENDIX 1

Financial Indicators

To assist Council in meeting its objective of financial sustainability a series of financial indicators endorsed by the Local Government Association are provided. The following table provides a matrix of indicators of the 1st Budget Review 2021-2022 and compares the forecast results against the target rate:

Key Ratios	Target	2021-22 Forecast
Operating Surplus Ratio	0 - 10%	-1.76%
<i>This ratio expresses the operating surplus as a percentage of total operating revenue</i>		
Target: Average between 0-10% over each consecutive 5-year period		
Comment: Positive ratio indicates that Council has sufficient operating revenue to cover operational expenses The average Operating Surplus over the past five years is 6%		
Net Financial Liabilities Ratio	0 - 50%	8.19%
<i>This ratio indicates the extent to which net financial liabilities can be met by total operating revenue</i>		
Comment: This result indicates Council's Financial Liabilities currently exceed its Financial Assets. This ratio falls within the target range. Council's capacity to meet its financial obligations remains strong		
Debt Servicing Ratio	0 - 5%	1.09%
<i>This ratio identifies Council's ability to service its debt obligations (principal & interest) from operating revenues</i>		
Comment: This ratio falls within the target range and indicates Council has a low debt holding and is well positioned for future borrowings outlined in the Long Term Financial Plan		
Asset Renewal Funding Ratio	90 - 110%	100%
<i>This ratio indicates whether Council is renewing or replacing existing assets at the rate of consumption</i>		
Comment: The ratio can vary from year to year dependant on the renewal capital expenditure. Council's Long Term Financial Plan is set to achieve an average Asset Renewal Funding Ratio of 100% over the next three years		
Asset Consumption Ratio	80 - 100%	74%
<i>This ratio shows the consumption of the asset stock at a point in time and indicates the assets remaining useful life</i>		
Comment: This ratio indicates that while falling under the target range Council's overall asset base has on average a relatively high remaining useful life		

APPENDIX 1

Attachments to Appendix 1

- Attachment 1 – Budgeted Income Statement
- Attachment 2 – Budgeted Statement of Financial Position
- Attachment 3 – Budgeted Statement of Changes in Equity
- Attachment 4 – Budgeted Statement of Cash Flows
- Attachment 5 – Consultants

APPENDIX 1

ATTACHMENT 1

CITY OF MARION Budgeted Income Statement		
	Actual 2021 \$000's	1st Review 2022 \$000's
OPERATING REVENUE		
Rates		
General	78,184	79,710
Other	1,995	2,020
Statutory Charges	2,175	2,106
User Charges	2,701	2,786
Operating Grants and Subsidies	9,819	9,240
Investment Income	503	346
Reimbursements	872	1,073
Other Revenue	902	644
Net Gain - Equity Accounted Council Businesses	173	365
TOTAL OPERATING REVENUE	97,324	98,290
OPERATING EXPENSES		
Employee Costs	38,238	39,912
Contractual Services	26,927	28,777
Materials	5,276	5,660
Finance Charges	335	252
Depreciation	15,963	16,135
Other Expenses	10,329	9,282
Net Loss - Equity Accounted Council Business	-	-
TOTAL OPERATING EXPENSES	97,068	100,018
Operating Surplus/(Deficit) before Capital Revenues	256	(1,728)
CAPITAL REVENUES		
Capital Grants, Subsidies and Monetary Contributions	9,542	4,609
Physical resources received free of charge	2,001	-
Asset disposal and fair value adjustments	(2,102)	-
Net Surplus/(Deficit) resulting from Operations	9,697	2,881

APPENDIX 1

ATTACHMENT 2

CITY OF MARION		
Budgeted Statement of Financial Position		
	Actual	1st
	2021	Review
	\$000's	2022
		\$000's
<u>CURRENT ASSETS</u>		
Cash & Cash Equivalents	54,012	23,202
Receivables	8,110	8,110
Inventory	311	311
TOTAL CURRENT ASSETS	62,433	31,623
<u>CURRENT LIABILITIES</u>		
Trade & Other Payables	17,721	21,285
Provisions	6,430	6,430
Borrowings	827	1,961
Lease Liabilities	15	15
TOTAL CURRENT LIABILITIES	24,993	29,691
Net Current Assets/(Liabilities)	37,440	1,932
<u>NON-CURRENT ASSETS</u>		
Investment in SRWRA & Council Solutions	6,627	6,992
Infrastructure, Property, Plant & Equipment	1,129,486	1,172,905
Other Non-Current Assets	10,328	10,328
TOTAL NON-CURRENT ASSETS	1,146,441	1,190,225
<u>NON-CURRENT LIABILITIES</u>		
Provisions	702	702
Borrowings	3,564	8,959
Lease Liabilities	11	11
TOTAL NON-CURRENT LIABILITIES	4,277	9,672
NET ASSETS	1,179,604	1,182,485
<u>EQUITY</u>		
Accumulated surplus	403,189	436,393
Asset Revaluation Reserves	732,120	732,120
Other Reserves	44,295	13,972
TOTAL EQUITY	1,179,604	1,182,485

APPENDIX 1

ATTACHMENT 3

CITY OF MARION		
Budgeted Statement of Changes in Equity		
	Actual	1st
	2021	Review
	\$000's	2022
		\$000's
ACCUMULATED SURPLUS		
Balance at beginning of period	396,604	403,189
Net Surplus/(Deficit)	9,697	2,881
Adjustments	-	-
Transfers from Reserves	(3,112)	30,323
Transfers to Reserves	-	-
Balance at end of period	403,189	436,393
ASSET REVALUATION RESERVE		
Balance at beginning of period	753,528	732,120
Net change this year	(21,408)	-
Balance at end of period	732,120	732,120
OTHER RESERVES		
Balance at beginning of period	41,183	44,295
Net change this year	3,112	(30,323)
Balance at end of period	44,295	13,972
Total Reserves	776,415	746,092
TOTAL EQUITY	1,179,604	1,182,485

APPENDIX 1

ATTACHMENT 4

CITY OF MARION		
Budgeted Statement of Cash Flows		
	Actual	1st
	2021	Review
	\$000's	2022
		\$000's
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Receipts</i>	103,808	97,925
<i>Payments</i>	(85,579)	(83,883)
NET CASH PROVIDED BY OPERATING ACTIVITIES	18,229	14,042
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Receipts</i>		
Loans Received	-	10,920
Proceeds from Bonds & Deposits	-	-
<i>Payments</i>		
Principal	(1,244)	(827)
Repayment of Finance Lease Liabilities	(143)	-
Repayment of Bonds & Deposits	-	-
NET CASH (USED IN) FINANCING ACTIVITIES	(1,387)	10,093
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Receipts</i>		
Capital Grants/Subsidies & Contributions/Investments	5,983	4,609
Sale of surplus assets	416	-
Sale of replaced assets	385	-
Distributions from Equity Accounted Investments	-	-
<i>Payments</i>		
Purchase of IPP&E	(23,845)	(59,554)
NET CASH (USED IN) INVESTING ACTIVITIES	(17,061)	(54,945)
NET INCREASE/(DECREASE) IN CASH HELD	(219)	(30,810)
CASH AT BEGINNING OF REPORTING PERIOD	54,231	54,012
CASH AT END OF REPORTING PERIOD	54,012	23,202

APPENDIX 1

ATTACHMENT 5

CONSULTANTS

Consultants are defined as an expert called on to provide professional or technical advice not currently available within the organisation. An analysis of Council's accounts reveals the following information of actual year to date (to 15th October 2021) expenditure versus full year actuals for 2020-21 relating to expenditure on Consultants of an operating nature:

Legal Consultants <i>(As at 15th October 1st Budget Review)</i>	Full Year Actual 2020-21	Actual YTD 2021-22
People & Culture <i>(Employment advice)</i>	92,698	4,134
Environmental Health	440	961
General Inspection <i>(Dog/Cat & Parking Control)</i>	33,813	8,068
Governance	9,402	2,214
Financial Services	641	100
City Activation	9,241	700
Asset & Property Management	41,668	10,240
Development Assessment	97,415	26,921
Civil Services	1,368	1,188
Open Space Services	140	0
Community Development	7,817	390
Urban Renewal	0	9,080
Total Legal Consultants Expenditure	294,643	63,996
Full Year Budget		232,838

APPENDIX 1

ATTACHMENT 5

Other Consultants (excluding legal) (As at 15th October 1st Budget Review)		Full Year Actual 2020-21		Actual YTD 2021-22
Development Assessment	(a)	66,235	(a)	9,553
Open Space Services		88,379		11,905
Process Improvement		36,059		0
Asset & Property Management		25,761		19,300
Community Facilities Development	(b)	127,789	(b)	40,122
City Activation		23,730		0
Civil Services		25,424		0
Contracts & Purchasing		4,484		0
Customer Experience		0		34,200
Governance		20,655		3,440
People & Culture		74,523		11,130
Information Mgt & Technology	(c)	488,580	(c)	117,400
Infrastructure Management (Engineering)		36,745		14,009
Libraries		73		0
Strategic Development		8,666		14,500
Strategy, Performance & Innovation		23,020		0
Urban Renewal		75,194		2,375
Recruitment		241,563		82,559
Total Consultants Expenditure		1,366,880		360,493
Full Year Consultants Budgets				2,022,804

CAP Meetings	(a)	24,450	(a)	3,400
Other Projects		41,785		6,153
		66,235		9,553
Marino Hall Feasibility Study	(b)	55,110	(b)	0
Cove Sports Club Feasibility Study		37,394		40,122
City of Marion Museum Feasibility Study		27,925		0
Other Projects		7,360		0
		127,789		40,122
Digital Transformation Project	(c)	473,594	(c)	117,400
Other Projects		14,986		0
		488,580		117,400

Attachment 10.4.2

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APPENDIX 2

2020-21 Capital Carry Over Listing			
Project	Current Status	Carry Over	Comments
Library Furniture upgrade	Complete	17,328	Furniture ordered and PO raised at 30th June. Works completed in July
Information Management Capital Purchases	Complete	71,130	Tender signed in June and completed in July
De Laine Avenue Road Reseal - Railway Terrace to Slow Point	Not started	51,763	Works delayed pending report outcomes, to be completed in 21/22
DDA Kerb Ramp Upgrades	In progress	228,293	Audit was undertaken, funds are require to match up with existing data. Work in progress at 30th June
Oaklands Precinct Stage 2	In progress	282,551	Multi year project to be completed in 2021/22
Lander Road/Young St Intersection Upgrade	Not started	220,680	Delayed as a result of consultant not completing design, service locations and property acquisition.
Berrima Road Footpath	In progress	198,024	Works in progress at 30th June
Frederick Street Footpath	In progress	6,500	Works in progress at 30th June
Nungamoora Street Footpath	Not started	60,000	Delay due to resident feedback and consultation
Chrysler Trail Oaklands Streetscape	In progress	15,200	Multi year project, expected to be completed early 21-22
Diagonal Road (Trott to Crew) Streetscape	In progress	18,402	Multi year project, expected to be completed early 21-22
Railway Terrace Streetscape	In progress	156,142	Multi year project, expected to be completed early 21-22
Furniture & Fittings Renewal	Not started	82,655	Support for the Administration Building refurbishment project in 21-22
Oaklands Precinct Reserve Development	In progress	73,630	Multi year project in progress
Boat Shed Building Renewal	In progress	280,025	Works in progress after extensive consultation period with the lessee
Vehicle Replacement Program	In progress	612,500	Orders placed for fleet - international supply chain delays due to Covid, expected delivery during 21-22
Marion RSL Carpark	Complete	376,416	Late start due to Anzac Day, works now completed
Reserve Furniture Upgrade	In progress	65,307	Tied to a resolution for a basketball court within 1000m of Stanley Street Reserve
CCTV Upgrade for Council Buildings	Not started	300,000	Going back to tender
Parkholme Library Atrium Upgrade	Not started	142,076	Delays with market tendering
Marion City Band Kitchen & Toilet Renewal	Not started	18,099	Steel supplier delay
Plympton Sports Oval LED Lighting (NEW)	Not started	85,000	Equipment purchased, tender issued for installation
Plympton Sports Oval LED Lighting (Renewal)	Not started	108,876	Equipment purchased, tender issued for installation
ESMRG Landing Windbreak	Not started	50,000	Supply of material delayed
MOP Boiler Replacement	Not started	125,000	Electrical audit required to be undertaken, works deferred until after swim season
ESMRG Bowling LED Upgrade	In progress	181,184	Equipment purchased, tender issued for installation
Adelaide Remote Control Car LED Lighting & Verandah	In progress	37,726	Delays in supply of materials
Cove Netball Courts Lighting	Not started	82,054	Equipment purchased, tender issued for installation
Smart Cities Lighting & Parking	In progress	62,184	Multi year project
Administration Building Chamber Kitchen	Complete	47,800	Works in progress at 30th June, now completed
Morphettville Park Oval Coaches Box	In progress	43,000	Delays due to decision of location
Sports Courts Program/Lighting	Not started	95,000	Equipment purchased, tender issued for installation
Public Art Projects	In progress	12,296	Work in progress at 30th June, now complete
LED Lighting Transition	In progress	50,000	Completion of LED roll out delayed due to contractor negotiations
TOTAL CAPITAL CARRYOVERS		\$4,256,841	

6.3 Framework and Key Assumptions for the preparation of the 2022-23 ABP and LTFP

Report Reference	FRAC211214R6.3
Originating Officer	Unit Manager Statutory Finance & Payroll – Andrew Doyle
Corporate Manager	Chief Financial Officer - Ray Barnwell
General Manager	General Manager Corporate Services - Sorana Dinmore

REPORT OBJECTIVE

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

- The proposed framework in setting the 2022-23 Annual Business Plan (ABP) & Long-Term Financial Plan (LTFP) including a review of financial parameters and key budget assumptions
- The associated risks with the proposed framework and key budget assumptions

EXECUTIVE SUMMARY

The Annual Business Planning process has recently been initiated for the development of Council's 2022-23 Annual Business Plan (ABP) and annual review of Council's Long Term Financial Plan (LTFP).

Prior to the preparation of the next iteration of Council's LTFP and 2022-23 ABP as part of the Annual Business Planning process which has recently commenced, the FRAC'S feedback is sought on the proposed framework and key assumptions outlined in this report.

The table in Attachment 1 outlines the key steps and indicative time frames in the planning and budgeting process. It also highlights the critical decision points for Council through the process (highlighted in the blue shaded areas) and the opportunities for FRAC feedback (highlighted in the green shaded areas).

RECOMMENDATION

That the Finance, Risk and Audit Committee:

- 1. Provide feedback on the proposed framework, key assumptions, and associated risks in setting the Annual Business Plan for 2022-2023 and the Long-Term Financial Plan**
- 2. Provide feedback on the Environmental Scan (Attachment 3) as an input into the Draft ABP 2022-2023 and draft LTFP.**

DISCUSSION

The next iteration of Council's LTFP is being drafted and will include adjustments to incorporate any identified ongoing savings from 2020-21 and will be aligned with the funding requirements identified in Council's adopted asset management plans.

The proposed framework for 2022-23 is based on the framework included in Council's adopted 2021-22 ABP and LTFP as detailed below:

Framework:

- **Support the achievement of the City of Marion's Strategic Directions**
Comments: No Change Proposed
- **Address issues arising and opportunities identified from internal audit reviews, service reviews and business excellence assessments.**
Comments: No Change Proposed
- **Maintain, on average, a break-even or better funding (cash) position over the Long-Term Financial Plan.**
Comments: No Change Proposed
- **Continue to improve the maintenance of assets in accordance with Council's Asset Management Plans, with a priority on maintenance before renewal, and renewal before new when it is cost effective to do so.**
Comments: No Change Proposed
- **Review existing services and assets to ensure they meet prioritised community needs.**
Comments: No Change Proposed
- **Council only approve new Major Projects where it has the identified funding capacity to do so.**
Comments: No Change Proposed
- **Maintain Council's position for an average residential rate which remains among the lower rating in metropolitan councils.**
Comments: No Change Proposed

Key Assumptions

In developing the Draft LTFP and Draft ABP 2022-23, the following key assumptions and variables are proposed:

Service Levels - Where changes to service delivery are prioritised and approved by Council subject to financial capacity, these changes will be incorporated into the 2022-23 Budget and Long-Term Financial Plan. Where no other endorsement exists, service delivery levels will be maintained at current levels.

Indexation - The 2022-23 budget will be based off historical actuals adjusted where appropriate by CPI (Adelaide CPI - Sept 2021 has risen to 2.5%). Council's currently adopted LTFP has factored a lower indexation of 1.5% for 2022-23, 2% for 2023-24 moving back to 2.5% for the balance of the LTFP. This was a change introduced last year, following consideration of a period of low CPI increases and uncertainty being experienced during the Covid-19 pandemic.

Comment:

With the Covid-19 outbreak, the serious disruption to economic activity, the provision of unprecedented stimulus packages, large shifts in demand and disruption to supply chains the forecasting task has become more challenging leading to a higher than normal degree of uncertainty the further one looks out into the future. In consideration of these factors and the market conditions being experienced currently it would be prudent to return to an indexation rate of 2.5% for the remainder of the LTFP from the 2022-23 year.

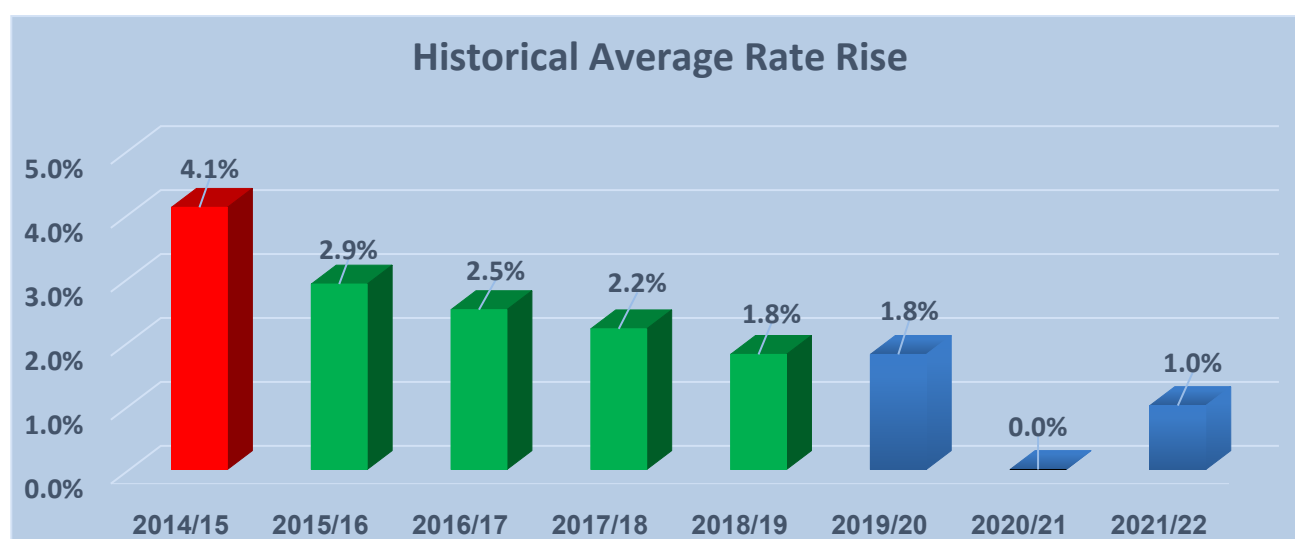
Indexation beyond 2022-23 is therefore proposed to be set at a 2.5% increase per annum which is in line with the Reserve Bank's target inflation rate of 2–3 per cent, on average over time, with the following exceptions:

Rates - Following Council's decision to implement a zero % rate increase in 2020-21 to support our community during Covid-19, followed with a 1% increase in average rates for 2021-22 Council are seeking to continue a low rating strategy and looking at rate modelling options ranging from 1% to 1.7% to be presented with the draft high level budget at the planning day in January 2022.

Comment:

Council rate modelling options need to consider balancing the real cost of service provision and service demand from the community with the financial impact this may have on Marion ratepayers' and their capacity to pay. As in the past, these modelling options will be centred on Council adopting and maintaining a LTFP that ensures the Council operates in a financially sustainable manner.

The table below demonstrates Council's focus on maintaining a low rating strategy with the reduction in average rate increases over the past eight years.



Council in delivering its Annual Budget for 2022-23 and the next iteration of its LTFP will ensure that long term financial sustainability is maintained by delivering a LTFP that will achieve a breakeven or better cash position over the 10-year term of the LTFP.

Employee Costs - Will be increased in alignment with Council's Enterprise Agreement provisions. In addition, any costs relating to Council approved staff resources to meet operational requirements or Council endorsed new initiatives will be incorporated into the ABP and LTFP. The remaining 4 scheduled annual increases of 0.5% to the Superannuation Guarantee will also be incorporated into the LTFP.

Comment:

In the current market conditions the attraction of appropriately skilled resources is proving challenging. With closed borders there has been a high demand for the available skilled resources which has driven market rates up.

The corporate KPI relating to 'Total Employee Costs' has a Core target of "less than or equal to 3% increase in actual employee costs" and a Stretch target of "less than or equal to 2%" - adjusted for Council endorsed changes to meet resourcing requirements.

With the attraction of Commonwealth and State Government stimulus funding the impact on resource requirements to deliver such projects and initiatives will need to be carefully considered in the development of the 2022-23 draft ABP.

In addition, Council's indoor Enterprise Agreement is set to expire at 30 June 2022.

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

Comment:

Forecast interest rates are based on current rates with an added margin giving consideration for future potential rate increases. These are currently at a record low with 10 year plus indicative rates provided by the Local Government Financing Authority (LGFA) also showing comparatively very low yields.

Interest revenue - is directly related to Council's investments and cash flows and is carefully monitored in line with interest rate movements. This rate currently is at a record low, and returns have decreased significantly over the past year or so. Long term forecasts provided by the LGFA indicate low rates for the duration of the LTFP and these need to be recognised.

Non Recurrent Costs/ Revenues - An adjustments schedule is maintained to account for any future variations in operating activities (e.g.- an adjustment is made for election expenses to reflect that they only occur once every four years).

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

Comment:

Council will continue to seek and optimise the opportunity to leverage any stimulus funding provided to the sector. Also, with 2022 comes three election cycles, Federal, State and Local government elections which may provide opportunities for the City of Marion. The outcomes of any potential grant funding opportunities may change as we develop the 2022-23 ABP and late adjustments may be required depending on the outcomes. The impact of the attraction of this funding and the resource requirements to deliver identified projects and initiatives will be monitored and considered in the development of the 2022-23 ABP and LTFP.

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

Risks in the preparation of the 2022-23 ABP and LTFP

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

1. Covid-19 Impact on Current Market Conditions - the serious disruption to economic activity, the provision of unprecedented stimulus packages, large shifts in demand and disruption to supply chains are culminating to present very challenging market conditions – projects costs for some projects may be impacted anywhere from 10% – 40% potentially.
2. Employee Costs – As noted above
 - Council's indoor Enterprise Agreement is set to expire on 30 June 2022.
 - In the current market conditions the attraction of appropriately skilled resources is proving challenging.
 - the impact on resource requirements to deliver grant funded projects and initiatives will need to be carefully monitored in the development of the 2022-23 draft ABP.

3. Rates - Should any form of rate capping be introduced in the future; it may prove challenging in the long term and could hinder the provision of new services that the community may require. Council will need to continue to investigate and develop strategies to reduce the reliance on such rate increases, balancing this with the real cost of service provision and service demand from the community.
4. Competing priorities and community expectations - There are currently a number of large unfunded aspirational strategic projects identified for further investigation across the City that require partnership funding to be able to proceed. It is crucial that aspirational strategic projects are prudently assessed with appropriate due diligence and in a disciplined manner to ensure Council's long-term financial sustainability is preserved.
5. Capital Renewal requirements - currently identified funding requirements in Council's adopted AMPs for existing assets have been assessed against the LTFP, which currently indicates sufficient funding in total, however timing of funds and works for different asset classes may need further alignment.

An environmental scan is undertaken periodically as part of the Annual Business Planning process to identify and analyse critical issues and opportunities through application of the PESTLER framework (Political, Economic, Social, Technological, Environmental, Legal and Relationships). The findings may have potential to impact on council's project and program delivery, business-as-usual activity, and reputational risk in the sector. A detailed review is provided in Attachment 3.

The scan was developed with senior staff in October 2021 and several risks and opportunities were identified and are being considered through the development of the 2022-23 Annual Business Plan, including:

- Business continuity related to COVID-19: On-going administrative, monitoring, and reporting impacts yet to be fully understood. Potential disruptions due to new variants and changes in Government direction.
- Construction sector: Supply chain pressures and high demand in the sector may impact delivery time frames on projects
- Rising inflation: Impacts felt broadly by the community as supply prices rise across a range of essential products.
- Labour shortages and movements: Skilled labour shortages across Australia due to the lockdown of international and domestic borders, along with significant attitudinal trends towards work and conditions.
- Upcoming elections:
 - Federal and State elections in 2022 are likely to see opportunities for partnership funding towards unfunded projects.
 - Local Government elections in November 2022.
- Cyber security: Exploitation of the pandemic environment targeted at individuals and businesses has increased.
- North-South Corridor: A watching brief on the recently announced State Government \$125 million investment fund to support improvements to the urban realm at the surface level.
- Boundary realignments & code amendments: Outcomes expected in the short-term future.

The Finance, Risk & Audit Committee's feedback is sought on any issues or considerations that the committee considers should be included. The environmental scan will continue to inform a range of areas including Council's suite of strategic plans, public policies, operational plans, and quarterly risk reviews.

Targeted Savings

As in prior years there will continue to be a strong focus on identifying on-going savings during the preparation of the 2022-23 ABP. It should be noted that identified savings/surpluses in both operating and capital expenditure of \$1.141m were achieved and recently reported to Council as part of the First Budget Review following the completion of the 2020-21 audited financial statements.

Council services will continue to be reviewed during the preparation of the 2022-23 ABP and any areas where further efficiency and effectiveness savings are identified through Business Service Reviews will be incorporated into the development of the 2022-23 ABP and LTFP.

ATTACHMENTS

1. Attachment 1 - ABP 2022-23 Planning and Budget Process [**6.3.1** - 1 page]
2. Attachment 2 - Adopted LTFP 2021-2031 [**6.3.2** - 1 page]
3. Attachment 3 - City of Marion Environmental Scan [**6.3.3** - 4 pages]

Annual Business Plan 2022-23 - Planning and Budgeting Process

Attachment 1

Stage	Focus	Timing
1	Staff analysis of planning inputs – Research and Engagement for the Environmental Scan, committed projected/program and required labour budgets.	Nov 2021 To Jan 2022
2	Elected Member Input to High level draft budget model development: <ul style="list-style-type: none"> Setting tolerance/ key assumptions, parameters for management Consideration of unfunded initiatives, new priority initiatives Draft Budget Model developed based on parameters set 	Nov 2021 to Jan 2022
3	Finance & Audit Committee - Feedback on the proposed framework, assumptions and associated risks in setting the Annual Business Plan for 2022-23 and the Long-Term Financial Plan	14 Dec 2021
4	EM Planning Day <ul style="list-style-type: none"> Presentation of High Level 1st Draft 2022-23 Budget and LTFP model LTFP aligned with set parameters, Council resolutions and prioritised new activities 	EM Planning Day 29 Jan 2022
5	Finance & Audit Committee – Update provided on Development Draft Annual Business Plan & LTFP, Framework and Assumptions – FAC feedback sought prior to Public Consultation	22 Feb 2022
6	Elected Member Forum <ul style="list-style-type: none"> Update on Rating data 2022-23, Rates discussion, 2022-23 Priority projects confirmation Draft Annual Business Plan and Comprehensive Draft Budget 	15 March 2022
7	<ul style="list-style-type: none"> Set Tentative Rates Set draft priority projects list for consultation 	March-April 2022
8	Elected Members : Endorse and Adopt - Draft Annual Business Plan for Community Consultation	12 April 2022
9	Community Consultation period (Min. 21 Days)	15 April 2022 To 6 May 2022
10	Finance & Audit Committee – Update on Community Consultation Feedback	17 May 2022
11	Elected Members: Community Consultation Feedback presented to Council	24 May 2022
12	<ul style="list-style-type: none"> Final rates discussion Final priority projects discussions 	May - June
13	Elected Members: Endorse - Final Draft Annual Business Plan and LTFP with any final amendments to be brought to Council for Adoption	14 June 2022
14	Council Adopt - 2022-23 Annual Business Plan and LTFP	28 June 2022

City of Marion 10 Year Financial Plan for the Years ending 30 June 2031 BUDGET SUMMARY - GENERAL FUND Scenario: LTFP 2021-2031										
	2021/22 \$'000	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	Projected Years					
					2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000	2030/31 \$'000
Indexation	1.00%	1.00%	1.50%	1.50%	1.40%	1.40%	1.40%	1.30%	1.30%	1.30%
Income										
Rates	81,730	83,337	85,420	87,556	89,659	91,813	94,019	96,186	98,403	100,672
Statutory Charges	2,106	2,138	2,180	2,235	2,291	2,348	2,407	2,467	2,528	2,592
User Charges	2,786	2,869	2,926	3,000	3,075	3,152	3,230	3,311	3,394	3,479
Grants, Subsidies and Contributions	9,240	6,013	6,133	6,287	6,444	6,605	6,770	6,939	7,113	7,290
Investment Income	346	376	383	400	434	443	527	588	684	754
Reimbursements	1,073	1,172	1,195	1,225	1,256	1,287	1,319	1,352	1,386	1,421
Other Income	644	541	544	549	553	558	562	567	572	577
Net gain - equity accounted Council businesses	365	365	365	365	365	365	365	365	365	365
Total Income	98,290	96,810	99,148	101,616	104,077	106,570	109,200	111,775	114,445	117,149
Expenses										
Employee Costs	39,912	40,963	41,325	42,329	43,474	44,474	45,497	46,543	47,614	48,709
Materials, Contracts & Other Expenses	43,719	35,673	34,796	35,510	36,439	37,993	38,280	39,032	39,954	40,952
Depreciation, Amortisation & Impairment	16,135	16,651	17,317	18,010	18,730	19,480	20,259	21,069	21,912	22,788
Finance Costs	252	493	449	373	322	269	214	157	104	68
Total Expenses	100,018	93,781	93,888	96,221	98,966	102,216	104,250	106,802	109,583	112,517
Operating Surplus	(1,728)	3,030	5,260	5,395	5,110	4,353	4,950	4,974	4,862	4,632
Operating Surplus Ratio	-1.76%	3.13%	5.31%	5.31%	4.91%	4.09%	4.53%	4.45%	4.25%	3.95%
Amounts Received Specifically for New or Upgraded Assets	4,609	-	-	-	-	-	-	-	-	-
Net Surplus / (Deficit) for the Year	2,881	3,030	5,260	5,395	5,110	4,353	4,950	4,974	4,862	4,632
Capital (Balance Sheet) and Reserve Movements										
Capital Expenditure	(59,555)	(20,423)	(19,133)	(20,209)	(21,530)	(21,247)	(22,404)	(23,058)	(23,736)	(24,230)
Loan Repayments (External)	(827)	(1,841)	(2,040)	(1,450)	(1,501)	(1,554)	(1,609)	(1,666)	(1,304)	(1,340)
New Loan Borrowings (External)	10,920	1,350	-	-	-	-	-	-	-	-
Net Transfers (to)/from Reserves	30,323	1,753	(383)	(383)	(383)	(283)	(283)	(283)	(283)	(283)
Total Capital (Balance Sheet) and Reserve Movements	(19,139)	(19,162)	(21,556)	(22,042)	(23,413)	(23,083)	(24,295)	(25,007)	(25,323)	(25,852)
Net Result (including Depreciation & Other non-cash items)	(16,258)	(16,132)	(16,295)	(16,647)	(18,303)	(18,730)	(19,345)	(20,033)	(20,461)	(21,221)
Add back Depreciation Expense (non-cash)	16,135	16,651	17,317	18,010	18,730	19,480	20,259	21,069	21,912	22,788
Less Other Income (non-cash)	(365)	(365)	(365)	(365)	(365)	(365)	(365)	(365)	(365)	(365)
Funding Surplus/(Deficit)	(488)	154	657	998	62	385	549	671	1,086	1,203
Closing Cash Balance	17,608	16,009	16,667	17,664	17,727	18,112	18,661	19,332	20,418	21,621
Reserve Balances - Fully Cash Backed	12,251	11,083	11,466	11,849	12,232	12,515	12,798	13,081	13,364	13,647
Cash after Reserves	5,357	4,926	5,201	5,815	5,495	5,597	5,863	6,251	7,054	7,974

Key Financial Ratios		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Operating Surplus Ratio	Target 0% - 10%	-1.76%	3.13%	5.31%	5.31%	4.91%	4.09%	4.53%	4.45%	4.25%	3.95%
Debt Servicing Ratio	Target 0% - 5%	1.1%	2.4%	2.5%	1.8%	1.8%	1.7%	1.6%	1.6%	1.2%	1.2%
Net Financial Liabilities Ratio	Target 0 - 50%	18.90%	20.33%	16.74%	13.55%	11.37%	9.03%	6.58%	4.09%	1.67%	-7.60%
Asset Renewal Funding Ratio	Target 90% - 110%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Interest Cover Ratio	Target 0% - 5%	-0.10%	0.12%	0.07%	-0.03%	-0.11%	-0.16%	-0.29%	-0.39%	-0.51%	-0.59%

Components (PESTLER)	Themes for consideration	Emerging Opportunities	Emerging risks	Time frames for action			Actions (for short term actions where applicable)
Political				Short term 12-24 months	Medium 2-4 years	Long term 5-10 years	
	Planning and design code	Increased housing choice. Opportunity to investigate structure plans for precincts across the city.	Urban infill is likely to exacerbate issues such as parking and congestion potentially impacting perceptions of decreased liveability of suburbs.	X	X	X	Resolution to be achieved by June 2023
	Animal Management	A long term service option is being negotiated with a suitable provider	Unclear costs associated with service delivery.	X			
	Code Amendments	Four new code amendments lodged with the State Government.	Liveability opportunities and economic development opportunities may not be realised if not approved.	X	X		
	Boundary realignment	Awaiting outcomes of the Seacliff Park boundary realignment proposal	reputational risk.	X			
	North -South Corridor	DIT have outlined a suite of urban design and city shaping strategies to be delivered through a \$125 million fund that will support the local community and interface with the north south corridor. Opportunities The project provides opportunity to review the urban realm near impacted areas including traffic management and open space provision, and enhanced amenity.	DIT has announced a number of City of Marion residents and businesses will be acquired. Potential reduction in total economic output for the area if businesses do not relocate within the council area.	X	X	X	Watching brief, the State Government will be providing more detail in 2022. Community feedback will be sought as part of the project assessment process and broader engagement activities.
	Positive Ageing and Inclusion & neighbourhood centres, libraries funding/reforms	Opportunities to partner with other organisations should Government funding be redirected to the private sector/other Government agencies. Continue dialogue with the relevant Government departments and advocating for residents.	Significant reforms are occurring for the neighbourhood centres which provides uncertainty on council's eligibility to obtain funding (\$270,000 per annum in funding to council). Furthermore Changes to State Government funding models may also impact library funding and the PAI Federal Government funding (More detail will be provided in 2022.) Memorandum of understanding remains unsigned. Funding remains committed until October 2022 for neighbourhood centres, PAI June 2023. The State Government has offered a 4 Year funding agreement being reviewed by the LGA.	X			Watching brief until more information can be provided by the State Government in 2022.
	Climate	Increased dialogue at Federal Government level. All states and territories have now committed to achieving net zero carbon emissions by 2050. National carbon emissions need to decline on a significantly steeper trajectory if this goal is to be met. Opportunities for local government to prepare for disaster preparedness and climate adaptation.	Extreme weather related events including wildfires, floods and heatwaves was prolific in 2020 (PWC). The year 2020 was officially ranked as the hottest year on record (NASA). Impacts of inaction at the Federal level will likely see these risks exacerbate. Climate fuelled extreme weather is compounding costs for councils including mounting damage to council owned assets, rising insurance premiums and increasing liability risks. (citiespowerpartnership.org.au) ; IPCC 6th Assessment report - we are in the critical decade. Demand in the construction sector is set to increase up to 2030. An increase in pollution and waste is likely.	X	X	X	The City of Marion endorsed Carbon Neutral Plan 2020-2030 aims to reduce carbon emissions from Council operations by 2030. Resilient South- Resilient Asset Management Project- looking at the risks of climate on infrastructure and addressing ways to mitigate the risks. This 4 year project is in development and will help inform future asset planning. Coastal Protection Plan and Greening and adaptation plans mitigate urban heat.
	Shifting responsibilities to the Local Government Sector	Councils could collaborate or call on the LGA to lead initiatives that could be rolled out across the sector to reduce the level of resources that each council would require. (current discussions from the State Government on future potential initiatives include universal design principles (public realm))	Finite resourcing to deliver more services.	X			
	National Park City	A National Park City is a focused community effort to improve a city's liveability, through a better connection of nature and people. Green Adelaide is leading the push for Adelaide to be recognised as a National Park City.	Community expectation to increase greening requires further investment and ongoing maintenance costs.	X			City of Marion Mayor has signed the Adelaide National Park City Charter. (GC210727M14.3)
	Elections- Federal, State and Local	Opportunities for parties to pledge their support for key projects of interest.	New resources may be required to deliver more work to the community.	X			The Mayor has promoted strategic and community level opportunities with both State (seven seats) and Federal candidates (two seats).
Unfunded major projects	The City of Marion, in comparison to other councils, has conservative debt levels, although having ample resources to take on debt.	Re-alignment of the current risk appetite/culture of council may be required if more investment is not being considered.	X	X			
Council's 4 Year Business Plan 2023-2027	Opportunities for community engagement data to assist with future planning. Recent feedback from the community at the 'Marion 100' event was that they wish to be involved in strategic planning.	N/A	X	X		Community Engagement to occur in July 2022.	
Economic				Short term 12-24 months	Medium 2-4 years	Long term 5-10 years	
	Rising inflation	Cross- council procurement opportunities to increase bargaining power along with utilising the LGA procurement services to ensure that council is capitalising on delivering the most cost efficient services.	Inflation rose 3.0% to the 12 months to the September 2021 quarter (ABS 2021). Delivering major projects in periods of rising inflation will result in additional investment to deliver. Impacts felt by the community will flow onto business and investor confidence.	X			
	Unemployment	Job reskilling, work skills services has been identified as a core need based on the community needs analysis and is being provided by the City of Marion.	N/A	X			
	Skilled labour shortages	The reopening of borders nationally and internationally may address some of the skills shortages facing certain sectors including IT and construction. Demand for highly skilled labour increased during the pandemic while demand for lower order skills fell. (Financial review October 2021).	Risks that council's project pipeline may be disrupted due to changes in staff and intellectual property departing the project.	X	X		Revised internal capital works forward planning to ensure that council is in a position to tender at an early stage in the new financial year. Increased emphasis on supplier engagement and progress updates with the contractor. Recent training with project managers has reinforced this approach.
	Property market	The opportunities for increased housing choice in the Planning and Development Act may alleviate some of the current demand stress. Two key developments- Tonsley and Oaklands green provide options for affordable housing.	Anecdotal feedback from the Community Connections teams is that there has been some movement of residents out of the council area due to the housing affordability crisis. The City of Marion was once considered a 'regional hub' (Population ID) for its accessibility to services and affordability. This exacerbated with stricter lending measures may see new arrivals priced out of the market once borders reopen. Demand from the non-residential building construction sector is forecast to decline over the period (2021-2026), as investor confidence in the commercial property market remains slow to recover. (IBIS world 2021)	X	X		
	Industry impacts	Opportunity to establish new timing for when projects are tendered (Q4 of the financial year for the ensuing period, where possible.) Opportunities to utilise procurement panels to benefit from price capping options.	High demand in the construction industry along with supply shortages is resulting in inflated project costs and delayed time frames. A lack of resourcing in the sub contractor market raises concerns around quality.	X	X		
	Supply chain	Where applicable potential to procure materials direct.	Shortages in timber, steel and products coming from overseas has impacted project completion time frames. High sea freight costs and delays are expected to continue in the next 12 months due limited supply of sea carriers. This is likely to have flow on impact to the cost of materials being sourced and time frames	X			

Components (PESTLER)	Themes for consideration	Emerging Opportunities	Emerging risks	Time frames for action			Actions (for short term actions where applicable)
	Household debt	Current post pandemic savings are above pre-pandemic levels by 5.3%	For households with a high debt to income ratio this could pose risks to the economy in the event of a shock to household incomes or sharp decline in housing prices. (RBA October 2021) Over-exuberance in the housing market can impact consumption due to high debt to income ratio. Household liabilities may have an impact on people's capacity to pay other household utilities including rates.	X	X		
	Retail- shifts in consumer behaviour increasing to online	Opportunities to consider zones that support warehousing and logistics. Over the last 18 months expenditure directed online has risen from 6.6% to 15.0% by August 2021 (ABS 2021). The reopening of domestic and international borders is likely to have a positive economic impact.	The changing landscape of the retail sector with the move to online purchasing presents risks to the retail sector. With 3,607 jobs representing 15.69% of total employment, the retail trade industry sector is the council area's largest employer with 3,607 jobs. (Remplan)	X	X		
Social				Short term 12-24 months	Medium 2-4 years	Long term 5-10 years	
	Community Expectations/sentiment	Opportunities to further promote City of Marion assets including incorporating new project opening activation events to engage the community and increase brand awareness of the range of new initiatives. Marion 100 is to increase engagement across broader diversity.	Expectations on LGA's will increase through the fact that people are working from home will continue, this will have a significant impact on our city. LGA's will become compartmentalised into fully serviced mini cities and regional hubs (Bernard Salt, Social Commentator).	X			Continuing to monitor community expectations. Ensuring that the City of Marion is marketing its key brand attributes- assets and services to balance community expectations
	Public health	Partnering with Headspace to use the neighbourhood centre to deliver programs and SONDER (Cultural and linguistically diverse). Funding increased from Federal Government towards mental health support. To ensure that our services and programs cater to a broad range of needs.	Significant increase in mental health and isolation are being experienced in the community and may be an increased expectation on council and public facing staff as to what support can be provided. Community anxiety and disruption around any COVID-19 restrictions	X			
	Business continuity in a COVID-19 world	Setting of a new social order with borders reopening and new rules in place for living with COVID-19 amongst the community. Federal Government direction will see the community adapting to newly established rules for living.	Additional administrative requirement for ongoing monitoring and oversight on impacts (if any) to council and remain responsive to changes in Government direction. Risks of exposure at sites.	X			
	Population	The population will continue to age, mostly because of improved life expectancy and low fertility. (Australian Intergenerational report 2021, Department of Treasury)	Community expectations may change requiring further investment to assets.	X			
	Transport trends	In SA, COVID-19 has led to a 13% decline in public transport usage, a 1% increase in walking and a 13% increase in driving. Increases in freight delivery are likely to see more congestion on our roads.	Potential increase in deterioration of our road assets.	X	X		
	ABS data	Census data releases to provide opportunities for future planning	N/A	X			
	Shifting demographics	Tonsley & Oaklands Green affordable housing developments may attract demographics to remain within the city of Marion.	N/A	X			
	Volunteering	Skilled volunteering opportunities	60 percent of baby boomers are in the retirement age group. Volunteering decreased during COVID-19 and there are number of volunteers who have indicated they are not comfortable to volunteer, or don't wish to wear masks, community bus concerns etc. Capacity limits further perpetuate this. Confidence is an issue.	X			
	Trust in Government	Although trust in government has fallen since the pandemic began, people recognise the need for government to help solve fundamental problems. (PWC 2021) There is a role for local government in this space.	Trust in Governments rose at the beginning of the pandemic and governments have come to be perceived as the least ethical and least competent stakeholder (2021 Edelman Trust Barometer). Risks that political agenda's across the three tiers of Government during elections in 2022 may not be perceived favourably by the community, thereby eroding trust in the sector.	X			Ensuring communications remain meaningful and relevant to the community
Technological				Short term 12-24 months	Medium 2-4 years	Long term 5-10 years	
	Digital Literacy-Community	Continue to strengthen our digital literacy support services including the potential of new developments providing Wi-Fi (Oaklands Green).	At a community level there is an increasing divide- inequitable access to Wi-Fi technology.	X			CoM implemented free community WiFi recently at Oaklands Wetlands. Further initiatives in the open space are being investigated at other Sport and Rec facilities.
	Cyber security	The DTP will allow CoM system to be cyber security aware and achieve a 'managed and measurable status'.	Cyber security targeted attacks are increasing towards people working from home through 'spear fishing' campaigns that aim to steal user details. Exploitation of the pandemic environment targeted at individuals and businesses has increased.	X			Ongoing capability and vulnerability assessments will be carried out.
	Sensors	Opportunities to develop greater capacity and maturity to synthesize and understand the data that is generated from existing sensor technology.	Risks that council may not be responding to key information about our community. Return on investment may not be met.	X			Analytics of the Oaklands Precinct will be investigated to inform council around opportunities for scalability of solutions.
	Emerging technology	Any emerging technologies that are utilised need to be considered in relation to the digital/data literacy of the organisation.	Currently data and analytics can not be readily consumed by staff. There is a risk that as systems are rolled out staff are not trained or equipped with the skills to utilise the technology.	X	X		As the DTP rolls out it is expected that digital literacy training will be improved.
Legal				Short term 12-24 months	Medium 2-4 years	Long term 5-10 years	
	Local Government Reforms	Opportunities to review processes to ensure alignment to new legislative changes.	Non compliance may carry significant risk both reputational and financial.	X			Council has recently provided feedback to the LGA on the proposed reforms.
	Positive Ageing and Inclusion- Commonwealth Government Aged Care reform	Still awaiting outcomes to understand any additional opportunities.	Still awaiting outcomes to understand any emerging risks.	X			Awaiting outcomes to understand impact to the organisation.
	LG IT whole of local government document classification	Consistent sector wide Governance for the handling of records. Increasing our maturity level in this space.	N/A	X			

Components (PESTLER)	Themes for consideration	Emerging Opportunities	Emerging risks	Time frames for action			Actions (for short term actions where applicable)
	PDI Act	Increased home owner protection through a higher level of compliance and inspections	Full impacts of the changes are not yet known, challenging to predict the operational impact on compliance and inspection	X			
Environmental				Short term 12-24 months	Medium 2-4 years	Long term 5-10 years	
	Climate risks	Embed climate resilience and sustainability into asset management decision making.	Every asset is designed to withstand a climate threshold as climate risk increases those thresholds will be exceeded. Risks could be nonlinear as damage changes from minimal to critical (McKinsey & Co 2020). Prolonged drought and extreme weather events could materially lower economic activity in certain sectors and may have significant costs in terms of property damage, the health and wellbeing of the population. (oecd.org economic survey, September 2021)	X	X		Climate resilience and sustainability will continue to be embedded into decision making. Resilient South Resilient Asset Management Project (RAMP) is responding to this risk. Councils risk management practices will identify risks and appropriate controls to mitigate risks across the service portfolio.
	Urban infill impacts	Opportunities to further increase tree planting, accessibility to quality walking and cycling paths and increase of modal filters (features used on streets to allow walking and cycling on streets including parklet seating etc). The Green Building Council of Australia has drafted a 'Climate Positive Roadmap for Precincts' that sets the trajectory and actions that need to happen to decarbonise precincts. It is intended to be used to inform decision making on land development project, urban infill and greenfield projects.	Existing stormwater infrastructure has insufficient design capacity to cope with increased runoff from development - increased frequency of property flooding and damage. Expected increased community dissatisfaction at any increase in parking and road congestion. Urban areas that are not resilient to the impacts of climate change and are less attractive, safe, comfortable and affordable for people.	X	X	X	
	Government focus	Focus areas include Green hydrogen made with renewable electricity and recycled water. Hydrogen Hub being established at Tonsley	There is some 'hype' around green hydrogen, and Council needs to ensure that what is being promoted aligns with community expectations and is not perceived as 'greenwash'.	X		X	
	SRWRA	New Southern Materials Recovery Facility opened in July 2021 to process materials collected in the yellow kerbside bins	N/A	X			Investigation of opportunities to educate the community through site visits (underway)
	Carbon neutral aspirations	Opportunities for council to engage with the community in the formation of the next 4YBP to identify initiatives	Commonwealth and State level policy may not meet community expectations	X	X		The National Construction Code is currently being reviewed; the Green Building Council of Australia has developed a draft submission on proposed amendments that will be shared with Councils to support development of their own submissions.
	Container deposit legislation	Opportunity for reduction of recyclables through the yellow bin system through the monetary incentive scheme.	N/A	X			
	Embodied carbon	To understand what council's carbon footprint from embodied carbon (contained within construction materials used in assets and infrastructure) and then take steps to reduce the embodied carbon used in future projects through more informed design and procurement decisions.	While undertaking this work other business as usual demands may take precedence. Educating staff and awareness across the organisation.	X			This is an action that forms part of the ESD guidelines in the Carbon Neutral Plan to be delivered over the next 12 months
	Community sentiment	Opportunities to connect closer with the community to educate and promote on council's greening initiatives.	There is strong community interest in trees and greening that may not be met by Council's delivery programs	X			
Relationships				Short term 12-24 months	Medium 2-4 years	Long term 5-10 years	
	Relationships with Governments, service providers, private partners	Opportunities to centralise councils management of its key stakeholder relationships through the new CRM system	Ineffective stakeholder engagement by not appropriately managing each of council's key external stakeholders.	X			Investigating a relationship map as part of the CRM.
	Cross council collaboration	Information sharing, procurement and shared resources provides an ability to reduce councils cost of service delivery.	Collaboration can inhibit projects from being delivered in a timely manner particularly where it requires one council to develop further in service/technology maturity before a project can advance.	X			
Microforces				Short term 12-24 months	Medium 2-4 years	Long term 5-10 years	
Service delivery				Short term 12-24 months	Medium 2-4 years	Long term 5-10 years	
	Project delays	Opportunity to revise planning and procurement timeframes to ensure that tenders are going to market early.	COVID-19 market conditions, supply and high demand for services has impacted project timelines from 2020-21 FY into the current financial period.	X			
	Business continuity in a COVID-19 world	Virtual services and working from home bring increased accessibility to services.	Some customer facing and front line work is not able to be delivered virtually. Ongoing mitigation actions need to be monitored.	X			
	Staff resources	Opportunities to review council's capacity to deliver on future works Commitment to a pipeline of projects to match existing staff levels.	A finite set of resources to deliver the same or higher volumes of work is likely to result in extended carry overs across future periods. Burnout and fatigue are possible.	X			The senior leadership team will be doing a review of their forward works in December and outlining requirements.
	Asset Management	AMIS will provide greater capability to optimise our assets and servicing.	N/A	X			
	Open Space provision	State Government providing funding towards land acquisition.	Identified areas of low open space provision in the north of the council area compared to the south.	X			The senior leadership team will be doing a review of their forward works in December and outlining requirements.
	Strategic reviews	The City of Marion Property Asset Strategy (COMPAS) will identify future needs.		X			
	Internal collaboration	Continued opportunities to strengthen internal collaboration to optimise outcomes.	Opportunities to be more efficient, duplication and outcomes.	X			
	Procurement processes	Opportunities to increase expenditure with local suppliers. A portal is going live in November that shows relevant suppliers located within our council area.	N/A	X			
	Procurement- RAP	Required to implement a strategy to align with RAP principles ¹	N/A	X			
	Carryovers	Opportunities to recalibrate the cycle of budget bids and capital works to ensure that council is best positioned to mitigate council risks.	Failure to complete current works loads to meet the new cycle times.	X			

Components (PESTLER)	Themes for consideration	Emerging Opportunities	Emerging risks	Time frames for action			Actions (for short term actions where applicable)
	Project Management maturity	An endorsed project management framework is built into CAMMS. There is capacity to use CAMMS to its full potential through delivering further training in project management methodologies, system usage and processes. Further opportunities to increase project management planning to factor for changes in the market	Lack of Governance across Project Management practices- including detailed planning, risk management identification and mitigation.	X			Project Managers have been trained on mandatory criteria including increased training including risk management. Increased communication and engagement with individual project managers will continue to be a strong focus to provide support in order to support an increased proficiency of project management.
	Data Maturity	The roll out of the Data Analytics project will increase the level of maturity and governance of data.	The timeliness of the project due to the roll out of other systems which are key dependencies.	X	X		Whilst a cross council approach was originally anticipated, the CoM are now proceeding with this as a standalone priority to ensure that the project can be delivered in a timely manner. The project is likely to take up to 2 years to allow for the implementation of other systems.
Workforce				Short term 12-24 months	Medium 2-4 years	Long term 5-10 years	
	Enterprise bargaining agreements	Leverage opportunities to consider new ways of working	Potential delays and issues in finalising the agreement (due to COVID or other constraints)	X			
	Future workforce needs	Opportunity to take a more holistic and strategic approach to management of the City of Marion workforce	Constraints of the Enterprise agreements to provide flexibility	X			
	Workforce turnover	Organisational renewal and the ability to refresh skill sets.	Loss of corporate knowledge, impact on moral and efficiency.	X			Monitoring turnover rates and employee exit survey results.
	Digital Literacy	Implementation of new systems creates opportunities to build employee capability and skills	Baseline capability contributes to missed opportunities to leverage systems and business improvement. There is a risk that if staff are not engaged in the journey they may resist the change, or that we end up with a two speed organisation (those who are digitally literate, and those who are not).	X			Training needs analysis to identify requirements
	Volunteer attraction & retention	Opportunity to further engage and attract skilled volunteers to the organisation	COVID-19 has impacted on the number of volunteers. This may exacerbate with the opening of borders.	X	X		
	COVID-19 workforce impact	Revisiting ways of working and employer value proposition.	Management of employee leave (and business continuity). Long term impacts on workforce health and mental health.	X			
	Employment market	Opportunity to revisit what our workforce needs are in a restricted labour market and attractiveness as an Employer.	High demand industries at the moment include IT and roles for tactical expertise including business analysts are highly competitive. Risk of not attracting appropriately skilled talent and meeting industry expectations around remuneration.	X			
	Upskilling of staff	Elevate the skills of the workforce to leverage the capacity to utilise new technologies	Risk that business as usual work is delayed due to the requirement for staff to be upskilled in new programs/processes and technologies.	X			

6.4 Internal Audit 2021/22 - Plan and scope (Project Management - Collaborative)

Report Reference	FRAC211214R6.4
Originating Officer	Unit Manager Risk – Sherie Walczak
Corporate Manager	N/A
General Manager	Chief Executive Officer - Tony Harrison

REPORT OBJECTIVE

To provide a status report of the progress of the Internal Audit program and to seek the Finance, Risk and Audit Committee (FRAC) feedback and endorsement of the Project Management Scope (Attachment 1)

EXECUTIVE SUMMARY

The City of Marion (CoM) and City of Charles Sturt (CCS) tendered the Internal Audit (IA) Services as a joint tender. KPMG was the successful tenderer and was awarded a two-year contract. Both Councils have extended this contract for a further two years. The two Councils worked collaboratively (with KPMG) to develop a joint IA Plan.

The FAC endorsed the IA Plan for 2021/22 at the August 2021 meeting. The IA Plan now identifies five (5) projects for this financial year, with three (3) projects identified as collaborative projects with CCS. The Projects include:

- Fraud Framework Review (Complete)
- Collaborative Project(s) Health Check (In progress)
- Contract Management (Collaborative) (In progress)
- Project Management (Collaborative) (Scope attached for endorsement)
- Desktop review of Stakeholder Management (not commenced)

Project Management (Collaborative) - scope for endorsement

This internal audit is a collaborative audit with Cities of Charles Sturt. The objective of this audit will be to review the CoM's processes, policies and procedures in place to govern capital delivery projects, with a primary focus on the holistic Project Management Framework. This will include consideration of the effective implementation of the CoM's Project Management Framework and whether it has been consistently applied across the organisation.

RECOMMENDATION

That the Finance, Risk and Audit Committee:

1. **Endorses the Project Management (Collaborative) Scope**

ATTACHMENTS

1. FY22 CoM Project Management Internal Audit Draft Scope 06.12.21 [6.4.1 - 4 pages]



City of Marion

Internal audit project scope: Project Management

(Collaborative project with the City of Charles Sturt)

December 2021

DRAFT FOR DISCUSSION

**DRAFT**

Internal Audit Program 2021/22: Project Management

In accordance with the 2021/22 Internal Audit Plan for the City of Marion ('CoM'), an internal audit project focussing on the CoM's Project Management is to be performed. This project will be a collaborative internal audit with the City of Charles Sturt ('CCS') (collectively 'the councils').

Objective

The objective of this internal audit project will be to review the CoM's processes, policies and procedures in place to govern capital delivery projects, with a primary focus on the holistic Project Management Framework. This will include consideration of the effective implementation of the CoM's Project Management Framework and whether it has been consistently applied across the organisation.

Scope of services

To address the overall objective above, the scope of this internal audit will include consideration of the following:

- Governance structures in relation to project management, including consideration of monitoring and reporting mechanisms to relevant governing committees, Project Sponsor and other key stakeholders.
- High-level review of project activities associated with the scope, quality and cost management of projects, including resourcing, scheduling, budgeting and project decision gateway and approval processes.
- Project and change management considerations including project risk management and issues identification and assessment processes.
- Project management guidelines, templates and tools in place to support the management of projects, including the level to which they are utilised by staff and aligned to better practice.
- Project management roles, responsibilities and accountabilities throughout each phase of the project lifecycle, including how key project information is recorded and communicated where accountabilities change.
- Relevant project management training and development materials, including consideration of staff capabilities.

- Processes for project closure and handover of deliverables, including financial closure, post-implementation review and contractor performance review.
- Benefits realisation processes for projects including the monitoring of benefits from project commencement through to completion.

The scope of the CoM's internal audit will not include consideration of Information and Communications Technology (ICT) projects noting a planned internal audit project health check is scheduled for Q1 FY23.

Approach

The approach to this engagement will include:

- Review of relevant documentation and systems in place relating to project management methodologies and processes including selected guidelines, templates and tools.
- Consultation with relevant stakeholders to understand current approaches and processes in place for project management.
- Sample testing of 3 - 4 agreed projects to assess the application and compliance with the CoM's project management methodology and processes.
- Review of monitoring and reporting activities to relevant governing committees, Project Sponsor and other key stakeholders to assess ongoing reporting of project activities and issue escalation processes.
- Comparison of the CoM's Project Management Framework and practices against KPMG's better practice Project Management Framework.
- Close-out meeting with the internal audit project sponsor and key stakeholders to discuss initial findings and recommendations.
- Drafting and finalisation of an internal audit report outlining internal audit findings, recommendations and any performance improvement opportunities.



Stakeholders

The following CoM stakeholders will be consulted as part of the Project Management internal audit project:

Personnel	Position title
Sorana Dinmore	General Manager Corporate Services
Ilia Houridis	General Manager City Development
Tony Lines	General Manager City Services
Ray Barnwell	Chief Financial Officer
Thuyen Vi-Alternetti	Manager City Property
Jamie Dunncliff	Manager Strategic Procurement Services
Russell Troup	Manager Operations
Mathew Allen	Manager Engineering, Assets & Environment
Charmaine Hughes	Manager City Activation
Kevin Poh	Senior Project Manager, Financial Transformation / PMO
Brett Grimm	City Activation Senior Advisor / Acting Manager City Activation

DRAFT

Resources and Budget

The team members and proposed budget for the Project Management internal audit project are listed in the following table:

Name	Position	Hourly rate (excl. GST)	Est. hours	Sub-total (excl. GST)
Eric Beere	Partner	\$361	5	\$1,805
Jonathan Giesecke	Project Management Specialist	\$264	10	\$2,640
Heather Martens	Director	\$264	10	\$2,640
Scott Jeffree	Senior Consultant	\$158	50	\$7,900
David Castine	Consultant	\$112	60	\$6,720
Total (excl. GST)				\$21,705

Timing

The proposed timing for the Project Management internal audit project is for the project to commence in March 2022 with a draft report completed for consideration by late-April 2022.



Approvals

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

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

Name: Sorana Dinmore

Name: Eric Beere

Signed:

Signed:

Date:

Date:

DRAFT

Disclaimers

Inherent limitations

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

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

Third party reliance

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

COVID-19

1. COVID-19 has the potential to materially and adversely affect our ability to provide the Services under the Agreement.
2. Each party will co-operate with the other in implementing reasonable mitigation measures to enable us to perform the Services in a way that seeks to limit the risk or potential impact related to COVID-19.
3. If the performance of the Services is delayed or otherwise adversely affected by COVID-19 or any circumstances related to COVID-19 (including, without limitation, unavailability of personnel), we will not be liable for any failure to perform the Services and the time for performance of the Services will be extended by any such reasonable period as is advised by us.
4. If COVID-19, or any circumstances related to COVID-19, result in the parties being unable to put in place service performance mitigation measures that we consider appropriate or we conclude that we are not able to perform the Services, either party may terminate the Agreement by providing 5 business days' notice in writing.

6.5 Civil Service Review

Report Reference	FRAC211214R6.5
Originating Officer	Manager: Operations – Russell Troup
Corporate Manager	N/A
General Manager	General Manager City Services - Tony Lines

REPORT OBJECTIVE

This report provides the Finance, Risk and Audit Committee with the final Civil Services Review (CSReview) undertaken by BeeSquared Consultants. Further, it provides an outline of the approach intended to utilise findings of the CSReview to improve and optimise the performance of the Civil Service Business Unit (CSBU).

EXECUTIVE SUMMARY

City of Marion (CoM), along with the City of Charles Sturt and City of Port Adelaide Enfield, commissioned a review of the respective Civil Services teams. The CSReview was undertaken by BeeSquared Consultants and received in October 2021.

The CSReview provides some useful insights into the relative performance of various CSBU related activity. CoM performed strongly in terms of minimal financial carryover, recycling and waste management as well as customer satisfaction.

Notwithstanding, the CSReview provides a case for change. It highlights the need for improvements relating to business processes and data collection necessary to demonstrate value. Limitations of available data meant in most cases CSReview findings and recommendations were based on assumptions rather than actual data.

This report articulates the intended approach to improve and optimise the CSBU beyond what was undertaken through the CSReview. It includes refined strategic objectives and a corresponding Tactical Implementation Plan (TIP).

RECOMMENDATION

That the Finance, Risk and Audit Committee:

- 1. Notes the Civil Services Review undertaken by BeeSquared.**
- 2. Provides feedback and endorses the approach proposed to optimise performance of the Civil Services Business Unit.**
- 3. Notes that a progress update including a more detailed implementation plan will be provided to the February 2022 FRAC meeting.**

DISCUSSION

The objective of the CSReview was: *to assess civil capital construction performance for three high priority services; roads, kerb and water table, and traffic management devices to identify opportunities to improve community outcomes from a cost, quality and service level perspective.*

Although the focus of this review is CSBU within the wider Operations Department, CoM's organisational structure means that there are elements of the report that relate to the Engineering, Assets, and Environmental team, for example defining service levels.

The CSReview was undertaken by BeeSquared consultants. The review was commenced in March 2021 and the final report was received in late October 2021 (included in Attachment 1). In general, the scope of the review was broad and delivered high level insight into performance and areas requiring further, more detailed investigation.

CoM performed on a par with the other Council's reviewed. There is a common theme encouraging more collaboration to share learnings across all the Councils. CoM was a standout in terms of its recycling and waste management practices with demonstrable financial and environmental benefits. CoM was also a standout performer with regard to financial carryovers that were considerably less than other Councils. The condition of assets where data was available was on a par with other Councils. CoM also received positive results regarding customer satisfaction.

The CSReview supports a case for change. It highlights the need for improvements relating to business processes and provision of data to support decision making and demonstrate value. The quality and completeness of data influences the CSReview because assumptions, rather than actual metrics have informed findings and recommendations, particularly regarding productivity.

Attachment 2 articulates CoM's intended approach to improve and optimise our CSBU. In the context of the original review scope and subsequent findings, the approach refines **strategic objectives as follows:**

1. CSBU delivers a consistent, acceptable level of service for ratepayers
2. CSBU demonstrates value for money
3. CSBU consists of a motivated, digitally aware and high performing Civil Services team

To inform and achieve the strategic objectives, the requisite analysis is framed through the following series of questions:

1. "What" should the CSBU deliver? (levels of service)
2. "How" does the CSBU deliver value? (processes, tools and systems including digital)
3. "Who" is best placed to deliver? (organisational structure and resource considerations, internal and external, required to deliver value)

Further, Attachment 2 includes a TIP that details the key steps required to explore, understand and respond to the objectives and guiding questions. The TIP will be developed in further detail before Christmas 2021 and underpin performance and progress reporting.

ATTACHMENTS

1. Final Report - Civil Construction Service Review - v 1.3 with Notes [6.5.1 - 81 pages]
2. CS review response [6.5.2 - 16 pages]



Civil Construction Service Review

Final Report v1.3

October 2021



Service Review Purpose and Scope

Page 2

- The cities of Charles Sturt, Marion and Port Adelaide Enfield work together to analyse the relative performance of the councils through activity costing, performance benchmarking, opportunity scanning and prioritisation.
- The objective of the Civil Construction Service Review is to assess Civil Capital Construction performance for high priority services; roads, kerb and water table, drainage and gravity stormwater management infrastructure, and traffic management devices to identify opportunities to improve community outcomes from a cost, quality and service level perspective.
- Asset categories included in the review:
 - Roads
 - Kerb and Gutter (including DDA ramps)
 - Footpaths
 - Traffic Management devices
 - Stormwater drainage
- This review intended to use quantified assessments across all areas of the report, however we found that many areas are unable to be fairly and accurately compared using numeric or other quantitative measures, due to significant differences in data capture, data discretion, and poor data quality (in addition to more fundamental differences in approach, strategy and community priorities).

Service Summary		Page 3		
		Charles Sturt	Marion	Port Adelaide Enfield
Quantity of Assets	Roads	622 km	493 km	696 km
	Traffic Management	979 devices	1,797 devices (1,100 valued)	615 devices
	Kerbs	1,400 km	908 km	1,437 km
	Footpaths	1,300 km	864 km	1,243 km
	Pipes and Drains	426 km	272 km	555 km
Replacement Value of Assets in AMP	Roads	\$344 M	\$235 M	\$506 M
	Traffic Management	\$3.7 M	\$15 M	\$20 M
	Kerbs	\$289 M	\$157 M	\$231 M
	Footpaths (incl Ramps)	\$208 M	\$141 M	\$225 M
	Drainage	\$319 M	\$214 M	\$443 M
Unit Value Assigned to Assets	Roads	\$553,055 per km	\$476,700 per km	\$727,000 per km
	Traffic Management	\$3,779 per device	\$13,636 per valued device	\$32,520 per device
	Kerbs	\$206,400 per km	\$172,900 per km	\$160,800 per km
	Footpaths (incl Ramps)	\$160,000 per km	\$163,200 per km	\$205,200 per km
	Drainage	\$748,800 per km	\$786,800 per km	\$798,200 per km
Asset Management Plans		Transport Water Management	Transport Stormwater	Roads Pathways Stormwater

This is a summary of Assets for each council.

- The circled areas highlight substantial differences when comparing between councils.

City of Marion's Traffic Management Device volume is high, despite a smaller road network.

- Each council has a fundamentally different definition of how they count Traffic Management Devices, including whether devices at a location are grouped together or counted separately. (e.g. whether protuberances at roundabouts are separate assets or are a part of the roundabout).
- For example, Marion includes linemarking devices (safety bar layouts) in their count (though they don't value these separately)
- In future, there would be advantage in all 3 councils collaborating on a standard definition of what to include, how to count and whether to value particular types of Traffic Management Devices. This will provide some advantage in ensuring renewal and maintenance funding is appropriately apportioned to Traffic Management Devices.
- Despite the differences in these "average" figures on this page, when looking at only one asset type (roundabouts) the valuations are similar – e.g. Marion = \$81,000 average per roundabout, PAE = range of \$65K - \$99K. Therefore, we can be reasonably confident that the primary driver of the discrepancy in the average is actually due to the definition of a "TMD", and how these are counted and valued.

For unit values, the valuation methodologies vary between councils and is largely influenced by the way that costs are calculated

- In particular, PAE's oncost calculations are high due to the accounting approach, which substantially affects the calculated (i.e. "paper") cost of internal projects.

City of PAE's unit value for Roads, Footpaths and Traffic Control are substantially higher than Charles Sturt and Marion.

- A large portion of this difference can be explained through the treatment of oncosts for PAE, which is further discussed in slides 28-30.

This differential in unit cost drives the overall replacement value of assets.

- And this will have an impact on the assigned budgets for both capital renewal and maintenance activities.
- For example, at the same ASR, a higher unit rate would "require" a higher \$ budget.

- For an individual council, this is not necessarily a problem – the higher unit rates drive higher valuations which require higher budgets which are consumed by higher unit rates.
- Ultimately, the “same” amount of work gets delivered.
- But this differential becomes a problem when we “simplistically” do a comparison of budgets across councils.

Of note is the relatively consistent Unit Value for Drainage across all 3 councils.

- All 3 councils have internal teams that do the majority of drainage works.

Service Performance						Page 4
Financial	Annual Renewal Spend (AMP)		Charles Sturt	Marion	Port Adelaide Enfield	
		Road	\$6,440 K	\$4,750 K		
		Traffic Management	\$300 K	\$310 K	\$14,280 K	
		Kerb	\$3,220 K	\$685 K		
		Footpath	\$1,650 K	\$2,360 K	\$1,331 K	
		Drainage	\$747 K	\$2,900 K	\$2,696 K	
	Renewal Spend per \$M Asset	Road	\$18,721	\$20,213	\$28,221	
		Traffic Management	\$81,081	\$20,667	N/A	
		Kerb	\$11,142	\$4,363	N/A	
		Road, TMD & Kerb	\$15,165	\$14,115	\$18,864	
		Footpath	\$7,933	\$16,738	\$5,916	
		Drainage	\$2,342	\$13,551	\$6,086	
	Annual Maintenance Spend (AMP)	Road	\$235 K	\$160 K	\$1,426 K	
		Traffic Management	Included with Road and Kerb	\$230 K	Included with Road and Kerb	
		Kerb	\$450 K	\$475 K	\$1,002 K	
		Footpath	\$250 K	\$1,005 K	\$2,540 K	
		Drainage	\$1,395 K	\$350 K	\$1,792 K	
	Maintenance Spend per \$M Asset	Road	\$683	\$681	\$2,818	
		Traffic Management	N/A	\$15,333	N/A	
		Kerb	\$1,557	\$3,025	\$4,338	
		Road, TMD & Kerb	\$1,076	\$2,125	\$3,207	
		Footpath	\$1,202	\$7,128	\$11,289	
		Drainage	\$4,373	\$1,636	\$4,045	

Now we look at some indicators of performance, with this page showing financial indicators relating to renewal spend and maintenance spend between the councils.

This data has been sourced from the most recent Asset Management Plans as these provide the most consistent source of data across the councils. In some instances, adjustments have been made based on Asset Manager advice to attempt to create fair comparisons.

- To reduce the effects of “single year” budgets, we have taken the average budget spend across the 5 years starting June 2021.
- Further, to reduce the impact of accounting treatment (i.e. calculation of oncost as discussed on previous page), we have chosen to represent the spend on a per \$M of asset, rather than a unit value (e.g. km) of asset. The theory here is that using valuation will normalise the differences which are due to different valuation methodologies. It also allows us to group assets like Road, TMD and Kerb, which have different unit measurements.

The reality is:

- Even with seemingly “comparable” definitions of spend, there are fundamental differences in the amounts each council assigns to certain renewal or maintenance activities.
- Comparing spend on a unit of asset (such as length or area) does not work, as each council values their assets differently and values renewal/maintenance activities – therefore, the amount budgeted is going to change.
- We have attempted to normalise this by looking at spend per \$M asset (as valuations are often based on the same financial assumptions as effort) however, this will not create a perfect comparison.
- It remains unclear whether the differences here can be attributed to: differences in Asset Management focus (during current period), discrepancies between valuations vs cost of renewal/maintenance, council productivity (i.e. unit cost of renewal/maintenance work), a difference in service standard targets, strategic asset maintenance decisions, strategic asset renewal decisions, or a combination of all of these factors.
- The calculation of these numbers is most sensitive to the valuations, which based on the previous slide, can be seen to be widely different in some cases.

Charles Sturt appears to have a relatively low spend across most categories (excepting drainage maintenance).

- Reasons for this are varied and are spread throughout the report;
- However it should be noted that despite this reduced spend, there's nothing to indicate that condition (e.g. roads) or community satisfaction are being detrimentally impacted when comparing to Marion and Port Adelaide Enfield.

City of Marion's footpath spend is substantially higher than both Charles Sturt and Port Adelaide Enfield.

- A portion of this can be explained through the focus on Streetscapes.

City of Port Adelaide Enfield's apparently high spend on Roads and Footpaths is likely due to differences in the way that financials are recorded and reported in the system.

- Between the councils, there are different approaches for how to allocate costs – for example, fixing a kerb defect could be regarded as renewal or maintenance in certain situations.
- The councils have slightly different approaches when it comes to "drawing the line" between these costs.

Service Performance			Page 5		
Community	Community Satisfaction		Charles Sturt	Marion	Port Adelaide Enfield
		Roads	60%	72%	52%
	CRMs	Footpaths	46%	70%	56%
		Road and Kerb	785	821	981
		Footpath	926	1014	1155
		Drainage	378	356	407
Quality	% achieving standard	Road	96%		78%
		Kerb	76%	N/A	99%
		Footpath	81%	90%	89%
		Access Ramp Compliance	76%	42%	
Productivity	Internal FTE	Excluding Field	32.5	17	19.9
	Field FTE	Including Maintenance	19.5	31	80
	Contractor Spend	FY20 per Financial Data	\$12.1 M	\$8.5 M	\$17.1 M
	Volume of Capital Works	Road	173,400 sq m	84,403 sq m	175,500 sq m
		Kerb	10,500 lm	960 lm	16,149 lm
		Footpath	33,855 sq m	6,514 sq m	12,537 sq m
		Drainage		920 lm	1,942 lm

Moderate community satisfaction results across all councils.

- There are some differences, and while there appear to be some links to the condition ratings, this is not strictly the case, and it is highly likely that other factors such as communication (both proactive and in response to CRMs) is playing an important role in the community satisfaction ratings.
- See discussion on CRMs in later slides and in the appendix. Nationally, this level of satisfaction is normal, and in “benchmarks” it can be seen that community satisfaction results fluctuate up and down without any apparent cause (i.e. satisfaction goes up in one year, even though there was little done to improve condition in prior years).
- There is an interesting observation in the appendix which shows that South Australians are unusual in our perceived importance of footpaths.
- Further to this, the community perception of roads is often highly influenced by the quality of DPTI arterial roads, and there are several instances where these are in substantially poorer condition than local roads. Most of the public is unaware of the delineation in ownership/responsibility of certain road hierarchies.

It is questionable whether there is much that councils can do about these satisfaction levels.

- It's likely that to get a substantial and sustained improvement in these numbers would require an out-sized investment in capital, maintenance and operational spend – well beyond current service standards.
- It is highly unlikely that residents would be willing to incur this additional expense.
- This is an example of the expectation-perception-reality gap.

City of Marion's CRM volumes are artificially inflated due to internal use of the system.

- CoM has no electronic work order system for Civil, so sometimes CRMs are used to communicate requirements or jobs between staff.

From a productivity perspective, these high level numbers appear to indicate substantial differences between the 3 councils.

- Deeper analysis in following slides will discuss these differences.

Page 6

Financials – Key Observations and Recommendations

Key Observations	CS	M	PAE	Recommendation	Relative Priority	Benefit Discussion
<ul style="list-style-type: none"> Asset valuation methodologies vary between councils, influenced by the way that costs are calculated. Relatively consistent Unit Value for Drainage across all 3 councils. Calculation of unit rates for Civil Construction activity using actual financial data is impossible due to a lack of detailed data capture. Ability to compare financial outcomes across councils is hampered by different approaches to financials and different asset management focus. Contractor spend dominates costs for all councils and this implies that good contract cost controls, along with robust contractor management, would be the key way to create cost efficiencies. For Design teams, all councils are moving towards "Design Year 1, Construct Year 2" which will likely result in reduced carry-overs. Rolling programs for capital projects would require changes to the budgeting process (including LTP and Annual Budgets) and also to the financial reporting process (which uses the concept of a hard-close financial year), without much real benefit. Calculated unit rates for civil works show a generally consistent cost across councils, key differences are highlighted under team productivity section. Port Adelaide Enfield has a very high oncost determination, which must be negated when calculating or reporting benchmark costs or unit rates. The different approach to oncost determination across councils is simply different, neither good nor bad. However, recommended changes to project cost tracking will reduce the quantum of these oncosts for Port Adelaide Enfield. 			✓	1. Clearer calculation of oncost impacts and competitive pricing if quoting for future work as a contractor (i.e. not full oncosts as no internal Design, Project or Asset Management cost)	Low	<ul style="list-style-type: none"> Improved competitiveness of PAE's quotes for contracting work to other organisations. Financial benefits depend on multiple factors including the % margin and/or cost recovery of underutilised teams.
			✓	2. If performing work for external parties, understand impact of lower oncosts on overall recovery amounts and reset general oncost rate as appropriate.	Low	<ul style="list-style-type: none"> Minimise the internal financial impact of decision to provide outsourcing services to other organisations. No direct financial benefits.
	✓	✓	✓	3. See recommendation regarding Contractor Relationship Management	Med	<ul style="list-style-type: none"> Stronger relationships with suppliers will enable faster and more collaborative resolution of issues – avoiding and/or reducing management distraction and time spent resolving issues. Strengthened governance and oversight of major suppliers ensures that council spending is effective, efficient and value-for-money. Clearer understanding of supplier performance, monitored on a regular basis by the right roles, can identify and address performance sooner, avoiding issues and providing greater value for the council and community.
	✓	✓	✓	4. See recommendation regarding Improved Contract Specifications	High	<ul style="list-style-type: none"> Reduced time establishing contract specifications (internal, minor, non-realizable FTE benefit). Improved clarity, control and management of contractor quality and deliverables. (Multiple implied benefits). Robust pricing mechanisms and 'standard inclusions/exclusions' may provide financial benefits (quantifiable for each contract, potentially in range of 2-5% cost reduction).
	✓	✓	✓	5. Continue move towards "Design Year 1, Construct Year 2"	High	<ul style="list-style-type: none"> Eliminate risk of construction project delays caused by late design. Smooth demand, reducing undue stress on internal team members, and reducing impact of planned and unplanned leave. Financial: Reduced use of external suppliers for urgent designs – not needing to outsource just one simple design will result in direct savings of \$10K-\$15K.

No additional notes for this page

Team Productivity Key Observations and Recommendations

Page 7

Key Observations

- There is a clear opportunity to improve internal team productivity by introducing and expanding the "LAWA" approach successfully used by Marion.
- Marion could improve concrete footpath costs.
- Port Adelaide are working towards reduced Granular Pavement reconstruction costs.
- Charles Sturt and Port Adelaide could focus on Drainage costs by learning from Marion.
- Charles Sturt has a comparatively larger Asset Data team than other councils.
- Charles Sturt has improved access to data analysis, which improves ease of decision making.
- Charles Sturt has a comparatively large Engineering and Design team, with a dedicated role focussed on consultation.
- Marion and Port Adelaide Enfield have comparatively similar-sized teams based on the relative size of council road network.
- However, without a full Activity-Based-Costing (ABC) analysis across all councils, observations regarding FTE must be kept at a high level.
- For a range of activities, internal teams are cost-competitive (compared with contractors) and provide benefits in: flexibility of timeframes, adaptability to changing priorities, familiarity with council-specific standards, retention of local knowledge, and a greater connection to the community.
- PAE is the only council to have an internal team which is primarily focussed on granular pavement reconstruction.
- The demand for traditional granular pavement reconstruction (across both PAE and CCS) is insufficient to keep a second PAE road construction crew fully utilised.
- PAE should, for suitable roads, increase the use of deeplift asphalt (instead of full reconstruction), which will improve asset outcomes, reduce average costs and reduce reconstruction demand so that a single team will be able to manage the volume.

CS	M	PAE	Recommendation	Relative Priority	Benefit Discussion
✓	✓	✓	1. Collaborate to improve productivity through implementing expectation setting (LAWAs)	High	<ul style="list-style-type: none"> • 15-20% productivity improvement anticipated in teams where output expectations are not currently established (based on observed performance gains at Marion). • Improvements in staff satisfaction (through offering new incentives such as 4-day work week). • Ability to retain (or improve) community outcomes even while implementing staff benefits such as 4-day work week.
	✓		2. Review footpath team expectations: (a) increase minimum expectation based on observed performance and (b) collaborate with CS to identify opportunities for productivity improvement	Med	<ul style="list-style-type: none"> • Part A: While no "new" financial benefit, it locks in the current productivity level, reducing the future risk of declining productivity (as target is 'soft' compared to performance). • Part B: 20-30% reduction in footpath unit cost (i.e. improved team productivity), based on observed CS team productivity (60 lm versus Marion's 40lm daily).
✓	✓	✓	3. Collaborate to share ideas about improved productivity of Drainage teams (Using LAWAs as the mechanism)	Med	<ul style="list-style-type: none"> • 30% reduction in CS and PAE calculated unit rates, if they are to match Marion's current unit rate. • Marion has an opportunity to further reduce drainage unit rate by up to 20%, based on external contractor team sizes.
	✓		4. Increase use of deep lift instead of reconstruction	High	<ul style="list-style-type: none"> • 30-50% more (linear metres) of road pavement renewal is possible each year, based on observed project unit rate differentials. Assumes there is suitable demand for deep-lift and that budgets are maintained.
	✓		5. Release vacancies currently held for second road construction team and reduce to a single road construction team	High	<ul style="list-style-type: none"> • Benefits realised as per above

No additional notes for this page

Condition Audits - Key Observations and Recommendations

Page 8

Key Observations

- The overall Assets Cycle is Self-Validating and Self-Correcting, but validation periods are very long (5-30 years).
- Condition audits are CRITICAL to ensuring that the asset cycle remains effective.
- The overall cycle of asset creation is consistent between councils.
- Regular Asset Condition Audits, coupled with observation and inspection by experienced and skilled Engineers, remain essential to identify and prioritise which individual assets require intervention/treatment.
- All councils have effective, but slightly different, approaches to Asset Management and Annual Works planning.
- All councils have the same general approach to determining treatment types.
- All councils are performing on-site inspections by experienced engineers before finalising decisions on treatment types.
- In the case of pavement reconstruction, each council is performing pavement testing such as FWD and/or coring, prior to confirming the need for reconstruction.
- Despite minor differences, treatment selection processes are robust, appropriate and appear to be consistently followed within each council.
- Streetscapes are a part of each council's strategies, and are discussed in Asset Management Plans. While streetscapes have benefits for amenity and placemaking, surveys indicate they are not (yet) perceived as particularly important by the broader community. As streetscapes become more prevalent, community perception is anticipated to shift towards valuing these streetscapes more.
- There are differences in the asset condition assessments between councils (except footpaths, which is consistent) but the frequency of planned audits is appropriate.
- Marion's Road Seal condition data is flawed, inaccurate and misaligned with the Asset Register
- Using age as a proxy for the condition of underground or hidden assets is inaccurate and may lead to incorrect Asset Management decisions in the long term.
- In general, the condition of assets is relatively consistent across councils. Assets are generally in good condition, without that condition being excessive. Port Adelaide Enfield has a gap in road seal condition, Charles Sturt has a small gap in footpath condition (according to the most recent audits). Concerted activity has focussed on these areas and the subsequent audit cycle is anticipated to show a substantially closed gap.
- The prevalence of localised defects supports the continued practice of preferencing maintenance and repair of footpaths.
- Kerb Condition Audit methodologies vary between councils and this varied approach appears to be appropriate based on the differing importance that councils put on kerb assets.
- For each council, the most cost-effective management approaches for K&WT are already being conducted.
- Partial kerb replacement during road reconstruction is unlikely to be financially better than full kerb replacement.
- For all councils, it remains good practice to inspect drainage assets (if current condition is unknown) prior to a significant activity on a road, such as reconstruction.

CS	M	PAE	Recommendation	Relative Priority	Benefit Discussion
			1. Ensure new Road Seal condition audit data can be seamlessly linked to asset register data. Consider collaborating with CCS to develop robust contractor specification	High	<ul style="list-style-type: none"> Improved confidence in Road Seal condition reporting and subsequent decisions relating to annual program creation. Better specification of the Road Seal condition audit RFQ will result in more confident vendor selection. Both these benefits result in internal, minor, non-realizable FTE benefits. Reduced risk of contractor failure (and wasted funding) due to contractor non-performance.
			2. Review the Annual Planning process for Road Seals once reliable condition assessments are done, and in future use audit data to monitor whether asset management planning is correctly addressing issues	Med	<ul style="list-style-type: none"> Improved Road Seal condition reporting gives greater confidence to management, asset committees and the community. Improved confidence in Road Seal annual works planning process will facilitate a move towards a 3 year program. Improved communication regarding Road Seal condition (using data) in AMPs, with committees, council and the community.

No additional notes for this page

CRMs and Community Satisfaction - Key Observations and Recommendations

Page 9

Key Observations

- CRM volume is not necessarily a reliable indicator of asset condition or performance.
- Excepting known issues with Marion's data, the volume of CRMs appears to be reasonable when compared to available benchmarks.
- There are observable increases in Road CRMs during wet winter months - but no long-term trends to be concerned about (across any asset class).
- Moderate community satisfaction results across all councils are as expected and in line with national benchmarks.
- Community satisfaction is an unreliable indicator of actual network quality. Community Satisfaction is likely to be more heavily influenced through communication, expectation setting and actual performance reporting.
- Community Satisfaction Surveys often highlight a Perception-Reality-Expectation gap. This is a critical concept to understand prior to attempting to implement improvements.
- City of Marion's CRM volumes are artificially inflated due to internal use of the system as a pseudo "Work Order" system.
- Community perception of roads is often highly influenced by the quality of DPTI arterial roads.
- The South Australian community are unusual in our perceived importance of footpaths.

CS	M	PAE	Recommendation	Relative Priority	Benefit Discussion
✓	✓	✓	1. See recommendation regarding Benchmarking	High	<ul style="list-style-type: none"> Avoid the risk of incorrect conclusions or decisions. A deeper understanding of performance indicators will result in better decisions about future improvements – benefits more likely to be realised and sustainable.
✓	✓	✓	2. Consider improving the frequency and detail of community communications regarding Civil Assets (relating to both current condition, completed projects and upcoming projects)	Med	<ul style="list-style-type: none"> Potential to improve, by up to 10 points, the community perception regarding both the quality of road surfaces, and satisfaction with council's performance in infrastructure asset maintenance. This is without actually changing anything from the planning, works or maintenance perspective.
	✓		3. Ensure that during new system migration, Work Orders are separated from CRMs	High	<ul style="list-style-type: none"> Clearer and accurate reporting and a deeper understanding of true Customer Requests enables identification of true issues and opportunities for improvement. Reliable data for analysis reduces the risk of incorrect conclusions or decisions. Reduced management time to explain spurious data to executive, council or the community.

No additional notes for this page

Contractors - Key Observations and Recommendations

Page 10

Key Observations				Recommendation	Relative Priority	Benefit Discussion
CS	M	PAE				
<ul style="list-style-type: none"> Bitumen Rate Cards vary between councils - but the overall result is reasonably close. An aligned rate card may result in moderate financial benefits for councils; as long as most of the program is bundled into larger jobs. There is opportunity to improve the quality and consistency of contract specifications across councils. For example, gaps in the specification of Marion's previous Road Seal Condition Audit has led to a dataset which is inaccurate, incomplete and misaligned with the Asset Register. A second example is in the way the Bitumen contracts are established - PAE's contract does not have annual pricing mechanisms defined, while Marion's does (there are pros and cons for both approaches - the observation is simply that the approach is inconsistent between councils) 				<ul style="list-style-type: none"> 1. Collaborate to improve quality and consistency of contract specifications 	Med	<ul style="list-style-type: none"> Reduced time establishing contract specifications (Internal, minor, non-realizable FTE benefit). Improved clarity, control and management of contractor quality and deliverables. (Multiple implied benefits). Robust pricing mechanisms and 'standard inclusions/exclusions' may provide financial benefits (quantifiable for each contract, potentially in range of 2-5% cost reduction).
✓	✓	✓		<ul style="list-style-type: none"> 2. Prior to moving towards a consistent Bitumen rate card, carefully analyse the potential financial gains using actual bitumen usage records from prior years. 	Med	<ul style="list-style-type: none"> Avoid impacting contractor relationship negatively (by making incorrect observations about rate card). Minor improvements in overall contractor expense possible (2-5% of overall spend)

No additional notes for this page

Project Management - Key Observations and Recommendations

Page 11

Key Observations

- In general, all councils have a similar approach to Project Management - but the devil is in the detail.
- Projects are managed effectively in the majority of cases.
- Most projects achieve time, cost and quality goals (though often, "cost" is the only measure formally monitored for each project).
- Project data is captured inconsistently.
- Best practice would be to record project time for all resources who are involved in a particular project (excluding manager and support roles).
- The costs and additional effort in better Project Data Capture and better use of Project Management Systems will be outweighed (over time) by benefits through lessons learned and ability to review historical projects with objective analysis.
- For Port Adelaide, internal construction crews appear to have some autonomy to make changes in the field, meaning Project Managers have relatively less control over variations, approvals and cost management.

CS	M	PAE	Recommendation	Relative Priority	Benefit Discussion
		✓	1. Clarify role accountabilities for project managers vs field supervisors	Med	<ul style="list-style-type: none"> Strengthened project controls will result in slight (1-2%) reduction in overall project costs due to reduced incidence of unnecessary changes. Clearer reporting and governance of project cost over-runs will generate lessons-learned and can lead to efficiencies over time.
✓	✓	✓	2. Improve accuracy of measurement of work completed	Med	<ul style="list-style-type: none"> Improved quality and accuracy of project cost reporting. Ability to confidently analyse project expenses from an objective perspective, and identify trends/patterns or opportunities for improvement. Improved quality of data for future Service Reviews.
✓	✓	✓	3. Conduct and document Post Implementation Reviews for project and ensure lessons learned are implemented for future projects	Med	<ul style="list-style-type: none"> Improved project productivity and performance (potentially quantifiable for each improvement, but not broadly at this stage). Lessons-learned can lead to efficiencies over time.
✓	✓	✓	4. Collaboratively share lessons learned from project PIRs	Med	<ul style="list-style-type: none"> Increased speed and breadth of lessons learned across councils. Ability to discuss and learn from others successes and failures (and success of mitigating actions).
✓	✓	✓	5. Review Project Management software and processes. Achieve greater consistency across staff through improvements to the software and/or enhanced training of staff	Low	<ul style="list-style-type: none"> Faster and more insightful project reporting with less effort and greater level of detail. Improved alignment of working across all 3 councils – an opportunity to collaborate and learn.

No additional notes for this page

Design - Key Observations and Recommendations

Page 12

Key Observations	CS	IM	PAE	Recommendation	Relative Priority	Benefit Discussion
<ul style="list-style-type: none"> Councils tend to do 80-90% of design jobs in-house. Internal design teams are cost-effective and deliver high quality work when compared to external design resources. While collaborative sharing of Design resources appears to be an opportunity, it would not be straightforward due to the combination of: aligned demand cycles, different IT systems and work practices, minor differences in standards, competing priorities, unclear escalation pathways, and geographical location. Judicious use of external Design Resources is the most appropriate way of managing short-term capacity or capability gaps. Long term capacity gaps are best filled by each council with internal design resources. 	✓	✓	✓	1. Continue to separately manage Design team resources, but investigate opportunities to collaboratively share information	Low	<ul style="list-style-type: none"> Potentially minor efficiency gains (5% overall effort), e.g. improved use of CAD, setting clearer expectations for design effort. Improved culture of learning and sharing across councils. Establishing relationships across councils for potential short-term sharing of resources (per below recommendation).
	✓	✓	✓	2. Monitor for small, short term opportunities to share design resources across teams, carefully considering potential downsides.	Med	<ul style="list-style-type: none"> In any business case to increase team size, the ability to share the resource (if demand reduces) will reduce the expense risk associated with hiring an additional resource. Savings range from 5-20% for an individual resource (i.e. not having to recruit, not using temporary labour hire), achieved through reduction in excess staffing expense (hiring council) and increased cost recovery (sharing council).

No additional notes for this page

Collaboration - Key Observations and Recommendations

Page 13

Key Observations	CS	M	PAE	Recommendation	Relative Priority	Benefit Discussion
<ul style="list-style-type: none"> It has been surprising to observe how little information is currently known about the way other councils work, given that collaboration activities have been taking place for some years prior. All councils have internal drainage teams that would benefit from sharing ideas to reduce costs. Although Marion has the lowest calculated unit cost, Marion's management believe that there are further gains possible - up to 30% reduction which would bring into line with similar contractor rates. For line marking teams, there would be benefit in a collaborative information sharing relating to equipment, materials, application techniques and team management. To reduce the impact of Civil Infrastructure Damage, there would be benefit in a joint collaborative approach to improved engagement with Service Utilities and with Developers. Collaboration can take many forms: Information Sharing, Expert Resources, Shared Resources and Pooled Resources. Understanding the nature of collaboration opportunities is important. Unintended indirect costs could easily outweigh any benefits. Initial collaboration should focus on information sharing, potentially moving towards informal sharing of resources over time. Only once relationships have been built and lessons learned implemented should more formalised resource sharing be undertaken. 	✓	✓	✓	1. Re-establish the collaboration group across Civil Assets and Construction, initial meetings can focus on drainage team efficiencies and agenda items outlined on page 65 of this report	High	<ul style="list-style-type: none"> 15-30% reduction in the unit cost for drainage team (specifically, unit cost for drainage pipe installation). If used well, insights and information will facilitate continual improvement in productivity and performance across all councils There is a cost associated with preparing for and participating in these groups, however some topics can lead to high-value conversations. The financial and efficiency benefits will be quantifiable for each improvement, but not broadly at this stage. Based on differences observed between ways of working, collaborative sharing should be able to identify efficiency gains of up to 10% in specific areas.
	✓	✓	✓	2. Consider establishing smaller sub-groups for focussed collaboration around maintenance (esp. line marking), project management and design.	Low	<ul style="list-style-type: none"> As above. Small, focussed collaborative groups should be able to identify and implement a minimum 5% efficiency gain simply through sharing ideas for better ways of working.

No additional notes for this page

Contractor Relationship Management - Key Observations and Recommendations

Page 14

Key Observations

- Improved Contractor Relationship Management practices would benefit councils and contractors.
- Contractor Relationship Management relies on executive involvement to develop strong, active relationships between the parties.

C5	M	PAE	Recommendation	Relative Priority	Benefit Discussion
✓	✓	✓	1. Implement robust Contractor Relationship Management (as distinct from project management), along with executive involvement	Med	<ul style="list-style-type: none"> Stronger relationships with suppliers will enable faster and more collaborative resolution of issues – avoiding and/or reducing management distraction and time spent resolving issues. Strengthened governance and oversight of major suppliers ensures that council spending is effective, efficient and value-for-money. Clearer understanding of supplier performance, monitored on a regular basis by the right roles, can identify and address performance sooner, avoiding issues and providing greater value for the council and community.

No additional notes for this page

Waste Management - Key Observations and Recommendations

Page 15

Key Observations

- Charles Sturt would benefit from a similar waste management arrangement being currently negotiated by Port Adelaide Enfield.
- Marion's own recycling and reuse station provides substantial financial and environmental benefits.
- Port Adelaide Enfield is finalising an improved waste management arrangement which will reduce costs and increase proportion of recycled materials used for construction projects.

CS	M	PAE	Recommendation	Relative Priority	Benefit Discussion
✓			1. Review and clarify recycling and waste management clauses within contracts, particularly in relation to contaminated waste	Med	• Develop a clear understanding of whether there are true opportunities for cost reduction
✓			2. Assess future budget impacts due to contaminated waste	High	• Already in progress.
✓			3. Continue to minimise volume of contaminated waste dumping by using insitu recycling and insitu stabilisation	High	• Reduced risk of excessive cost overruns for projects
		✓	4. Finalise arrangements for new recycling/waste management contract	High	• 80% reduction in cost of dumping and new materials (\$40 p/t -> \$8 p/t) – overall \$ depends on project specifics

No additional notes for this page

Plant Utilisation - Key Observations and Recommendations

Page 16

Key Observations

- Although not a primary focus of this review, there was no observed under-utilisation of plant and equipment.
- A general rule of thumb is that if plant utilisation is greater than 40%, it is financially better to own plant rather than hire.
- And if plant utilisation <40%, then work must be done to understand the true ownership costs, as some plant/equipment is already fully depreciated, lowering true ownership cost.
- The costs of retaining ownership of plant must explicitly exclude all running costs (as these costs are incurred when hiring plant). In addition, the benefits of ownership (flexibility and availability) must be factored into financial calculations as delays in availability cause productivity impacts that are often extremely costly.
- These principles (of defining true cost, and of considering "availability cost") hold true when considering sharing plant between councils. Collaborative sharing of plant appears to make sense at a high level, but the real benefits are likely to be relatively modest. The review authors believe sharing of plant and equipment should only be pursued in limited circumstances, and for short periods of time.

CS	M	PAE	Recommendation	Relative Priority	Benefit Discussion
✓	✓	✓	1. In future business cases for the sale of plant or equipment, ensure that cost calculations only consider true ownership costs and also consider the benefits of availability.	High	<ul style="list-style-type: none"> • Reduced risk of making an incorrect "sale" decision, which ultimately results in increased expense (i.e. when having to hire back plant which has been sold). • (Cost avoidance) There is an unquantifiable benefit to productivity, with less team downtime, if plant is available at depot at short notice.
✓	✓	✓	2. If establishing collaborative sharing of plant or equipment, ensure formalised understandings are in place, including what happens in circumstances where the "owner" council has a need for the plant or equipment.	Med	<ul style="list-style-type: none"> • The clarity of arrangements will reduce future risk of disagreements or unbeneficial sharing scenarios.

No additional notes for this page

Standardisation - Key Observations and Recommendations					
Page 17					
Key Observations		CS	M	PAE	
<ul style="list-style-type: none">Civil construction is not a high-volume, repeatable process. It would be an over-simplification to codify the delivery of civil construction into rigid process steps.However, there is benefit to be gained from: (1) Clearer, documented and agreed expectation-setting across all roles, (2) Defined accountabilities and authorities, and (3) Greater data recording and better performance reporting.There would be some benefit (for comparison purposes only) in aligning different definitions of how to count Traffic Management Devices.Different terminology (same terms but different meaning) in use across councils can create confusion and misunderstanding.		✓	✓	✓	
		Recommendation			
		1. Collaborate to align definitions of key terms used across Civil Construction			
		Med			
		Benefit Discussion			
		<ul style="list-style-type: none">Reduced risk of misunderstanding and/or incorrect conclusions being made about team performance when sharing "high level" information across councils.Aligned definitions and a deeper understanding of the root causes will avoid incorrect observations of apparent discrepancies in reported figures between councils (e.g. the different financial costs allocated to assets).While not guaranteed, this deeper understanding will increase the likelihood that true opportunities for improvement will be identified.If aligned definitions are used, there will be an improved ability to fairly and equitably compare performance between the 3 councils. This is particularly relevant for future service reviews.			

No additional notes for this page

Benchmarks - Key Observations and Recommendations

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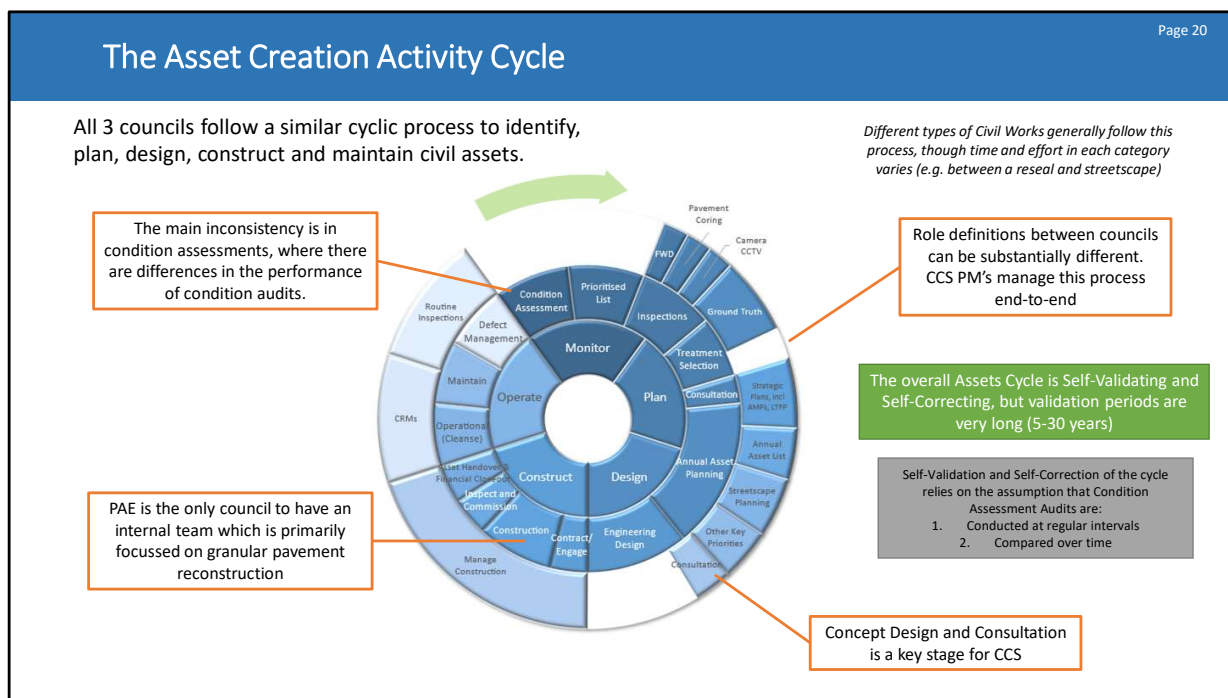
Key Observations	C3	M	PAE	Recommendation	Relative Priority	Benefit Discussion
<ul style="list-style-type: none"> Use of external benchmarks to assess performance is rarely accurate. Basing decisions on benchmark data risks making incorrect decisions. Asset Sustainability Ratio and Asset Renewal Funding Ratios are flawed, overly-simplistic metrics and should not be used as indicators of performance of the overall Asset system. Not even at a high level. 	✓	✓	✓	1. Exercise extreme care if using benchmarks as an indicator of performance	High	<ul style="list-style-type: none"> Reduced risk of incorrect conclusions or decisions. Not relying on benchmarks, and seeking a deeper understanding of performance indicators will result in better decisions about future improvements – benefits more likely to be realised and sustainable.
	✓	✓	✓	2. Understand the limitations of ASR and ARFR and share this understanding with relevant committees	High	<ul style="list-style-type: none"> Reduced risk of incorrect assumptions about suitability (or inadequacy) of asset renewal programs.

No additional notes for this page



Detailed Discussion





While each council does things somewhat differently, the overall cycle of asset creation is consistent between councils. All councils have the same general approach to determining treatment types, particularly in the case of roads.

- The asset condition ratings will define which roads are 'highest priority' for further assessment. PAE's pavement model will also suggest a treatment type based on multiple underlying factors from the dataset.
- All councils are performing on-site inspections by experienced engineers to confirm the most appropriate treatment type. At this time, the kerb is often inspected to identify any kerb replacement works.
- In the case of pavement reconstruction, each council is performing pavement testing such as FWD and/or coring, prior to confirming the need for reconstruction.
- Both CCS and PAE will routinely CCTV drainage assets prior to works, Marion performs CCTV as needed, based on known information about the network condition and/or the identification of potential defects (e.g. water pooling).

The key point here is that the presence of regular condition assessments (excepting drainage), means that over a period of years, the cycle will be self-validating.

- The condition audits are CRITICAL to ensuring that this cycle remains effective, and any gaps are identified.
- This identification may not be immediate, but it will likely occur within 1-2 condition audit cycles.
- Given the typical lifecycle of assets, this is normally sufficient time to implement corrective actions.

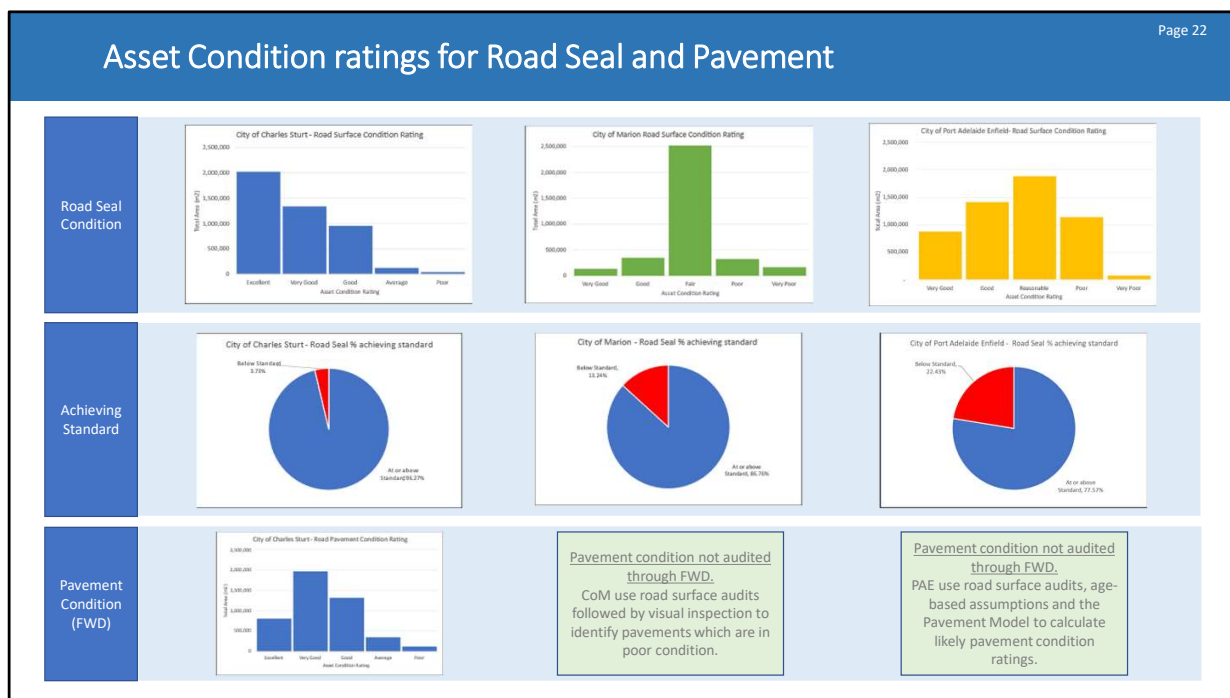
For example,

- Charles Sturt's previous under-investment in footpaths and
- PAE's previous overuse of deep-lift at the expense of reseals.
- These appear to have resulted in reduced network condition ratings for footpaths and road seals respectively.
- In each case, this reduced condition rating has been identified in the AMPs and has resulted in a shift in budgets to focus on addressing these gaps (that is, the cycle is self-correcting)



Condition Ratings





Although the road seal condition audits are conducted with a similar approach, including observations of the same factors (patching, cracking, texture)

- Each council is using a slightly different methodology to calculate an overall condition rating. The category names are also variable.

Marion's condition data has known issues.

- The condition data shown is from 2017 and there are significant known issues with the quality of data from the contractor.
- For example, Second Ave Warradale has substantial visible patching (reference photos available), yet the audit shows 0% patching (there are an excessive number of other streets where patching is recorded as 0%)
- The data set has some inconsistencies with the asset register, so the data shown is a best-calculation estimate.
- Marion's condition data, if it was correct and able to be compared to other councils' data, indicates a very high amount of road seal in a condition where it may deteriorate to below standard within a short time period.
- The next condition audit (this financial year) is important to get right.
- It is recommended that Marion collaborate with CCS and PAE to ensure that specifications in the RFQ are as robust as possible AND to seek feedback on prior contractor performance before final selection of the contractor.

It is observed by Asset Managers that 3-4 years after a road audit, the results of the audit become substantially less reliable for the purposes of Annual Works planning.

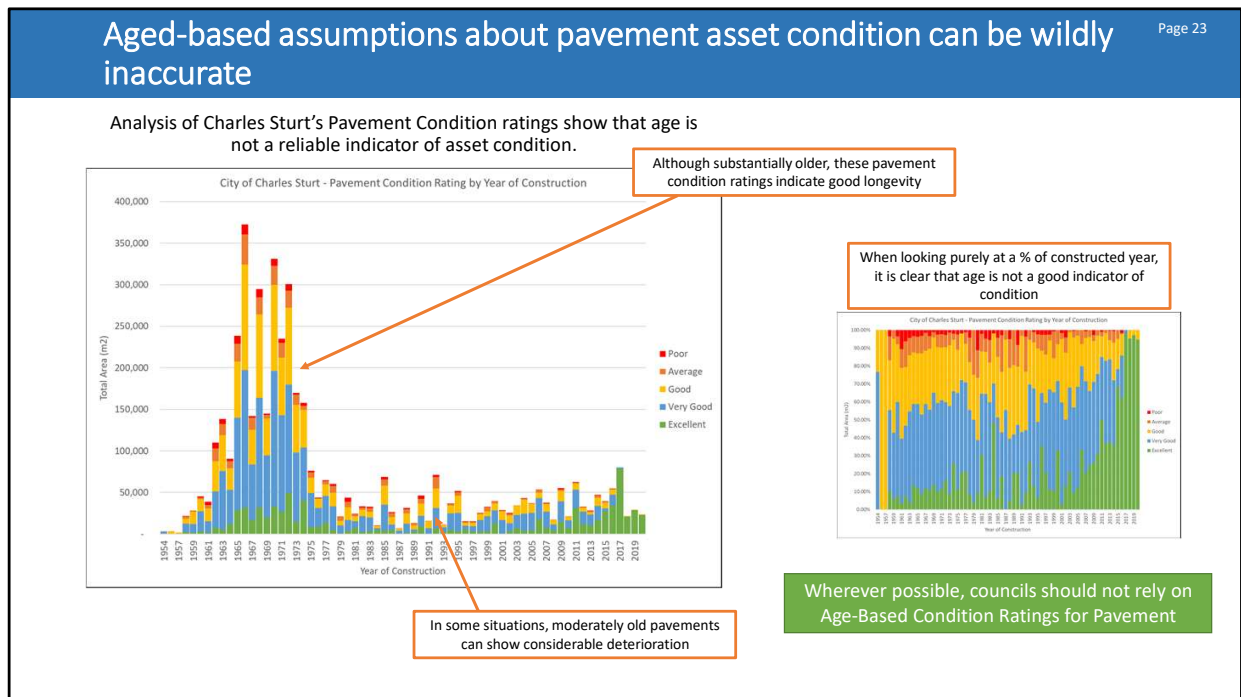
- While general condition may not vary greatly, the presence of localised defects can have a large impact on the performance of the road seal.
- While it would be of some benefit to have more frequent audits, there is a balance between the cost and benefit of regular audits

Road Seals:

- Benchmarking and best practice guides indicate that a 4 yearly cycle for road seal condition audits is appropriate.

Frequency of Footpath audits:

- 3-4 years is appropriate based on observations on following pages.
- These pages show: Defects generally don't become evident until a few years after construction.
- General deterioration is unlikely to progress substantially between audits (given extended lifespans).



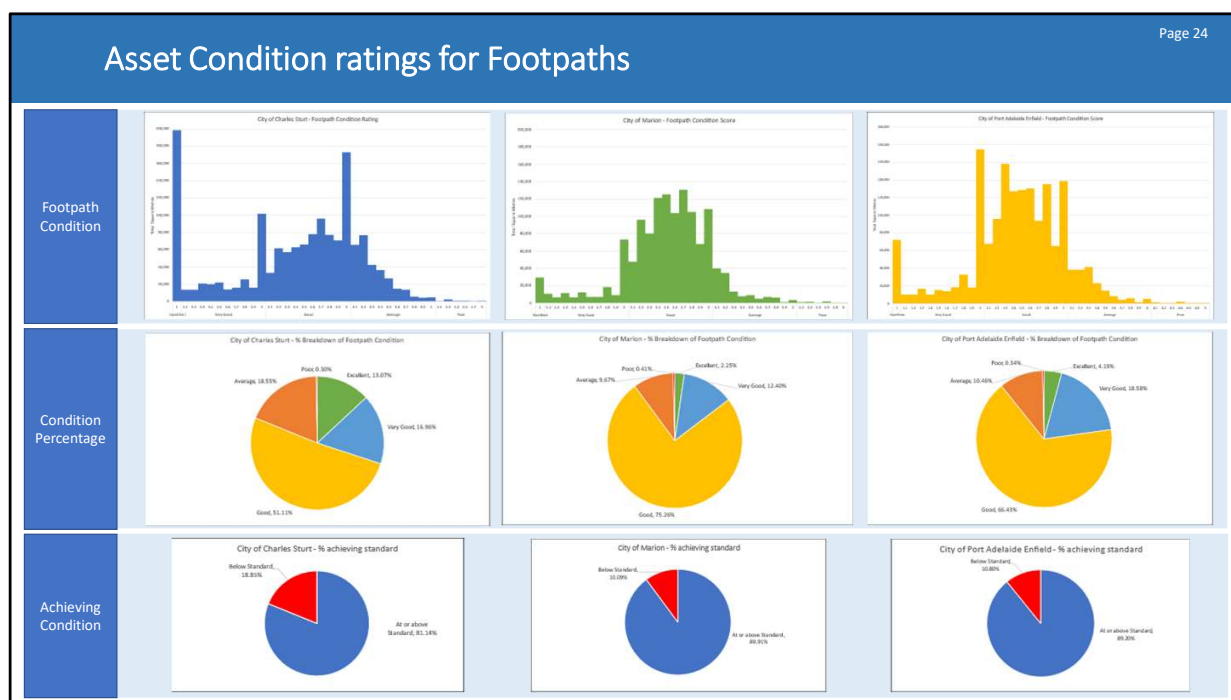
This situation is not unique to Charles Sturt.

- The data is simply being used to demonstrate the point that aged-based condition assumptions are going to be wildly incorrect.
- This data is for pavements (where Charles Sturt have network-wide condition ratings), and is likely to also be true for other long-lived assets such as kerb and drainage assets.
- However, it is more difficult to show this relationship, because kerb defects are often fixed locally, and drainage asset condition is assessed over a long period of time (refer Slide 15)
- The right-hand graph shows that regardless of the volume of assets, after about 10 years, largely the same percentage of assets are in each condition rating.

The key point is that we are likely to be highly inaccurate if making assumptions about condition based solely on age of the asset.

- It should be noted that all councils are using multiple data points to determine true condition (not just age)
- A range of data points (surface condition, visual inspection, plus inspection prior to reconstruction) are used.

CCS's last road condition audit in 2016 included a full network seal and FWD assessment (50m increments), and cost \$192,000.

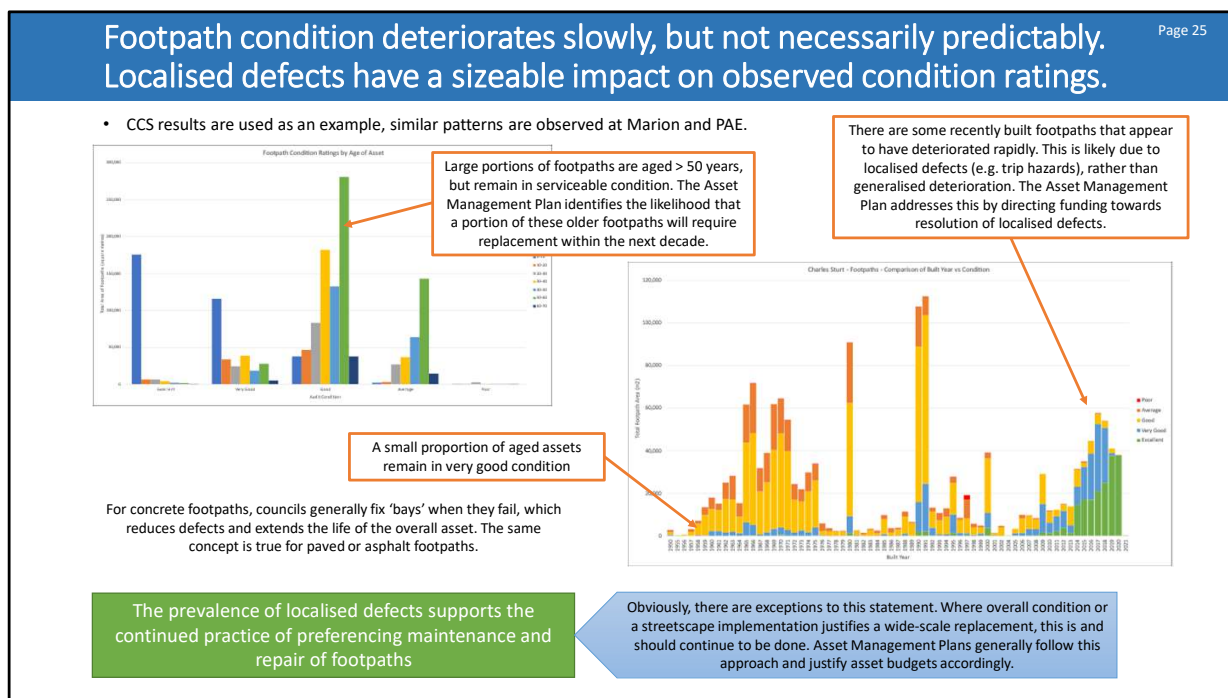


Footpath condition data is the most consistently reliable across all 3 councils

- The footpaths were all assessed by the same contractor within very similar time periods
- The same assessment and calculation methodology was used across all 3 councils

For CCS, the spike in the “Excellent” category is likely to be due to recent focus on resolving footpath defects.

- While CCS has the largest percentage in “Excellent” and “Very Good” categories, CCS still has the largest proportion of footpaths below the accepted standard.
- It is proven that focus on resolving localised defects can improve condition ratings.



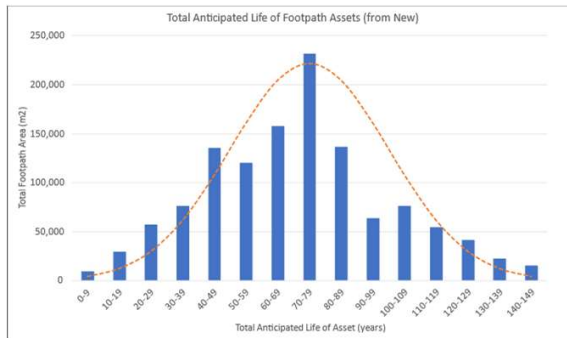
Similar to the observations on Pavement Condition Ratings, the data on footpaths further demonstrates that asset condition is not strongly correlated with age.

- Initially, it is true that new assets tend to have excellent or very good condition.
- However, within the space of a decade, the asset condition is far less predictable based on the age of the asset.
- This is due to footpath condition being heavily influenced by the presence of localised defects (trip hazards).
- Most often, this is caused by lifting of footpath sections by tree roots, or an incidence of local subsidence.

CCS's trial of trip-stop joints will be highly important in guiding future decisions – both for CCS and for sharing across councils collaboratively.

- Although there have been no formal assessments yet (perhaps too early for objective evidence), if these trip-stop joints can reduce defects by even a small margin, the impact on future condition audit results will be profound.
- It is anticipated that this may reduce maintenance expense in relation to grinding of trip hazards.
- Certainly, this is the evidence coming from national trials.
- It is still too early for CCS to accurately estimate the beneficial impact on maintenance costs.
- The trial and assessment of trip-stop joints is an example where cross-council information sharing will provide benefits (including through collaborating on what factors to include in the assessment).

For all assets, regular condition audits are beneficial to accurately identify specific assets needing maintenance or replacement Page 26



The asset life (alternately, deterioration in Asset Condition) appears, at the highest level, to be close (but not precise) to a “predictable” bell curve.

However:

1. The spread (standard deviation = 25 years) of anticipated lifetime is extreme – compared to annual planning cycles, and
2. At an individual asset level, a multitude of factors means prediction is far less accurate.

Regular Asset Condition Audits, coupled with observation and inspection by experienced and skilled Engineers, remain essential to identify and prioritise which individual assets require intervention/treatment

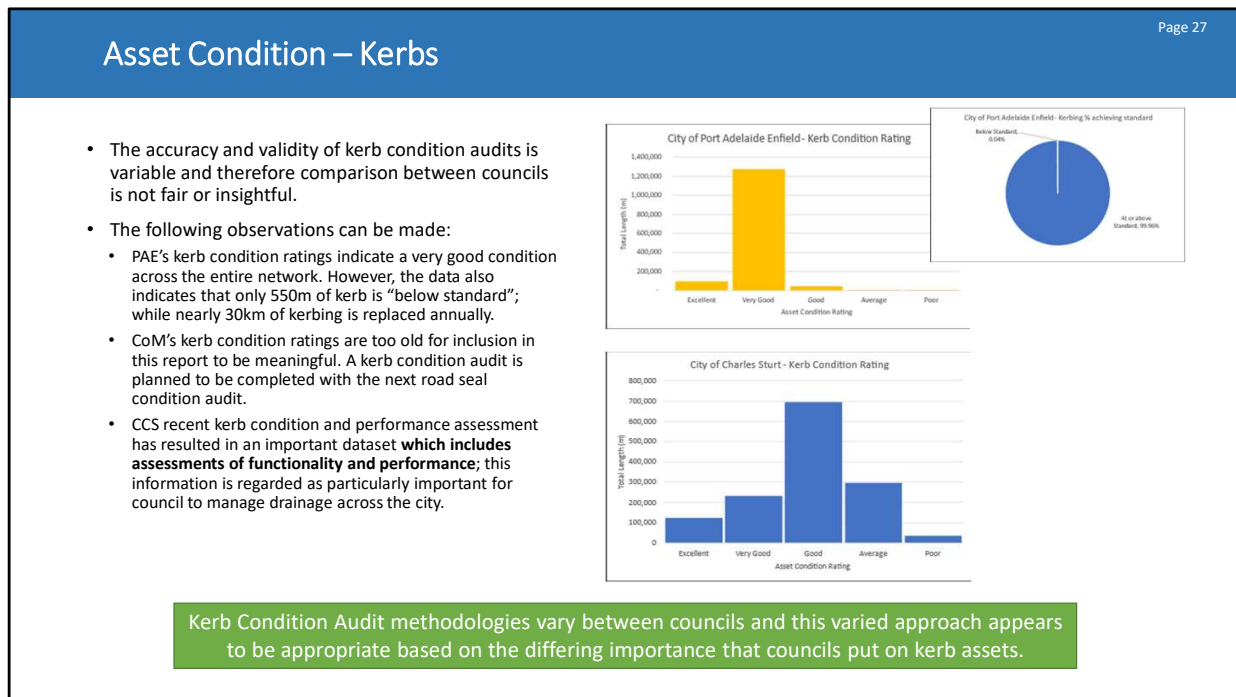
While previous slides have shown that individual asset condition is unable to be predicted based on age, from a network-wide perspective, the deterioration in assets does follow a relatively predictable pattern

- That is, the anticipated life of footpath assets tends to follow a normally-distributed bell curve.

This is perhaps useful to know, but:

- It doesn't help to determine what level of investment to allocate to renewals – it is far more accurate to determine this through the models employed by experienced engineers in the AMPs
- It doesn't predict the actual useful life of an individual asset
- It doesn't predict where defects will occur

The current practice of regular Condition Assessments, plus ground-truthing by experienced Engineers, is the most effective and efficient way of identifying which assets require maintenance or renewal.



Due to the nature of Kerb Condition audits, results have been found to be highly variable.

- The results are highly dependent on how the data is summarised and the condition rating calculated for a road (kerb) segment
- The audit ratings graphed here (particularly for PAE) may not highlight individualised defects which cause issues of water pooling.
- CCS has a high level of confidence in their current condition assessment ratings, based on the approach they undertook.
- Whether CCS would, or should, incur a similar level of expense for future kerb audits is not clear.

CCS staff have a heightened awareness of the importance of K&WT assets, which points to why a more detailed assessment has been undertaken across the network.

- CCS have stringent standards for kerbs, and regularly reject new kerb installed by contractors for failing to meet these standards.
- This has not been mentioned by other councils as a significant issue.

For each council, the most cost-effective management approaches for K&WT are already being conducted. That is:

- Responding rapidly to Customer Requests which identify Kerb defects
- Visual kerb condition inspection prior to reseal and reconstruction activities
- Targeted kerb maintenance/replacement for sections which have defects
- Judgement decisions on part or full kerb replacement prior to reseal
- Full kerb replacement during reconstruction activities

Is there opportunity to reduce costs by only performing partial kerb replacements during full pavement reconstruction?

- Partial kerb replacement during reconstruction may appear to save costs on kerbing, however this approach introduces cost challenges during the pavement reconstruction such as:
 - risk of kerb damage by machinery, and
 - differential compaction/weakness along vertical excavation at the kerb/seal margin
- These challenges can be certainly overcome by skilled crews, but they introduce additional time/effort
- Which adds cost to the pavement construction – what is “saved” on kerbs is added back into the pavement costs

- Therefore, it is unlikely that routinely replacing only part of the kerb will substantially reduce overall costs.
- Councils should continue to use the best judgement of experienced engineers in deciding this approach on a case-by-case basis.

Asset Condition - Drainage

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No councils have city-wide condition ratings for stormwater assets

- City of Charles Sturt conducts “routine” (proactive) inspections of stormwater infrastructure.
- Unlike other audits, it’s a substantially slower process – up to 300m per day is possible, if no blockages are encountered.
- It’s unrealistic and unnecessary to do high frequency full audits. However, the previous audit rating provides a good indication of the review cycle for certain assets.
- Inspection data capture has been improved over time and is being migrated to a format which would allow analysis. Historical data has variable quality.
- A substantial benefit of the audit is the clarification of the size and location of drainage assets across the city.
- In addition to the audit, all drains are inspected prior to road reconstruction if a recent inspection has not been done.

Inspection of drainage assets under collector or arterial roads is both more expensive and slower, due to traffic management and safety requirements

Full network condition audit

300m per day

↓

For a network of 400km

↓

5.5 years to inspect
(under ideal conditions)

Reality check:

CCS has taken 10 years to inspect 80% of their network.

The elapsed time is due to the impact of blockages, plus diverting effort to reactive inspections and proactive capital works inspections.

A large portion of the remaining network (yet to be inspected) is arterial roads which are slower and more expensive due to traffic management and time-of-day requirements.

It is appropriate to continue the current practice (across all councils) of inspections where there is an identified need

The CCS full network inspection has provided a number of benefits for CSS:

- A rich data set for analysis of network condition (noting that data is still being normalised for analysis)
- Positive confirmation of assets beneath the surface (where previous records have sometimes proven inadequate)
- Identification of defects (including early-stage defects), which provides the opportunity for resolution prior to failure
- Proactive identification and removal of blockages/obstructions which may have gone unnoticed or unreported until a significant flooding event occurred.

However, this data has come at significant cost.

For all councils, it remains good practice to inspect drainage assets prior to a significant activity on a road, such as reconstruction.

- CCS (likely due to the internal CCTV crew) perform inspections prior to reseals and rehabilitations (except if inspected within the previous few years).
- CoM Assets team defines which roads within the roads program are required to have drainage inspected prior to works being undertaken.

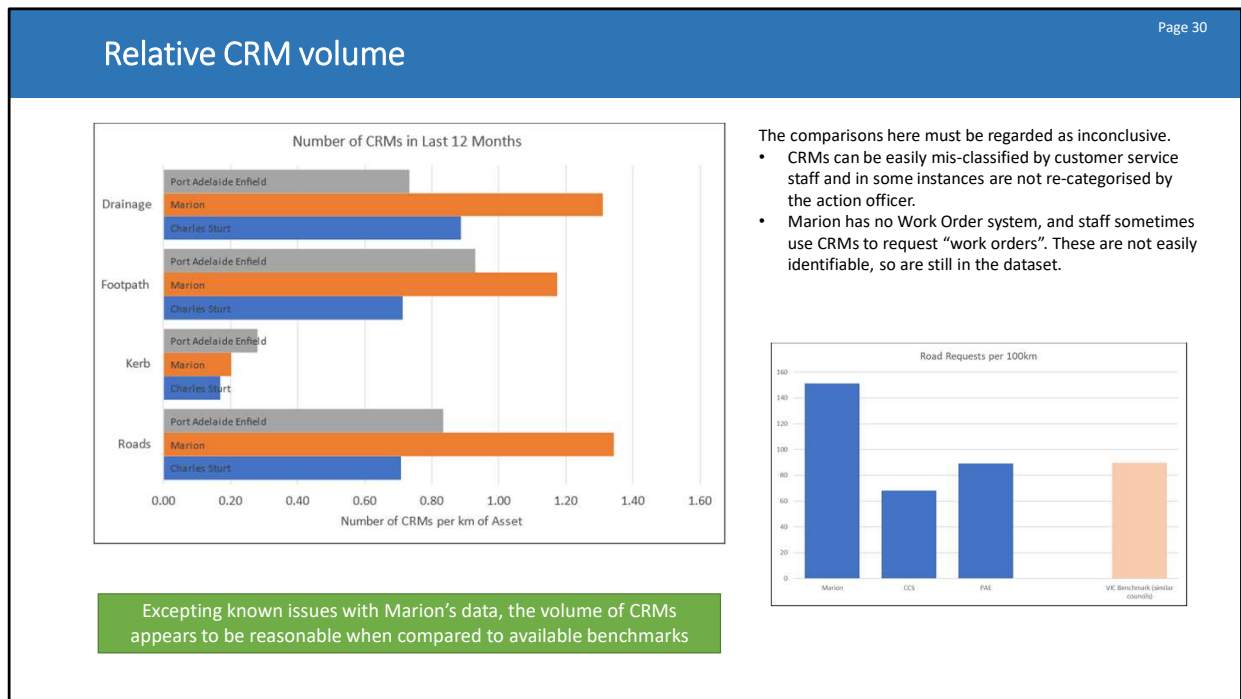
CoM has a good understanding of their Drainage Matrix, capacity constraints and some identified assets with poorer condition.

- These factors are all discussed within the Stormwater Management Plan.
- As this information is reliable and consistent, CoM has a reduced need for CCTV inspection of these assets.



Customer and CRMs



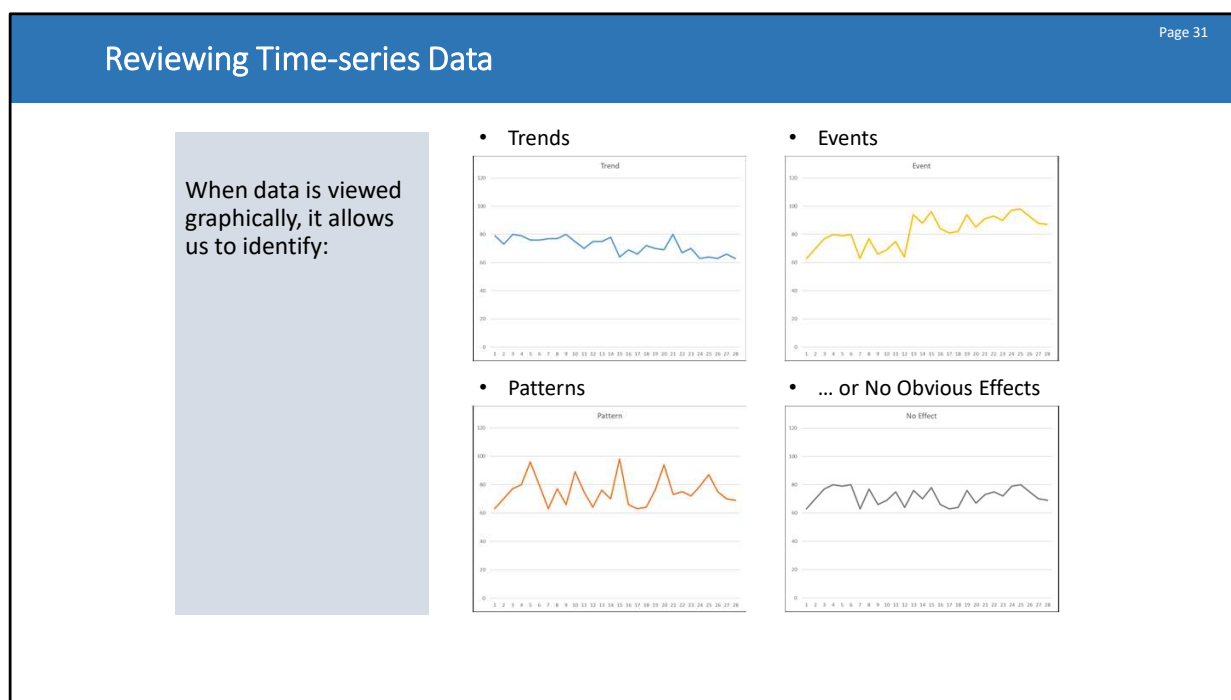


Overall volume of CRMs is a crude measure of performance because it does not show:

- The root cause of CRMs
- Trends or patterns in CRM volumes

Further to this, analysing CRMs in a meaningful way is challenging because:

- Categorisation of CRMs is sometimes incorrect (relatively high % considering overall volume)
- Root cause is often absent or not recorded in an way which can be analysed
- A customer request is not always indicative of a true issue
- It can be impossible to separate issues which are related to "operational" (i.e. cleanse) versus "capital" (i.e. maintain or asset quality)



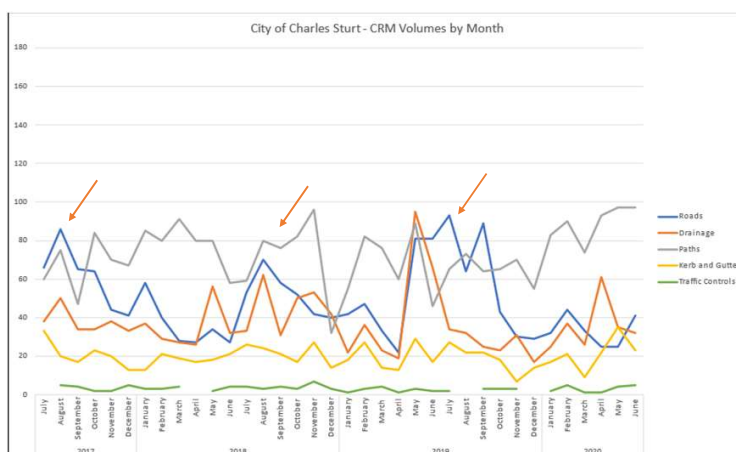
In particular, when attempting to separate between trends and events, we must be careful.

In these examples, the yellow graph may be identified to show an upward trend – in fact, it is the same as the grey graph, just with a +20 shift from the 13th point – therefore it's actually an event which has an ongoing effect. This is important because different responses are required for events versus trends.

The orange graph shows a regular, short term spike pattern occurring every 5 data points.

CRM Volumes Trends – Charles Sturt

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For Charles Sturt:

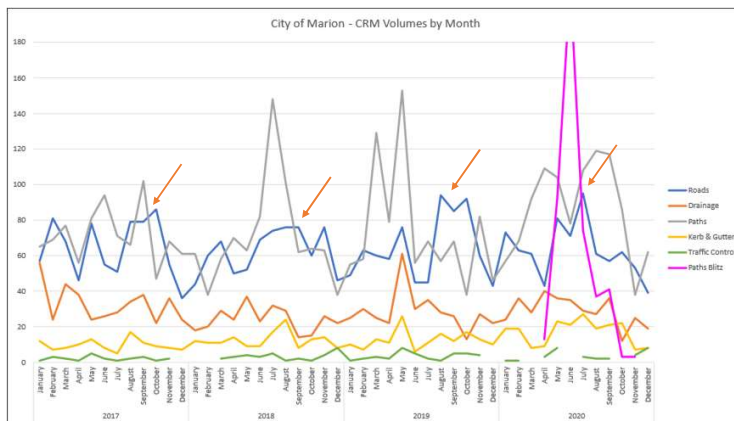
- There is an apparent Annual Pattern for Customer Requests, particularly relating to Roads.
- This is likely due to moisture-related defects appearing during wet winter months.
- Spikes in drainage volumes are likely to coincide with storm events.

There are no obvious trends in CRM volumes

The observation of “no obvious trends” in volumes indicates that the performance of the assets (from a customer’s perspective) is neither improving nor declining during this 3 year period.

CRM Volumes - Marion

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Note: for Marion, many CRMs relate to work order requests, therefore, true civil defect issues are likely to be less than indicated.

For Marion:

- Similar to Charles Sturt, there is an apparent Annual Pattern for Customer Requests, particularly relating to Roads. This is likely due to moisture-related defects appearing during wet winter months.
- Marion also appears to loosely have an annual pattern relating to Paths.
- Marion does not experience substantial spikes in drainage CRMs, whereas Charles Sturt and Port Adelaide Enfield do.

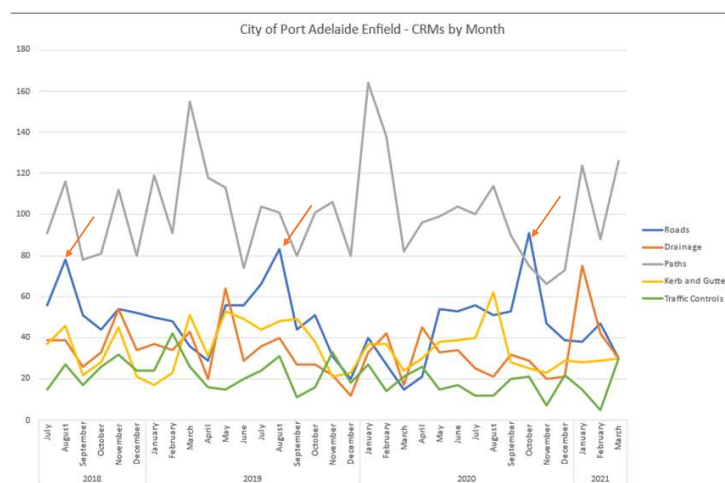
There are no substantial trends in CRM volumes over this 4 year period

The CRM volumes are not easy to analyse (and there's risk of incorrect conclusions) because:

- Some CRMs are simply enquiries (e.g. Asking what survey marks on the footpath means).
- Many others are not Civil related (e.g. overgrown footpaths).
- Some data is mis-classified (e.g. Stormwater issues categorised as "roads").
- The volume of "Work Order" requests versus true CRMs is unable to be easily and accurately identified.

CRM Volumes – Port Adelaide Enfield

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For Port Adelaide Enfield:

- Similar to both other councils, there is an apparent Annual Pattern for Customer Requests, particularly relating to Roads.
- While the timing is slightly different, this pattern is likely due to moisture-related defects appearing during wet winter months.
- In general, Port Adelaide Enfield has a high number of path-related CRMs.
- Spikes in drainage CRMs are likely to coincide with storm events.

There are no substantial trends in CRM volume, though Roads appears to be trending downwards slightly

The downward trend in Road related CRMs may be correlated to the increased focus on reseals and resolution of poorer condition ratings.

- However, a brief review of CRM narrations indicate that Road CRMs are often related to potholes, and the existence of a pothole is not always directly correlated with the condition rating of a road segment.
- Rather than improved network condition, it's likely that a reduction in CRMs is related to increased "proactive" identification (by staff) and rapid resolution of minor defects such as potholes.



Financials and Unit Rates



Comparing “Actual” Unit Rates across councils

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Between councils, reporting of actual project costs differs for many reasons:

Management-driven

- Differing approach to on-costs
- Differing approach to allocating time/cost (effort) against projects
- Differences in asset management/maintenance philosophy
- Differences in approach to resourcing (team size, insource/outsource)
- Differences in organisational priorities and focus areas

Productivity-driven

- Differences in productivity
- Differences in processes
- Data quality issues, including non-capture
- Inconsistency in type of data and method of capture

Project-driven

- Variation in projects: scope, treatment mix, amount of associated works, variations, impact of inclement weather

While logical (and preferred), calculating unit rates from actual financials does not allow for a valid objective comparison

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Alternative comparison methodology for unit rates is required

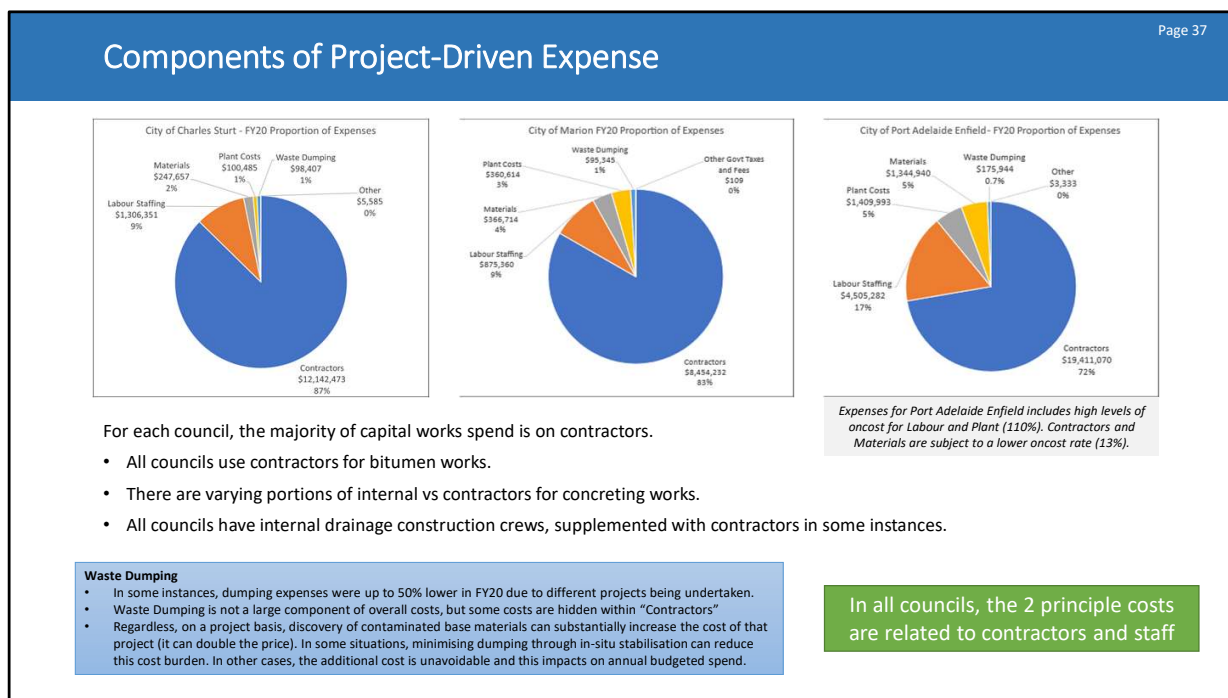
Objective comparison of **actual unit rates achieved** based on ACTUAL FINANCIALS is not possible because we do not know what is driving the differences in the result. Is it productivity? Team structure? Role structure? Approach to quality?

The reason we want to objectively compare unit rates based on actual financial data is to identify whether one council is more productive, more efficient or more effective than another

- We want to use actual financials to eliminate the possibility of errors or bias (whether intentional or unintentional) if we ask project managers to provide costs.
- Ideally, the analysis would highlight factors which drive the differences – e.g. productivity, processes.
- But we have found that other factors create artificial differences that are difficult to quantify and then normalise.

Despite multiple analysis attempts to create a valid comparison between councils, none has been sufficiently robust to be able to provide direct comparisons that can be relied upon.

- There are some calculations which could be presented in a way which appears to be consistent
- However, to create these calculations requires assumptions which are not valid in all circumstances; and therefore, with every assumption, new errors are introduced.
- The cumulative effect of these errors is unclear –
- What is clear is that in many cases, the calculated results for **actual unit rates achieved based on actual financials** cannot and should not be relied upon as a valid comparison.



Following from the previous slide, we cannot be certain about the drivers of differences in the absolute \$ in financial spend.

- We do know that PAE allocates a large % rate of oncosts to Labour and Plant. There is also an allocation of oncosts for Contractors and Materials.

What is relatively consistent among councils is the relative % of spend by category.

- Contractor spend dominates costs and this implies that good contract cost controls, along with robust contractor management, would be the key way to create cost efficiencies.

For example, while waste dumping is a reasonable cost from a \$ perspective, AND these costs are increasing by a reasonable %, the reality is that in the overall spend on Civil Construction, it is a modest spend.

That said, in many cases, the cost of waste dumping is 'rolled up' into contractor spend, and an unknown amount (from a financial data perspective) of contractor spend is related to waste dumping.

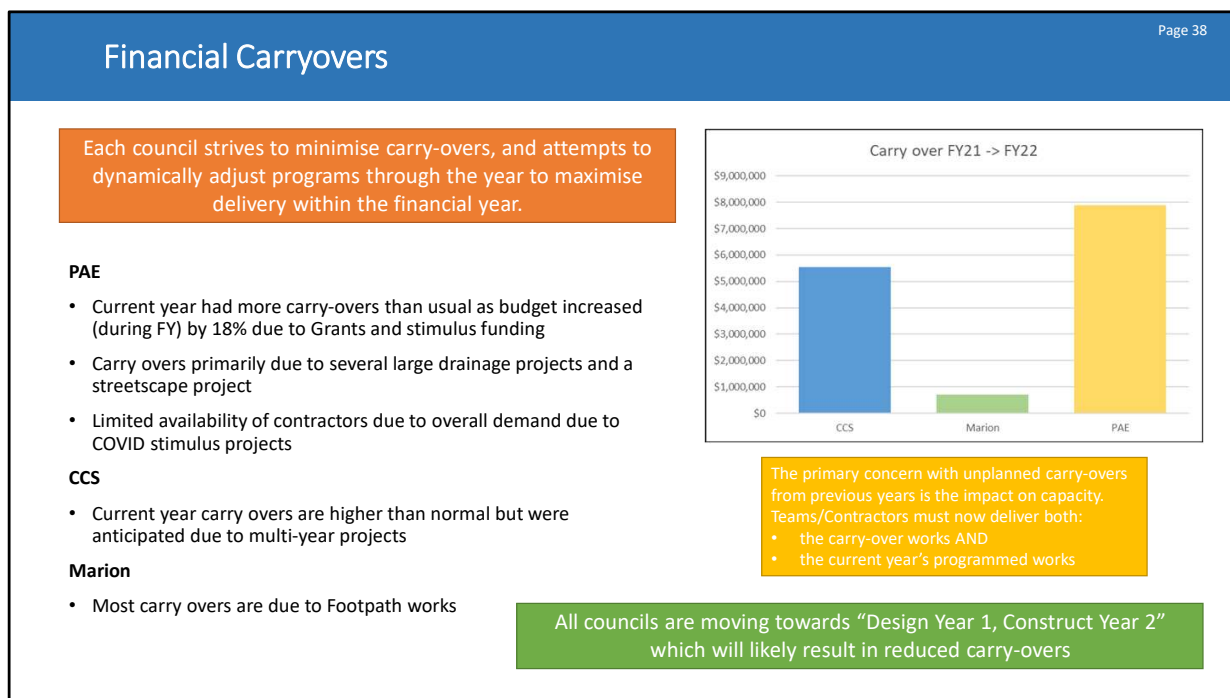
- The key point here is that the level of detail captured within the financial data is often insufficient for detailed analysis to be performed.

Note that the financial spend amounts here may not reconcile with other perspectives on cost (such as project or other capital reporting). These financials were taken directly from transaction data provided by each council, and are net of journal movements. The assumption made (consistent across all 3 councils) was that these journals needed to be included in the net calculations as they were either:

- Adjustments for carry-overs from prior years or into the following year. These ins and outs should be included as-is because it's a "true" reflection of the accounting treatment for that year.
- Correction/Reallocation of incorrectly assigned work (e.g. work done on open space, or a particular project outside of civil works). The netting effect of journals should be included so we're only showing the "correct" items.

For Marion, the financials indicate a staff spend of \$875K for an FTE in the region of 40 FTE (38 FTE -> 43 FTE depending on varying reports).

- This clearly isn't right as it's an average of around \$22K per employee.
- It is recommended that a brief investigation into alignment between FTE and financials is undertaken, to ensure there are no underlying systemic issues with financial reporting.



More than PAE or CCS, Marion staff have indicated there is "high pressure" to minimise financial carry-overs from year to year, which is likely a contributing factor to the comparatively lower carry-overs.

Rolling programs have been proposed as an approach to avoid issues associated with carry-overs:

- Dynamic scheduling and re-prioritisation of annual works programs already occurs in all councils
- This involves some projects being delayed until future years and some project being brought forward, depending on the progress (i.e. budget burn rate) of the current year's program
- A rolling program would require changes to the budgeting process (including LTFP and Annual Budgets) and also to the financial reporting process (which uses the concept of a hard-close financial year)

While the process relating to the finance portion of carry-overs can be time-consuming and somewhat "painful"

- The reality of financial reporting obligations (which are deeply entrenched through many regulations and obligations), means that the concept of carry-overs will remain even if a "multi-year rolling program" approach was implemented.

The alternative approach of 'multi-year processes' is preferable. Each council has expressed an intent to perform design in Year 1 and construction in Year 2 (may extend to 3 year cycle for large projects)

- This means that with designs already completed well ahead of the following year, construction of the current year program can begin in July, rather than being delayed by weeks or months as is the current situation.
- An earlier start to construction will increase the likelihood of completion of the program before the end of financial years.
- Therefore, a planned approach around "early design" will likely result in a reduce amount of carry-overs each year.
- The exception is known multi-year or complex projects

Unit Rate Expectations

PAE – Infrastructure Unit Rate and Depreciation Review:

“Unit rates ... can vary markedly in practice due to project economies of scale, topography, need for de—watering, unforeseen delays, and other factors”

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Note: These rates are a guide only. Unit Rates comparisons require different estimation methods which may themselves introduce errors or bias.

		Charles Sturt	Marion	Port Adelaide Enfield
Roads (square metre rate)	HMA Reseal	\$23.23	\$20.98	\$21.96
	Rejuvenation	\$6.77	\$8.00	\$7.50
	Rehabilitation	\$78	N/A	N/A
	Deep Lift	\$101 (85mm)	N/A	\$60
	Reconstruction (Granular Pavement portion only)	\$78 (PM estimates)	N/A	\$153 Recalc: \$100
	Potholes	\$155	N/A	N/A
Kerb and Water Table (per linear metre)	During Reseal	\$200	\$183	\$202
	During Reconstruction	\$164	N/A	
Footpath (per linear metre)	Renewal (Concrete)	\$95	\$129	\$110
	Pavers	\$86	\$78	\$80
	Maintenance (Concrete)	\$98	\$129	N/A
	Maintenance (Paving)	\$48	N/A	\$55
	Grinding	N/A	\$18.50	N/A
Drainage (per linear metre, based on expected team output)	525mm FRC @ 1.5m	\$663	\$464	\$697

Based on Actual Project Achieved Rates, Calculated Productivity Expectations or Contractor Rates

This is an alternate way of creating unit cost comparisons – by looking at various sources of information from the “ground up”.

- From a Service Review perspective, these data sources are difficult to validate objectively, and so have been taken on face value.

In some cases (blue), we’ve asked Project Managers to provide high level information about overall costs and units achieved for the year.

- Depending on the council, the information received was either very specific, or was rounded figures (e.g. costs to the nearest 100 thousand dollars).
- So even though the blue figures are calculated on “what was actually achieved”, there is still some level of error.
- For example, the K&WT rate for CCS includes ramps & crossover adjustments

Those unit rates in orange have been bottom-up calculated based on estimates of staffing costs, plant, materials and productivity (see slide 30 for an example).

- These calculations have a reasonable level of confidence, but they are also highly sensitive to the initial assumptions.

Alternately, where the work is normally performed by contractors, a unit rate has been assumed based on a reasonable average of the tendered unit rates.

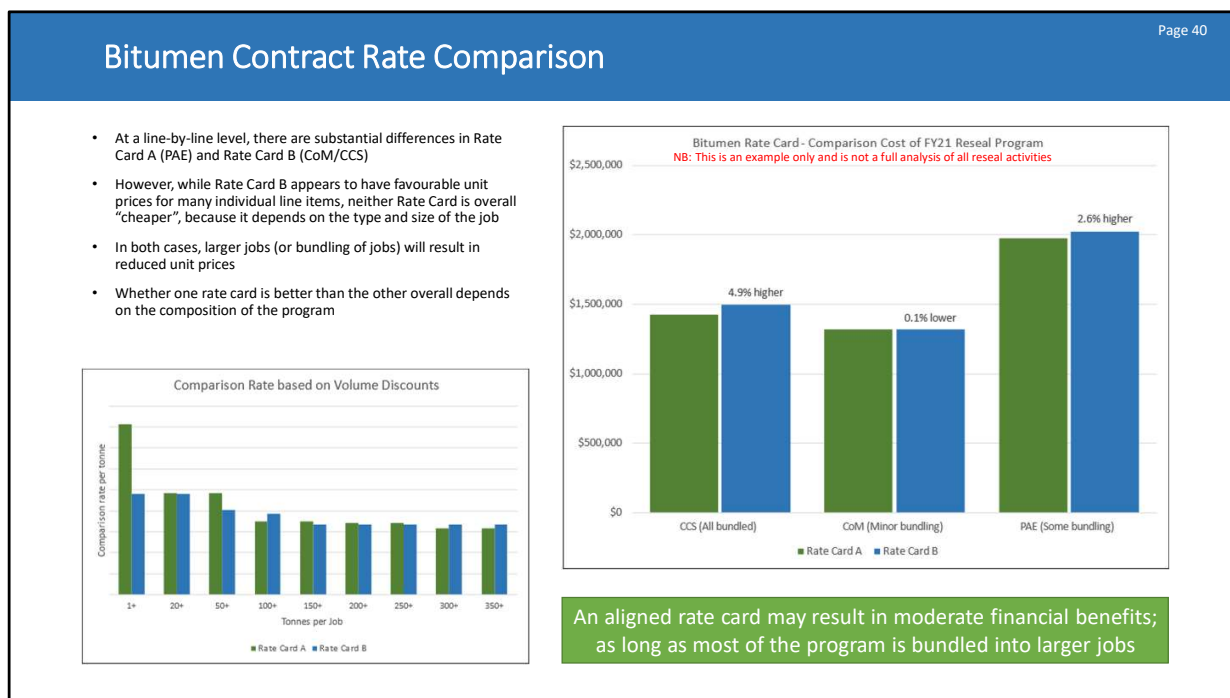
- We chose not to use the cheapest rate, as that is rarely what is actually paid based on availability and contractor quality.
- These are shown in purple.

There are a number of items where there is insufficient recorded information to provide a fair and robust figure, or the information was not available at the time of the review.

The recalculation of PAE’s granular pavement was done to remove the high levels of oncost that PAE uses in their financials.

- This creates a more representative unit cost for comparison purposes.
- Further to this, PAE has improvements underway which will reduce this unit rate further, to the extent that it’s highly comparable to external contractor rates.

Marion's calculated rate for drainage pipe installation is approximately 30% below Charles Sturt and Port Adelaide's values. However, Marion's management believes there is further opportunities for cost reduction. This represents a good opportunity for cross-council collaboration on this specific area of construction. CS and PAE benefit from understanding how Marion's unit rate is substantially lower. And through this process, it is highly likely that new ideas will be generated which will help Marion to reduce cost further.



The comparison rate graph shows that while Rate Card A is substantially more expensive for very small jobs (less than 20 tonnes), it is cheaper for jobs greater than 300 tonnes.

- The majority of jobs tend to be larger than this (and/or smaller jobs can be bundled to achieve this rate).

When analysing the **bitumen portion only** for each council's FY21 Reseal program, we can see that Rate Card A is more favourable where there is a greater proportion of large jobs (i.e. where small jobs have been bundled together to achieve volume discounted rates).

- The reality is that the quantum of difference here, for example in CCS case, is approximately \$75K for the bitumen portion of the reseals program.
- However, it must be noted that reseals involve additional activities such as profiling and Top Stone adjustments – and Rate Card A tends to be slightly more expensive for these costs, which would reduce the real difference between these Rate Cards – and therefore reduce the financial benefit of switching from one rate card to another.

A full analysis of the Rate Cards has not been conducted.

- To do a detailed analysis, a full data set of each individual job (including precise details of profiling, Top Stones and other treatments/variations) would be required.
- This data is likely available in some form, but no council has a ready-made, reliable source of all this detailed data.

Although the graph above appears to show that Rate Card B is more favourable:

- There will be situations (e.g. bitumen reinstatement after kerb works) where Rate Card B is more favourable.
- Only a full analysis of all works conducted by Downer would reveal whether Rate Card A or Rate Card B is more favourable.
- It is the review author's opinion that the overall differences would likely be minor (range of 1-4%), relative to the overall contract spend by each council.

It is not clear whether a joint approach to other contracts (like concrete works) would provide a financial benefit to councils.

- Contractors tend to gravitate towards certain council areas (likely based on the contractor's location, due to travel time, supervision, quoting, familiarity, etc)

There is opportunity to improve the quality and consistency of specifications across councils.

- By collaborating on these specifications, the combined knowledge and experience across all councils will result in tighter, more specific and more accountable specifications
- These can be used to drive contractor performance and clearly set expectations (e.g. pricing mechanisms for annual price increases)

Internal Teams

Page 41

Observations for all councils:

1. Internal teams are generally more **flexible and adaptable** to changing needs (e.g. handling of variations, changes to schedule, etc), they generally produce **high quality results** and have **better engagement and communication** with the community.
2. Internal teams are, in general, higher cost per unit output than external contractors (reasons vary, but could include a combination of larger team size, inferior equipment, lower productivity, additional community engagement activity, (potentially) higher salaries and 'full time' costs like leave, WHS and organisational on-costs).
3. The balance of flexibility vs cost is not a discrete 'mathematical' exercise and unless the cost differential is extreme, the decision on internal vs external is likely to be heavily influenced by council politics, executive/management preferences and existing organisational structures.

For a range of activities, internal teams are cost-competitive (compared with contractors) and provide benefits in:

- flexibility of timeframes,
- adaptability to changing priorities,
- familiarity with council-specific standards,
- retention of local knowledge, and
- a greater connection to the community.

There are exceptions. For example, bitumen installation – an internal crew will not be able to compete with contractor rates, as these contractors have substantial efficiencies of scale and vertically integrated business models.

No additional notes for this page

Page 42

PAE Internal Team – Road Crew

For PAE specifically:

1. For road reconstruction, full depth pavement reconstruction is costly, time-consuming and disruptive to residents. In some cases, it is the only viable methodology (and depending on circumstance, this may need to include addition of geotextile or stabilisers).
2. However, for some pavements which have reached end of serviceable life, there is good evidence to support alternative treatment methodologies such as in-situ stabilisation and deep-lift asphalt. Both of these tend to be cheaper and faster with reduced impact on residents.
3. However, these alternative treatment methods require specialised equipment.

- a) It's not viable for PAE – or even the 3 councils together – to purchase this type of equipment (due to equipment costs like purchase, maintenance, and specialised training AND due to the high variability of work demand).
 - b) Contractors have an advantage in the tighter coupling of materials supply (e.g. for deeplift pavement, the delivery of suitable quantities of asphalt at exactly the right time).
 - c) The cost differential (mentioned in point 3 above) would be substantially higher if these treatment types were bought in-house – not to mention the challenges of managing a team of this nature (specialised skilled resources, highly time-sensitive activities, logistics and scheduling).
4. Capable and experienced engineering heads at PAE believe the balance of pavement reconstruction activity will be most effectively served by retaining the current (reduced) pavement construction team, and redirecting the current vacancies towards increased contractor spend for deeplift reconstruction and some in-situ stabilisation reconstruction.

- a) This judgement is made based on demonstrated trials at PAE, extensive engineering experience, and deep knowledge of the PAE road network.
 - b) There is no evidence found by this review which would refute this judgement and hence the review supports this approach.
5. As a result of this change in internal team, additional financial benefits can be redirected towards contractor spend. The budgeted material spend (gravel and dumping) should be re-calculated and redirected. There may be minor financial gains through reducing excess plant that was previously used by the second internal team.

A change in treatment type is likely to reduce impact on residents and create cost savings

Use deeplift asphalt, instead of full reconstruction, for suitable roads

Due to specialist expertise and equipment, it's not viable to do alternative treatments internally

Reduce internal road crews from 2 to 1

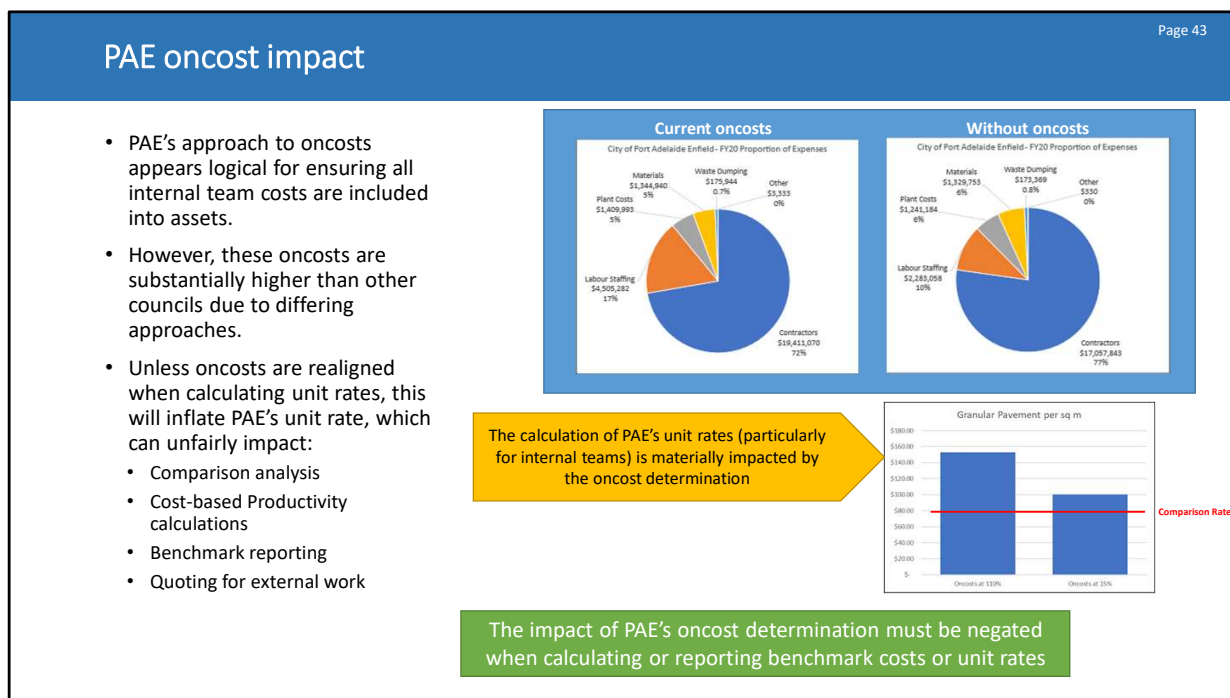
Redirected savings on staff, materials and plant could either increase overall volume "reconstructed pavement" (unit rates are less expensive than traditional reconstruction) or reduce backlog of reseal work

An alternative use of the road crew team would be to find external reconstruction work for them to deliver. For example, road reconstruction on behalf of other councils (focussing primarily on CCS).

However, this approach is not recommended because:

1. CCS is experiencing some challenges with contamination (low level) of aged pavements. The preferred approach is to use in-situ recycling and stabilisation wherever possible to reduce waste dumping expenses (and achieve recycling targets). PAE does not have the equipment (nor skilled crew) to efficiently perform in-situ stabilisation – at least, not as efficiently as contractors who do have this specialised capability.
2. Granular Pavement Reconstruction demand from CCS is not within PAE's control and could reduce in subsequent years, leaving PAE with an under-utilised team. PAE is taking on all the down-side financial risk.
3. The \$ amount recovered through revenue from CCS would (based on current rates) simply cover PAE's expense. Adding a margin would make rates uncompetitive and/or would complicate collaborative relationships between councils. There doesn't appear to be true financial benefits for either CCS or PAE in this arrangement.
4. PAE would be required to operate in a competitive environment against other contractors. There would be some complications around probity and this may limit other forms of collaboration (such as information sharing).
5. PAE would need to operate "as a contractor" for this team, maintaining a relationship with CCS which would take additional management effort (and probably require a different skillset), plus altered responsibilities, accountabilities and authorities across various roles across the team.

In summary, the demand for traditional granular pavement reconstruction (across both PAE and CCS) is insufficient to keep a second road crew fully utilised.



PAE's approach means that costs for all inside staff, including management and support, end up being capitalised against assets (or allocated to maintenance activities in the case of maintenance staff). An advantage of the oncost calculation is:

- Inside staff not having to record time against individual projects
- All inside staff wages and overheads are capitalised against assets, which is arguably a fairer indication of the true cost of assets overall.

This approach is simply different to CCS and CoM – in the review's opinion, this is neither good or bad, and through discussions with each council, the validity of their approach can be justified. Furthermore, the impact of changing this approach for any 2 councils (to align with the 3rd) is questionable:

- It would be a huge effort to change the flows of financial information and ensure necessary changes in staff behaviour
- In some cases, increased data collection (e.g. staff allocating time to projects) would be substantial
- It's likely that a step-change in budgets and asset valuations would be required to realign to the "new" unit rates
- The change would need to be very well documented, with highly specific analysis showing "before" and "after" values within Annual Works Plans, Asset Management Plans, Long Term Financial Plans and Asset Valuations.
- This change would not have any direct material benefits to the delivery or maintenance of assets – it's simply changing the way that financials are allocated.

While we believe it's unnecessary to align the financial cost allocations, this does create challenges when comparing unit rates between councils. This apparent discrepancy cannot be resolved by simply removing all oncosts prior to comparing councils – there are many points of difference (for example – CCS inside staff allocate their time to individual projects. In the financials, this appears to increase staffing expense for those particular projects).

PAE oncosts during quoting/tendering
Page 44

- When calculating internal unit team costs, for example:
 - When comparing contractor rates to internal team rates, or
 - When PAE is quoting as the respondent to an external RFQ (e.g. from another council)
- It is reasonable to include some oncosts, as this represents the true cost of the team, but not other internal costs

Direct Staffing Costs

- Wages & Loadings
- Leave liabilities
- Superannuation
- Payroll tax & RTWSA
- WHS
- Training

Overheads

- Line Management
- Team support
- Accommodation
- IT
- Fleet & Equipment (unless separately costed)
- HR support

Other Internal Costs

- Asset Management
- Project Management
- Design & Engineering
- Asset Support

PAE has previously responded to other council's RFQs for some types of construction works. Feedback has been that unit rates have been higher than other respondents.

- It is likely that, at least in part, this discrepancy was due to the inclusion of oncosts in the quoted unit rate.
- If PAE does quote in future for external works, it's worthwhile doing some detailed analysis on the oncost rate.

However, it should be noted that if PAE removes some of the oncosts from externally quoted work, that the actual cost of inside staff will become under-recovered. Perhaps this will be insubstantial for a small amount of contracted-out work, but there is a risk of unintended consequences if this analysis is not thorough.

PAE Road Crew Unit Rate			Page 45
CURRENT STATE - conservative assumptions (higher cost)			
LAWA Targets			
Road Pavement Target per day	55	sq. m	
Working hours per day	9.5	hours	
PAE Team size			
Road Crew	7	staff	
Material Costs			
PM2 base material	15.12	\$ per tonne	
Depth of Granular pavement	350	mm	
Density	2.4	tonne per cu m	
Dumping Fee	25.00	\$ per tonne	
Reuse % on-site	0%		
Plant Costs			
Plant Cost Rate	300.00	\$ per day per vehicle	
Number of Vehicles	3		
Staff Costs			
Average Hourly Rate	40.00	\$ per hour	
Overhead Rate	113%		
Effective Hourly Rate	85.20		
Road Crew Average Costs per Day			
Staff (incl overheads)	\$ 5,665.80	67%	
Plant	\$ 900.00	11%	
Materials	\$ 698.54	8%	
Waste Dumping	\$ 1,155.00	14%	
Unit Cost per sq. m	\$ 153.08		
POTENTIAL STATE - what could be achieved with updated			
LAWA Targets			
Road Pavement Target per day	70	sq. m	
Working hours per day	9.5	hours	
PAE Team size			
Road Crew	6	staff	
Material Costs			
PM2 base material	8.00	\$ per tonne	
Depth of Granular pavement	350	mm	
Density	2.4	tonne per cu m	
Dumping Fee	0.00	\$ per tonne	
Reuse % on-site	30%		
Plant Costs			
Plant Cost Rate	150.00	\$ per day per vehicle	
Number of Vehicles	3		
Staff Costs			
Average Hourly Rate	40.00	\$ per hour	
Overhead Rate	60%		
Effective Hourly Rate	64.00		
Road Crew Average Costs per Day			
Staff (incl overheads)	\$ 3,648.00	82%	
Plant	\$ 450.00	10%	
Materials	\$ 329.28	7%	
Waste Dumping	\$ -	0%	
Unit Cost per sq. m	\$ 63.25		

Approximate comparison: \$78 sq m

A large portion of PAE's apparently high cost for internal team activities is related to the oncost determination, which allocates all inside staff member costs relatively evenly across projects.

If a more 'consistent' oncost rate of 15% is used, then the calculated unit cost reduces from \$153 to \$100, which is much closer a competitive comparison

Through some real improvements in cost, and with updated cost-calculation assumptions, we believe PAE's "true" unit cost for Granular Pavement Construction becomes highly competitive

This is an example of how significantly the calculation of unit rates can be affected by changing relatively few assumptions.

Productivity assumptions:

- reducing team size from 7 to 6, which would require some improvements in productivity
- expected output at 70 sq m matches observed production rates for a previous job (Nelson St)

Other substantial changes relate to the new waste/recycling contract with AR&R – this is not finalised, but is close to being confirmed. This results in substantial reductions in cost for waste dumping and recycled base materials.

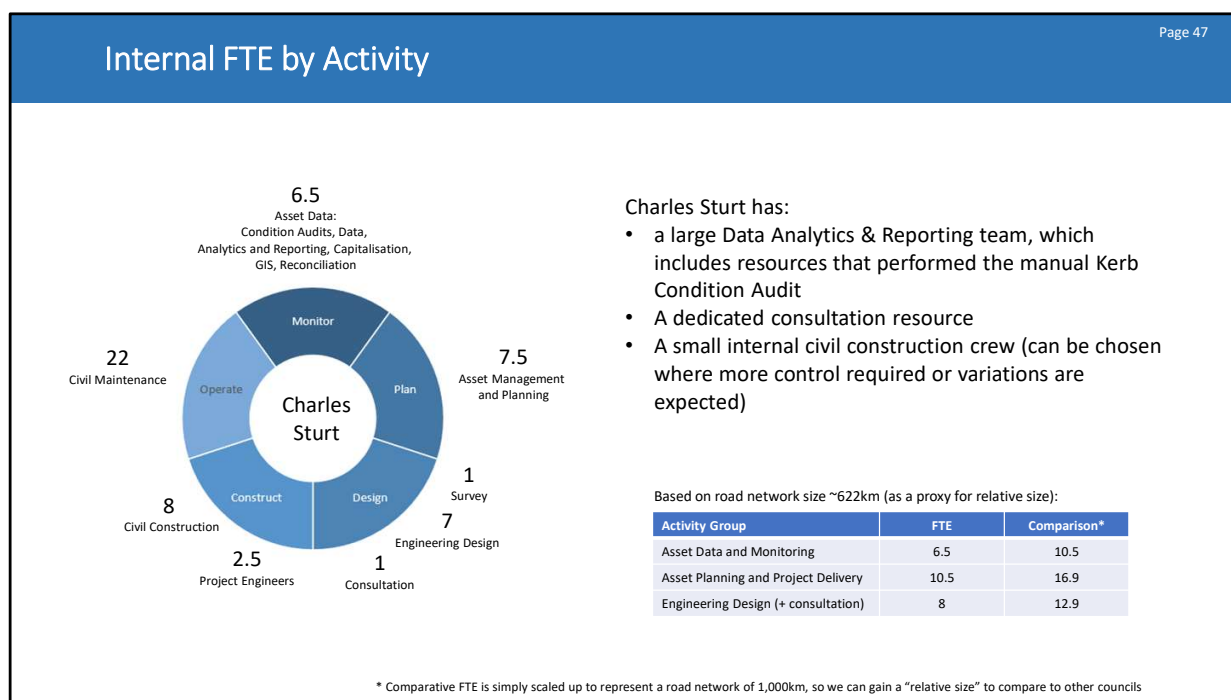
The plant hire rates are relatively high and it's been assumed that the true cost of these vehicles is similar to other benchmarks.

Following the previous slide regarding oncosts, the assumed oncost rate has been reduced (with an educated guess) to remove the costs which aren't directly related to the work.



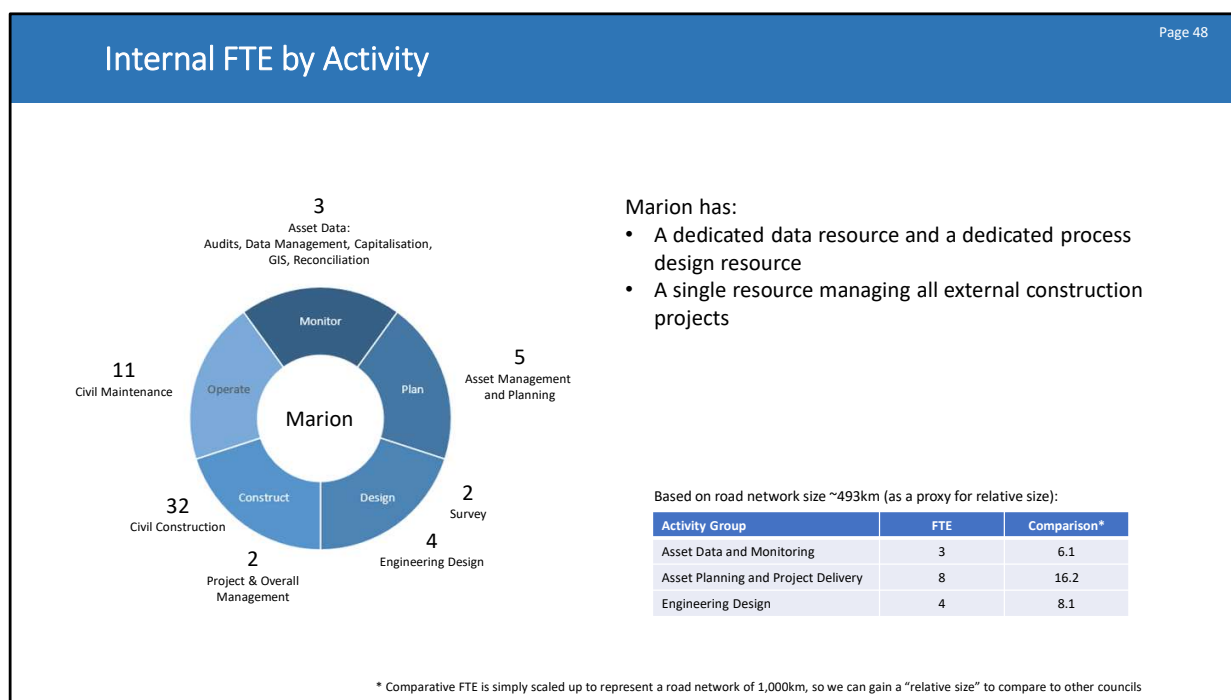
Internal Teams





Civil Maintenance breakdown is as follows

- Co-ordinator 1 X FTE
- Work group leader 1 FTE
- Asphalt 2 X FTE
- Excavation 2 X FTE
- Concrete teams 6 X FTE
- Paving 4 X FTE
- Line-marking 4 X FTE
- Customer request make safe team 2 X FTE.
- These teams are not currently completing any Kerb and Gutter requests unless unsafe.
- Shane Broadbent coordinator engineering works has a team that looks after drainage systems.



Asset Data

- Ellen
- Catrin
- 1 x Finance

Asset Management and Planning

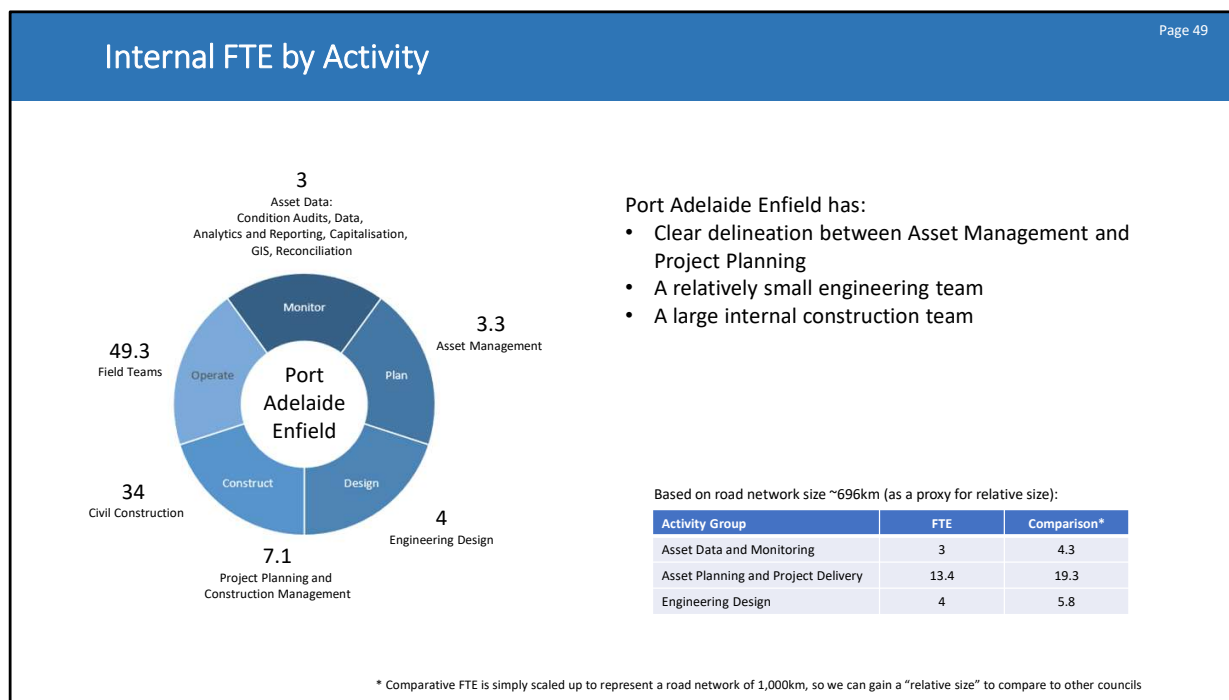
- This was based on conversation with Mat which indicated "6 FTE"
- But then took Ellen and Catrin out and added to "Monitor"
- Added portion of Erryn and portion of Mat here which brings it to 5 FTE

Engineering Design

- Carl
- 1 x Stormwater Design
- 1 x Transport Design
- 1 x Streetscape Design & Consultation
- 2 x Surveyor

Projects

- Project Manager
- Colin



For PAE, all survey work is undertaken externally (annual spend ~ \$180K depending on projects)

PAE's engineering team is relatively small because:

- 100% of lighting design is outsourced
- 20% of LATM design is outsourced
- There is a belief they are efficient in their designs and use of CAD

Role Productivity: Like-for-like comparisons are challenging

Page 50

- Even within a “consistent” role like “Asset Management”, there are differences in the way that councils define and structure the activities
- Analysis at the ‘activity’ level is not possible, as there is no robust data across councils to indicate the actual time, or relative % of time, spent on each activity
- Apparently ‘substantial’ differences in FTE (i.e. CCS in this example) require a deeper appreciation for the work actually conducted

Without a full Activity-Based-Costing (ABC) analysis across all councils, observations regarding FTE must be kept at a high level

Asset Management Related Activity	CCS	PAE	CoM
FTE	24	6.8	5.7
Implement Asset Management	Y	Y	Y
AM Strategy	Y	Y	Y
AM Policy	Y	Y	Y
AM Process	Y	Y	Y
Capture and maintain data in Works System	Y	N	Y
Support Works System software	Y	N	N
Capture and maintain data in Assets System	Y	Y	Y
Support Assets System software	Y	Y	Y
Maintain Asset Register	Y	Y	Y
Maintain GIS Register	Y	Y	Y
Support GIS software	Y	Y	Y
Reporting and Business Analytics relating to Assets	Y	Y	Y
Maintenance Programming	Y	N	N
Maintenance Scheduling	Y	N	N
Product Maps	Y	Y	Y
Train others in Works System usage and data quality	Y	N	N
Train others in Assets System usage and data quality	Y	Y	Y
Train others in GIS System usage and data quality	Y	Y	Y
Process Improvement/Process Design	Y	Y	Y
Business Rule definition	Y	Y	Y
Ensure quality of Asset Management data	Y	Y	Y
Ensure quality of Asset Management decisions	Y	Y	Y
Create Asset Management Plans, including data analysis	Y	Y	Y
Link AMP to Council Strategy and LTP	Y	Y	Y
Engagement, presentation and seek endorsement of AMP	Y	Y	Y
Financial Management of Assets (Asset Accounting)	Y	Y	N
Identify Asset Patterns and Trends	Y	Y	Y
Future Planning of Assets and Services	Y	Y	N
Create Forward Works Plans	Y	Y	Y
Asset Condition data entry and maintenance	Y	Y	Y
Asset Condition indicators (e.g. level of service and useful life)	Y	Y	Y
Accept Contributed Assets	Y	Y	Y
Test Data Accuracy	Y	Y	Y
Field audit and data verification	Y	Y	Y
Manage the team activities	Y	Y	Y
Manage the team (people)	Y	Y	Y
Inspection App Maintenance	N	Y	N
Fleet reporting	N	Y	N
Fleet booking system	N	Y	N
Equipment Model maintain and administer	N	Y	N
Tender and Contract Management relating to Asset Management	N	Y	N
Asset Steering Group and Custodian Group	N	Y	N
Project Engineering for Stormwater and Pump Stations	N	Y	N
Pump Station software	N	Y	N
Rail Interface Agreements	N	Y	N
Annual Asset Valuations	Y	Y	Y
Project Change Management	N	N	Y

No additional notes for this page

Capital Works Planning – Treatment Selection

Page 51

- Each council is using a combination of treatment types
- Each council is applying good practices in choice of treatment, based on the existing condition of the seal and underlying pavement, traffic volumes and environmental conditions
- There are some differences in the relative use of treatment types between councils
 - For example, Marion undertakes relatively few reconstructions and has no separate proactive kerb program
 - The primary reasons for this difference appears to be difference in the condition/asset life of the pavement
 - Some of the differences can be attributed to different sub-grade types
- In each council, choice of treatment is dependent upon:
 - Condition ratings from Asset Audit
 - Visual inspection by experienced engineers
 - Physical pavement testing (coring and/or FWD)
- Each council will always conduct pavement coring prior to deciding on full reconstruction

2.5.5 Technical Levels of Service

Supporting the community service levels are operational or technical measures of performance. These technical measures refer to the allocation of resources to service activities that the organisation undertakes to best achieve the desired community outcomes and demonstrate effective organisational performance.

Technical service measures are linked to annual budgets covering:

- Operations** – the regular activities to provide services such as opening hours, cleaning, mowing grass, energy, inspections, etc.
- Maintenance** – the activities necessary to retain an asset as near as practicable to an appropriate service condition (e.g. road patching, unsealed road grading, building and structure repairs).
- Renewal** – the activities that return the service capability of an asset up to that which it had originally (e.g. frequency and cost of road resurfacing and pavement reconstruction, pipeline replacement and building component replacement).
- Upgrade** – the activities to provide a higher level of service (e.g. widening a road, sealing an unsealed road, replacing a pipeline with a larger size) or a new service that did not exist previously (e.g. a new library).

Service and asset managers plan, implement and control technical service levels to influence the customer service levels.¹

Despite minor differences, treatment selection processes are robust, appropriate and appear to be consistently followed within each council

Austrroads guides for road treatments

Table 7.2 Effect of proposed seal, slurry surfacing and combined resurfacing treatments on existing surfacing characteristics

Treatment	Seal treatments			Slurry surfacing			Combined resurfacing		
	Single application (seal)	Double application (seal)	Combined (seal + slurry)	Seal	Slurry	Combined	Seal	Slurry	Combined
Surface condition	Good	Very good	Excellent	Good	Very good	Excellent	Good	Very good	Excellent
Skid resistance	Good	Very good	Excellent	Good	Very good	Excellent	Good	Very good	Excellent
Water absorption	Low	Very low	Excellent	Low	Very low	Excellent	Low	Very low	Excellent
Surface texture	Good	Very good	Excellent	Good	Very good	Excellent	Good	Very good	Excellent
Surface strength	Good	Very good	Excellent	Good	Very good	Excellent	Good	Very good	Excellent
Surface durability	Good	Very good	Excellent	Good	Very good	Excellent	Good	Very good	Excellent
Surface appearance	Good	Very good	Excellent	Good	Very good	Excellent	Good	Very good	Excellent
Surface life expectancy	Good	Very good	Excellent	Good	Very good	Excellent	Good	Very good	Excellent

Table 7.3 Effect of proposed seal, slurry surfacing and combined resurfacing treatments on existing surfacing characteristics

Treatment	Seal treatments			Slurry surfacing			Combined resurfacing		
	Single application (seal)	Double application (seal)	Combined (seal + slurry)	Seal	Slurry	Combined	Seal	Slurry	Combined
Surface condition	Good	Very good	Excellent	Good	Very good	Excellent	Good	Very good	Excellent
Skid resistance	Good	Very good	Excellent	Good	Very good	Excellent	Good	Very good	Excellent
Water absorption	Low	Very low	Excellent	Low	Very low	Excellent	Low	Very low	Excellent
Surface texture	Good	Very good	Excellent	Good	Very good	Excellent	Good	Very good	Excellent
Surface strength	Good	Very good	Excellent	Good	Very good	Excellent	Good	Very good	Excellent
Surface durability	Good	Very good	Excellent	Good	Very good	Excellent	Good	Very good	Excellent
Surface appearance	Good	Very good	Excellent	Good	Very good	Excellent	Good	Very good	Excellent
Surface life expectancy	Good	Very good	Excellent	Good	Very good	Excellent	Good	Very good	Excellent

FWD audits of true pavement condition across the network may help with the early identification of pavement deterioration, and allow early intervention.

- However, early deterioration can also be detected through seal condition metrics
- So it is not absolutely necessary to conduct a regular network-wide FWD audit (or other pavement condition audit)
- If a full network audit is conducted, the distance between FWD ‘drops’ should be considered – smaller distances will provide a far more accurate assessment of true condition

The Asset Managers at each council are aware of the risk of taking a “worst first” approach, which is widely discussed in publications from ARRB.

- Asset Managers are aware of using road seal condition indicators as a proxy for assessing the condition of the underlying pavement.
- They are also aware of best-practice techniques to achieve or extend the effective life of pavements.
- These practices are discussed in ARRB’s publication “AP-R649-21 Prolonging Life of Road Assets Under Increasing Demand”.

Streetscapes are:

- A part of each council’s strategies
- Discussed in Asset Management Plans
- While have benefits for amenity and placemaking, are not (yet) perceived as particularly important by the broader community
- As streetscapes become more prevalent the general community perception is anticipated to shift towards valuing these streetscapes more

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Project Management

In general, all 3 councils have:

- Defined Project Manager roles/accountabilities
- Similar approaches to actively managing projects and programs throughout the year
- Project Management systems and software

Opportunities for improvement

Clearer responsibilities and authorities

- Particularly between internal teams
- Mostly good, but could do with clarification to avoid conflict or confusion

More consistent recording of project details

- Project costs are flowing appropriately through capitalisation, but some detail is lost along the way
- Consider enhancing project-by-Project reporting of actual activity undertaken, costs, timeframes. Include detail of approvals and rationale to help understand issues and identify lessons learned. The level of detail in a quantity surveyors report would be highly useful when reviewing historical projects.
- Annual reporting of unit rates for key treatment types – accurately tracking changes in unit rates over time will more clearly highlight improvement areas and will greatly assist future analysis.

PIRs and Lessons Learned

- Regular, correctly documented post-implementation reviews, to identify challenges, lessons learned and future opportunities
- Create a central store of lessons learned and use this when constructing future year's programs.
- Including collaboration and sharing of observations across councils

Improved usage of Project Management Systems

- Consistent usage by all roles involved in "managing" a project (e.g. field co-ordinators)
- Some simplification and customisation of systems would improve usage
- Reduced reliance on spreadsheets
- Improvements to reporting directly from the Project system
- Improved training and understanding of system capabilities

The costs and additional effort in better Project Data Capture and better use of Project Management Systems will be outweighed (over time) by benefits through lessons learned and ability to review historical projects with objective analysis.

Cost estimates

- Over time, the project managers at each council have developed estimates for various activities (often rolled-up and containing substantial contingency amounts).
- For many reasons, these estimates vary in terms of their accuracy and reliability.
- Therefore, this increases the challenge to reliably "achieve" the capital works budget each financial year.
- Through more robust PIRs and better recording of project data, these estimates (and more importantly, the timelines) will improve over the course of a number of years.

For Port Adelaide

- Internal construction crews appear to have some autonomy to make changes in the field, meaning Project Managers have relatively less control over variations, approvals and cost management.
- Clearly documented and agreed accountabilities should be created to avoid delays and misunderstanding – and for lessons learned to be captured.

Internal Design vs External Design

Page 53

- Councils tend to do 80-90% of design jobs in-house
- Varies year-to-year based on individual projects and occasional spikes in volume

All 3 councils experience challenges with external design consultants:

- Cost (ratio of 2x to 3x internal costs)
- Quality of work (application of specific standards, etc. or simply poor quality work)
- Timeliness (frequent delays in delivery of work)
- Experience (generally get a more junior designer)

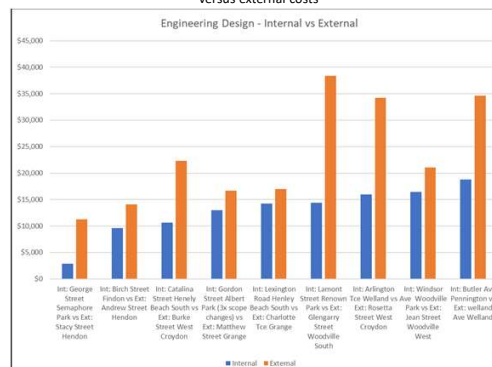
However, external consultants can be useful in situations with:

- Short term demand (e.g. for urgent work or to cover leave/vacancies)
- Specialist expertise requirement (e.g. bridges)
- High risk designs
- Very large, complex projects

Judicious use of external Design Resources is the most appropriate way of managing short-term capacity or capability gaps

Long term capacity gaps are best filled by each council with internal design resources

An assessment by CCS of the cost of similar design projects, comparing internal versus external costs



Internal design teams are cost-effective and deliver high quality work when compared to external design resources.

While collaborative sharing of Design resources appears to be an opportunity, no council design team reports that they have excess capacity

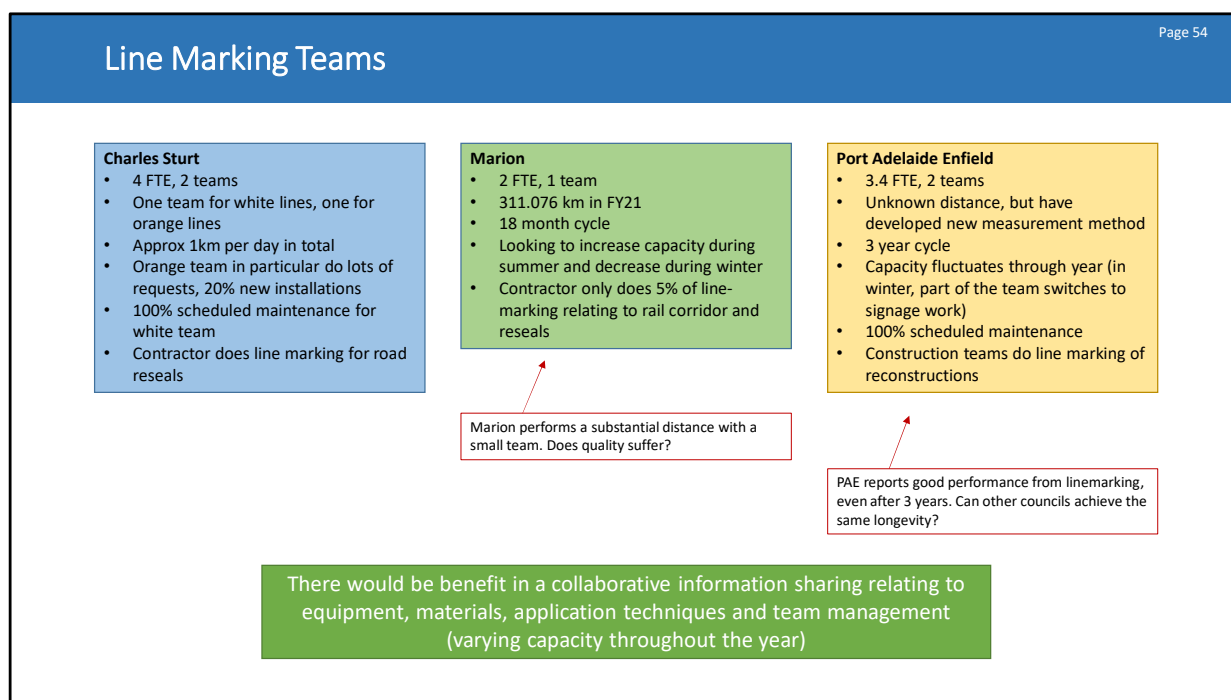
- Productivity can only be measured by the judgement of experienced design managers, and setting of realistic expectations
- Each individual design job has variables which impact the amount of time it would reasonably take to complete the job

All councils are aiming to get designs completed 12 months prior to construction commencement.

- This benefits the financial carry-over process as previously discussed.
- More to the point, it smooths demand within the Design teams, reducing the distinction between peaks and troughs of work.
- It also means there is a steady supply of design work in the pipeline, so designers are not (or will not be) idle.
- Consistent demand across the year will allow more accurate, effective and efficient alignment of design resources to demand.

Collaboration through shared resourcing would not be straightforward.

- Different systems
- Minor differences in standards
- Competing priorities
- Geographical location



For Marion, increasing capacity will require additional equipment as well as resources.

- Based on observations relating to CRM volumes rising during winter, there may be opportunity to direct the additional line marking resources to road or signage requests during winter months when conditions for line marking are generally unfavourable.

Reinstatement of Civil Infrastructure Damage
Page 55

There are 2 main occurrences of infrastructure damage:

- Road Seal and Pavements: Primarily Utility Service Trench
- Kerbs and Footpaths: Primarily Private developers, could also be utility connections or NBN/Telstra

Damage can:

- Create public safety issues (trip hazards, or road hazards)
- Create localised defects in assets (e.g. subsidence of road service trenches)
- Accelerate deterioration of assets, reducing asset life (e.g. moisture ingress into pavement)

General process:

- Follow up developer or service utility to rectify
- If no rectification in reasonable time period, or if it's a safety issue, council will rectify and attempt reimbursement

Insights:

PAE

- 3 FTE (usually 2 FTE)
- \$180K = annual value of damaged infrastructure
- Improved engagement with developers – but no change from service utilities

CCS

- Reimbursement chased from developer in first instance. May approach owner if no response from developer.
- Write-offs are a relatively frequent occurrence where amounts are less than \$2k; these require Manager or General Manager sign-off
- No endorsed policy position on reimbursement from property owner

There would be benefit in a joint collaborative approach to improved engagement with Service Utilities and with Developers

SA Water has recently changed to new service alliances with LendLease (water) and Suez (sewers).

- There may be an opportunity to engage more meaningfully with these providers to prevent issues and thus ensure service trenches result in less defects/damage annually.

Recycling and Waste Management		Page 56
<ul style="list-style-type: none"> As a separate line item, waste management is not a substantial proportion of overall financial spend As previously noted, this is likely because most waste management performed by contractors is hidden within the contractor overall charges. 		
<ul style="list-style-type: none"> Recycled Asphalt Product <ul style="list-style-type: none"> All councils are using 50% RAP as a 'standard' for HMA mixes All councils are using Downer for profiling of asphalt, and all are receiving a tonnage rebate with Downer managing the transport, 'dumping' and recycling of asphalt and pavement profilings 		<div>Impact of Contaminated Waste</div> <div>Contaminated Waste can create significant over-runs in project spend</div>
<ul style="list-style-type: none"> Recycling of Concrete Waste <ul style="list-style-type: none"> CCS have considered performing concrete recycling on-site however, this may be of limited benefit and introduces some additional constraints 		<div>Charles Sturt would benefit from a similar waste management arrangement being currently negotiated by Port Adelaide Enfield</div>

PAE is close to finalising an arrangement with ARR which will:

- Reduce dumping costs to \$0 (non-contaminated waste) and reduce PM2 buy-back to \$8 per tonne
- Current rates are estimated to be \$25 per tonne dumping and \$15 per tonne for PM2
- These reductions will substantially reduce the unit cost for internal team road reconstruction activities

CCS is facing increasing issues with contaminated pavement materials

- A number of roads have high crowns which are being reshaped (particularly on bus routes)
- However, due to the age of these pavements, materials have sometimes been found to have low-level contamination.
- This increases dumping fees considerably (including increased transport costs due to distant location of dumping station).
- CCS is attempting to minimise dumping of these materials through increased on-site use (and insitu reuse or insitu stabilisation) however, during reshapes there is excess material that must be dumped.

Regarding CCS performing on-site recycling, the following points are of interest:

- Where contractors are managing waste on council's behalf, it is highly likely that this waste is already being recycled wherever possible.
- This is the commercial reality – transfer to a recycling facility is cheaper than dumping and/or dumping facilities are financially incentivised to recycle materials where possible.
- Contractors may, in certain instances, be receiving value for the materials, so CCS taking this material (and requiring it be transported to CCS depot) may actually increase unit rates.
- For recycling of internally excavated materials, it is worthwhile considering whether a similar arrangement to PAE's arrangement can be agreed.
- Aside from storage constraints at the CCS depot, consideration would need to be given to WHS and EPA requirements if engaging in on-site crushing of concrete, particularly given the location of the depot

Marion's own recycling and reuse station provides substantial financial and environmental benefits for Marion:

- Due to the location of the facility being a considerable distance from PAE and CCS, it is not recommended that this facility be used by PAE or CCS (particularly given PAE's arrangement with

ARR).

Internal Team Productivity

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Setting productivity expectations (based on daily or weekly output) has provided performance benefits for some councils

Marion crews regularly exceed expected outputs

- On average, teams perform 20-30% better than expectations (expectations are not intentionally 'soft')
- This reduces the effective unit rate for internal works
- Incentive: 4 day week (for 1 team, there's a financial incentive)

PAE conducted a short trial

- Construction crew were provided with a 4 day week
- Goal: 495 sq m per fortnight (considered a reasonable figure)
- Achieved: 630 sq m per fortnight (26% better)

However,

- Expectations are not truly valuable unless there's appropriate measurement, recording, reporting and management*

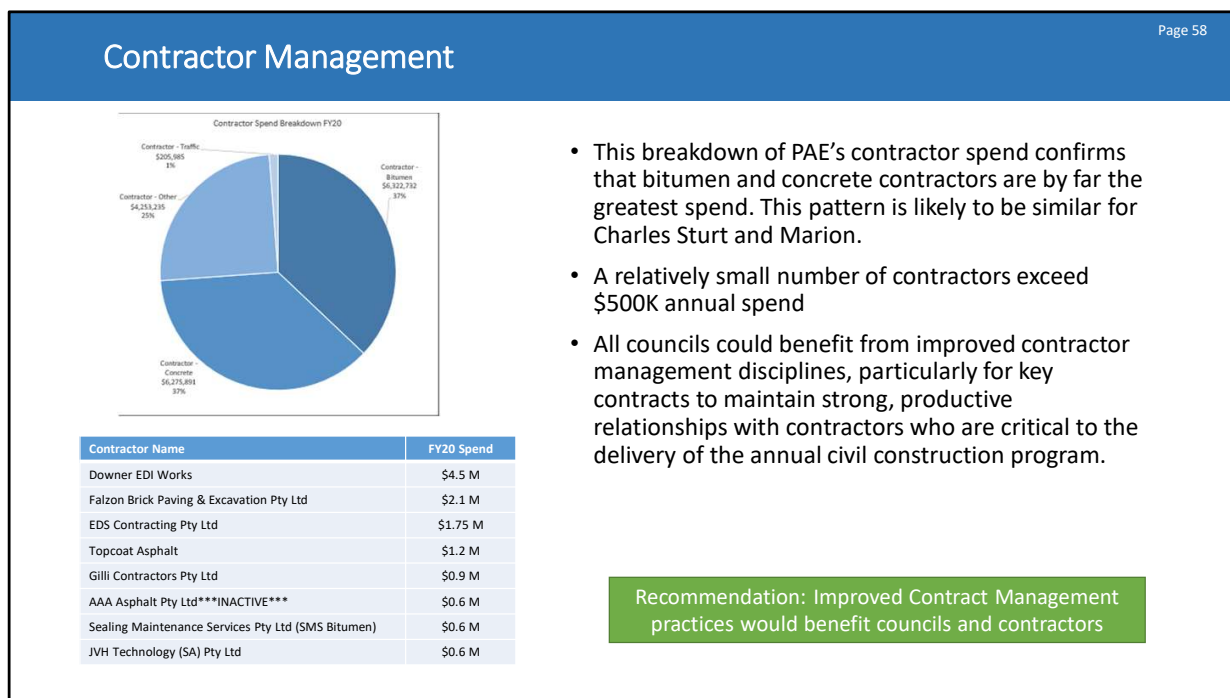
Key Performance Indicators (based on resourcing of 6.0 FTE at current work practices)

Category (includes laying, backfilling and compacting)	Unit Target - Excavator	Unit Target - Backhoe
SEP Pits	one per day (including pipe & backfill)	one per day (including pipe & backfill)
Prefab Junction Box (junction pipes)	one per day (including backfilling)	one per day (including backfilling)
Construct Junction Box	three days (including backfilling)	three days (including backfilling)
pipes 375mm diameter	five per day @ 1.5m depth	three per day @ 1.5m depth
pipes 450mm diameter	five per day @ 1.5m depth	three per day @ 1.5m depth
pipes 525mm diameter	four per day @ 1.5m depth	three per day @ 1.5m depth
pipes 600mm diameter	four per day @ 2.0m depth	two per day @ 2.0m depth
pipes 750mm diameter	three per day @ 2.0m depth	two per day @ 2.0m depth

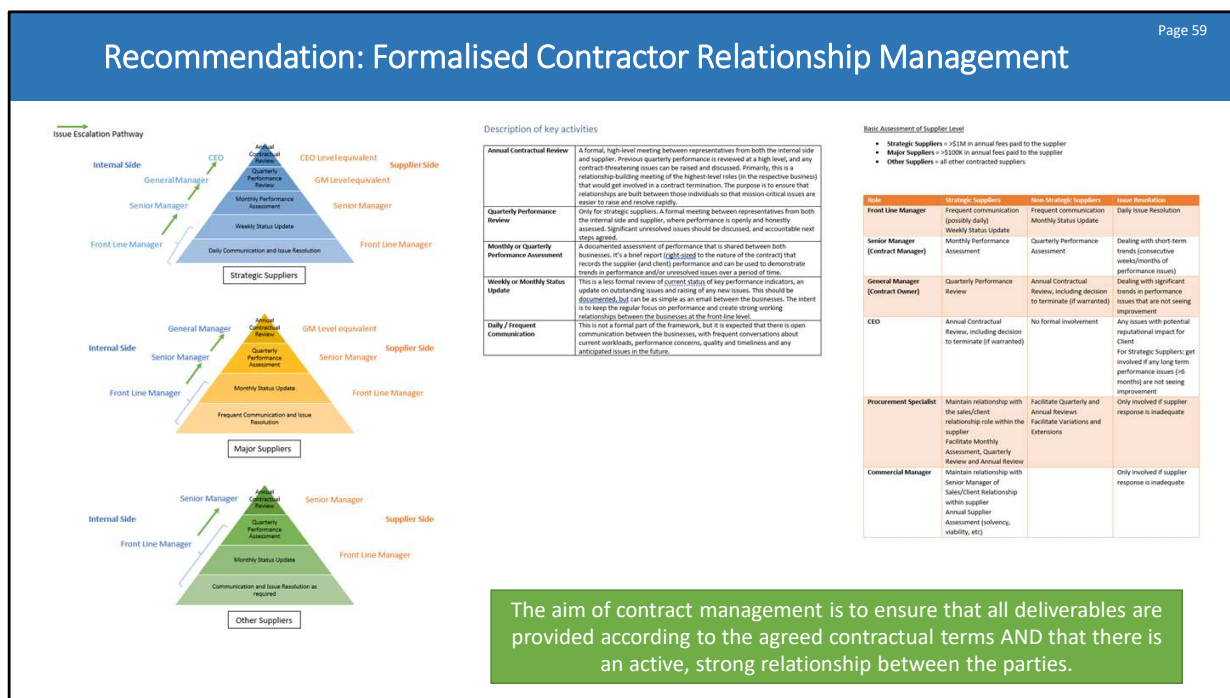
Example of output expectations in Marion Drainage Team LAWA

Recommendation: Collaboratively Expand/Implement Internal Team Productivity Expectations, and Associated Management for all construction/maintenance activity

No additional notes for this page



No additional notes for this page



All councils currently appear to be appropriately managing the day-to-day performance of contractors. However, no council has a formalised contract relationship management structure in place.

The advantage of these regular meetings regarding overall contract performance, is that solid management relationships are created BEFORE there is an issue or a problem to solve. The development of trust and openness fosters clearer communication and when issues arise from a contractual perspective, they are able to be resolved collaboratively, faster, and with less undue stress.

Each of these structures is designed to build multiple levels of interaction between the council and contractor. The importance of General Manager and CEO interaction should not be underestimated – for large contractor relationships, this small investment of time from senior leadership has been shown to have substantial benefits (mostly intangible, but sometimes tangible).

Plant Utilisation: Ownership vs Hire
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- Any benefit case for Plant Hire vs Ownership must exclude running costs

Ownership Costs	Running Costs
The cost of having the vehicle available to use	The cost of actually using the vehicle.
<ul style="list-style-type: none"> Depreciation Insurance premiums Registration Regular Servicing* Repairs due to wear-and-tear Tyres 	<ul style="list-style-type: none"> Fuel Insurance excess Repairs due to damage Safety equipment
OR	
<ul style="list-style-type: none"> Hire costs (if plant is hired) 	

* while regular servicing and wear-and-tear could be seen as a function of usage, it's regarded as an ownership cost – because if a vehicle was hired, these would be included within the hire cost.

Worked example:

JCB Purchase Price	\$153,000	
Residual Value	\$45,000	
Effective Life	7 Years	
Annual Depreciation	\$15,429	
Registration	\$1,000	
Insurance	\$1,500	
Repairs & Maintenance	\$5,000	
Total Holding Costs p.a.	\$22,929	
Equivalent Dry Hire	\$275 per day	This is a midpoint between the 2 cheapest rates
Days to breakeven	83.4 days	Note, this ignores the additional cost of delivery to & from site (\$600 per instance)
Annual Plant Capacity	247 days	Plant doesn't get used on public holidays but doesn't take leave!
Utilisation Threshold	34%	Minimum utilisation where ownership is financially better than hire

General Rule of Thumb: If plant utilisation >40%, it is financially better to own plant rather than hire

If plant utilisation <40%, true ownership costs, plus impact of flexibility and availability must be factored into financial calculations

All 3 councils are considering making minor changes to their plant and equipment.

- While a detailed plant and fleet cost analysis has not been completed, the above methodology is highlighted to avoid overly simplistic financial analysis from “proving” benefits of selling plant which is only occasionally idle.

And:

- It should be noted that the 40% utilisation threshold “rule of thumb” only applies where the equipment is being actively depreciated.
- Plant or Equipment which has already reached its residual value (and therefore has no depreciation cost from a financial perspective) have a substantially lower utilisation threshold (potentially as low as 5% depending on the equipment)

The primary benefit of owning plant and equipment is in the short-term flexibility and guaranteed availability of the equipment

- Particularly in the current environment of high demand, plant and equipment can be difficult to find at short notice.
- Hire rates have also increased as a result of this growth in demand.

Flexibility and availability of plant can directly impact team productivity.

- It would not take much for a minor drop in staff productivity to vastly exceed the annual costs of holding onto plant which did not quite reach the utilisation threshold.

Note that these principles hold true when considering sharing plant between councils.

- The issue with sharing plant is the impacts on flexibility and availability for the owner council.
- Sharing plant introduces the same issues as selling plant (albeit temporarily).
- What happens when the owner council has shared plant with a collaborator, but then urgently needs the plant themselves? What happens with the cost of hiring replacement external plant?

Collaborative sharing of plant should only be pursued in the following instances:

- Very low utilisation of an individual plant, and
- Clearly defined time periods of demand for each council, and
- Non-overlapping causes of demand (e.g. demand peaks are not similar between councils)

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Step-by-step Process Mapping

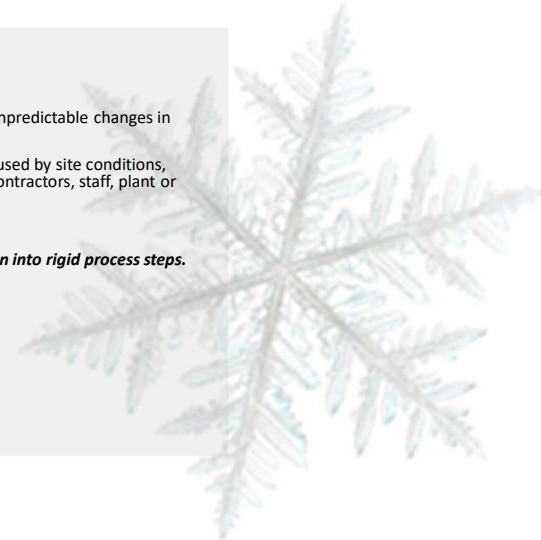
Despite the relatively high cost compared to other council services:

- Civil construction is not a high-volume, repeatable process
- The annual program requires responsiveness and adaptability to manage unpredictable changes in priority or situation throughout the year
- Equally, each project requires flexibility and agility to manage variations caused by site conditions, topography, daily environmental conditions, fluctuations in availability of contractors, staff, plant or materials

It would be an over-simplification to codify the delivery of civil construction into rigid process steps.

However, there is benefit to be gained from:

- Clearer, documented and agreed expectation-setting across all roles
- Defined accountabilities and authorities
- Greater data recording and better performance reporting



A snow crystal is used as an analogy:

1. We know the mechanism through which snow crystals are formed. At a base level, these rules are relatively well defined and understood.
2. However, it is difficult to predict the shape of a snow crystal ahead of time, due to many varying external factors which influence the final structure.
3. Similar to civil construction projects, we understand the factors that influence project cost, timeline and quality – however it remains difficult to accurately estimate the final project results, except for the most straight-forward cases.
4. Asset planners and project managers in all councils have developed methods to achieve greater accuracy of predictions (such as visual inspections, investigations, surveys and engineering designs). However, a contingency amount is invariably included in project costings. Whether this contingency is exceeded or remains untouched is only determined as the project progresses.

By way of example, in Marion's case, the determination of which kerbs to replace is based on a visual inspection of that road in the year prior to reseal activity.

- The rules applied by staff members (in determining whether to replace or not) are "loose" guidelines and are not clearly documented.
- However, the "rules" are logical, sound and aligned with appropriate expectations.
 - Where the watertable has been lifted or sunk.
 - Where the watertable is cracked
 - Where the watertable is holding water. We may only address the areas where this is excessive.
 - If the spoon drain requires replacement
- The benefit of documentation (and therefore tightening up the rules) will be to reduce key person risk, and create consistency both between staff and across time periods
- However, based on conversations with Colin it appears that staff members are already reasonably well-aligned in their assessments
- Therefore documentation is unlikely to result in any tangible change from a network condition (nor capital spend) perspective

So while improved documentation does have a place in reducing risk and creating consistency, it would be inaccurate and potentially misleading to calculate potential efficiency gains that would directly result from the documentation.



Collaboration





During the review, it has been surprising to observe how little information is currently known about the way other councils work.

There would be substantial benefit in increased sharing of

- information,
- current practices,
- lessons learned (particularly in relation to “failures”).

There is a wealth of knowledge – as well as widely varying opinions – across the councils.

- While differing opinions can be challenging if tightly held, for those with curiosity and an open mind, the new perspectives and insights will become more valuable over time.

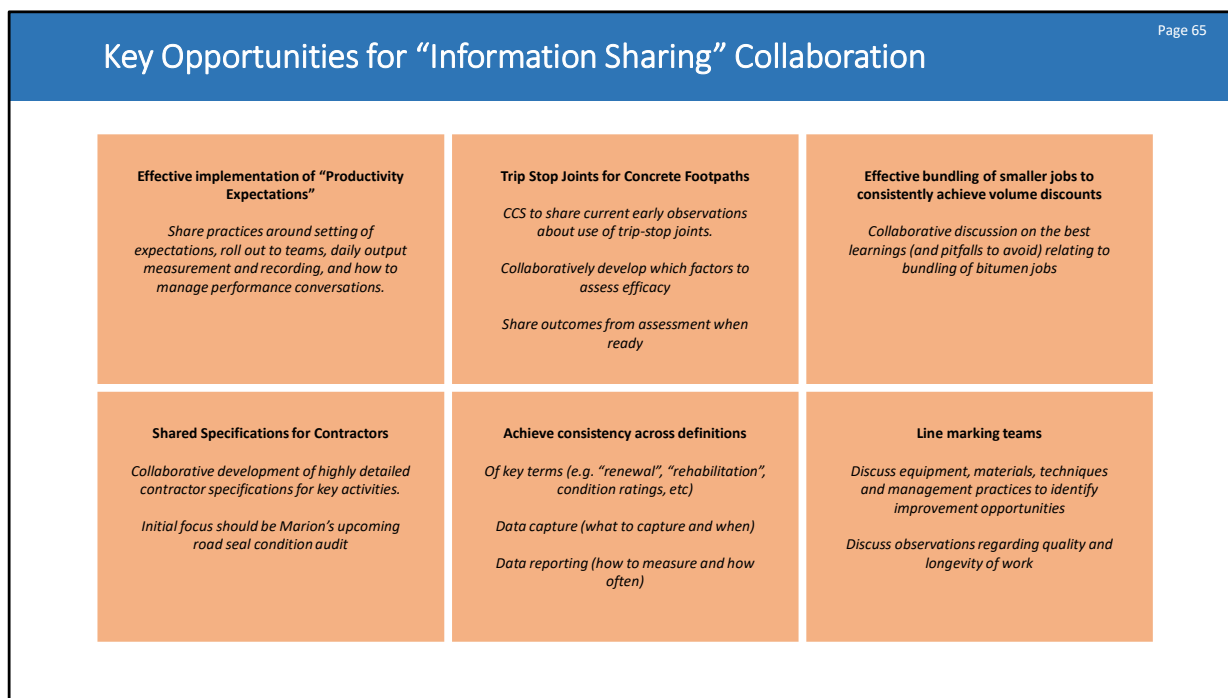
Collaboration Types			
Page 64			
Collaboration Type	Description	Pros	Cons
Information Sharing	<ul style="list-style-type: none"> Councils share information both formally and informally Should take the form of both structured (regular forum for discussions) and Adhoc/as needed Intent is to share their current approaches, rationale, results and conclusions. Will build stronger relationships where individuals from councils can seek feedback from other experts in their field. Further collaboration opportunities may be identified during detailed discussions 	<ul style="list-style-type: none"> The 3 councils each have examples where sharing would be valuable: <ul style="list-style-type: none"> CCS – Results from trialling of trip-stop joints in concrete footpaths PAE – Successful trials of deep-lift treatments Marion – Use of LAWAs to drive internal team productivity 	<ul style="list-style-type: none"> Must have clear expectations about how this information is used within each council. Risk that the discussion doesn't result in any improved outcomes (and therefore simply expends time without tangible benefit). Formal discussion groups need to be structured to maximise opportunity for learning; must be chaired appropriately.
Expert Resources	<ul style="list-style-type: none"> In the case of "domain" or "subject matter" experts, whose specialised expertise, skills and experience could be shared across councils. The individual would remain employed by a particular council and "loaned" or "recharged" to a collaborating council on a case-by-case basis. For example, a specialist bridge engineer. 	<ul style="list-style-type: none"> Sharing of highly specialised skills would improve quality and productivity for projects of a particular nature. Reduced need to contract/outsource these specialised activities (reducing project cost and potentially improving timelines). Availability of resource as an 'informal reference' throughout the year. Positive for the individual, having greater utilisation of their specialised expertise. 	<ul style="list-style-type: none"> Unsure how many highly specialised experts there are. Need to agree how to share/recharge these resources. Unsure about true demand for specialised expertise. For example, there's unlikely to be sufficient demand across all 3 councils to have a "bridge expert" fully utilised.
Shared Resources	<ul style="list-style-type: none"> Where a team within a particular council has availability, this is offered to other councils on a time-and-materials basis. Alternatively, if a council has a short-term demand for a particular skill-set or piece of plant/equipment, this can be "hired" across councils. 	<ul style="list-style-type: none"> Improved ability to 'keep the team busy' and focussed on their specialised area of skill. Reduce the (in some cases) excessive hiring cost or unavailability of specialised plant/equipment. Increase utilisation of specialised plant/equipment. 	<ul style="list-style-type: none"> There is some loss of flexibility for the "owner" council. Differences in council systems, data recording, communication methods. Agreed process for dealing with urgent priorities and changes in schedule.
Pooled Resources	<ul style="list-style-type: none"> A team is created which is pooled across all 3 councils, with work for this team allocated across councils either equally or based on demand. This requires a highly structured planning and scheduling process. Continuous relationships and communication between key decision-making roles within each council. Intent is to share skilled resources, expanding the breadth of demand for particular skill-sets (e.g. granular pavement reconstruction). Resources shared could include staff, plant, equipment or a combination. 	<ul style="list-style-type: none"> There is opportunity to reduce overall costs by minimising down-time and maximising utilisation of internal staff and plant. Forces good disciplines around forward-planning, clear communication and clear expectation setting. Ability for this team to be highly specialised, and to focus on work which matches their skills (rather than individual councils "finding" work to keep them busy). 	<ul style="list-style-type: none"> The unpredictable nature of civil construction introduces challenges dealing with variations. Recharging methodology and calculations require discussion and acceptance. Clear priority and escalation mechanisms must be agreed. The team's capacity may not be sufficient to achieve all required work across all 3 councils – or may be excess to demand. Lack of flexibility for each council to make their own decisions on priority and changes. Increased travel time and/or varying work locations for staff.

Understanding the nature of collaboration opportunities is important.

- Sharing or pooling of resources – including plant and equipment – can only be beneficial if there are clear guidelines and good, active management.
- Not many situations in Civil Construction would benefit from sharing or pooling of resources, in fact, this would create additional management disciplines and attention
- These indirect costs could easily outweigh any benefits.

Rather than a formal resource sharing arrangement, there is potentially more benefit in an adhoc approach to sharing resources.

- That is, if and when resources will be known to have a defined block of idle capacity, they could assist other councils who have an aligned need.
- Lessons learned from these informal arrangements may then be used to develop formal arrangements in the future.
- Until these adhoc arrangements can be experienced and assessed by the respective managers, formal resource sharing arrangements are not recommended.



There is likely to be opportunities for sharing of resources (ad hoc, planned, or otherwise) however it is recommended that sharing of information is done regularly and consistently to:

- Build familiarity, and strong trusting relationships between teams across councils
- Develop a deeper understanding of the differences in ways of working
- Identify drivers of work demand (including lull periods)

Each of these points is a critical pre-requisite before considering sharing of resources (staff or plant), because:

- Strong relationships are critical to resolving inevitable conflicts or differences of opinion
- Understanding differences will help assess whether sharing of resources is a viable proposition *before it happens*
- If the drivers of work demand are common across all councils, there will likely be competing demands at similar times. Whereas if drivers of work demand are out-of-sync, then collaborative sharing can work very well.

Essentially, information sharing is suggested as a “discovery phase” for the councils, before embarking on deeper collaborations which may have impact on costs, or resourcing (and therefore ability to deliver).



Appendices



Computer Systems

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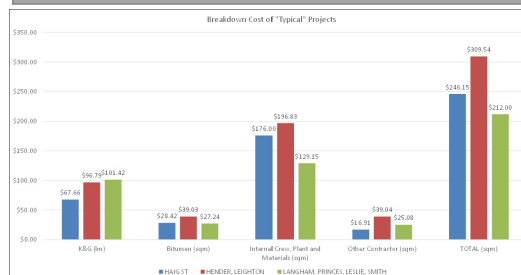
Dimension	Observation
No councils have fully integrated systems end-to-end	It is appropriate to use best-in-class computer systems for the majority of Civil Construction requirements.
All councils have the following key software: <ul style="list-style-type: none"> • Pavement Management System • GIS • CAD/Design • Financial • Customer Request Management • Records Management 	<p>The software, and the way it is used, varies considerably across councils. Compatibility issues (including differences in user interfaces) are a key obstacle to sharing resources across councils.</p> <p>Councils have different approaches around recording project costs (e.g. for Project Manager costs, PAE uses overheads versus CCS have PM's individually allocate time to projects).</p>
Marion has known gaps around Work Order Management	This is already part of CoM's digital transformation program. Will bring substantial benefits around prioritisation of work, tracking of activities, monitoring productivity and cost allocation.
Project Management and Annual Program Planning have a preference to use Excel, due to system limitations and/or familiarity of users	Opportunity to improve use of capable project planning and management software (including field access to project data and updates). This would improve the ability to track, monitor and report on project status, financials, variations and documents. Links with GIS, Financials and Records Management would be advantageous.

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2. Calculating unit rate using a broader methodology, we still get very different results
i.e. – the methodologies in Points 1 and 2 would both be regarded as “reasonable” but produce vastly different results

3. And finally, even comparing something as "Standard" as the bitumen seal produces highly different cost calculations (variance > 30%).

- | Length of Road (m)
CAD Payment Area (sq. m) | RHSNDI 90 | | NEPAL 31 |
|--|----------------------|----------------------|----------|
| | 40% | 60% | 3.06% |
| TOTAL Actual Costs | \$ 684,426.45 | \$ 382,084.63 | |
| Paving | \$ 3,819.02 | \$ 3,313.87 | |
| Engineering Survey | \$ 3,685.33 | | |
| Posthole Rehabilitation | | \$ 4,650.05 | |
| Gravel | \$ 373,711.80 | \$ 217,100.99 | |
| Soil | \$ 95,089.10 | \$ 80,916.99 | |
| Construction Supervision | | \$ 4,594.65 | |
| Service Lighting | | \$ 3,914.23 | |
| Signage | | \$ 204.42 | |
| Motorometer works | | \$ 4,400.00 | |
| Survey | \$ 901.25 | \$ 2,716.28 | |
| Tools | | \$ 2,550.00 | |
| REDUCTIONS including 40% | \$ 419,404.46 | \$ 437,450.52 | |
| NET COST REDUCTIONS | \$ 264,775.29 | \$ 357,274.31 | |
| Actual Costs for Road Rehabilitation | \$ 64.98 | \$ 83.82 | |



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Benchmarking accuracy

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- Care must be exercised with using performance benchmarks
- For example, the Charles Sturt Performance Excellence Program benchmarking report:

Figure 3.1: FY18 operating expenses (A\$) and FTE by service*

Service	Service cost per 115,000 residents (A\$)	Service FTE per 115,000 residents
Service cost per 115,000 residents	\$17.4M	22.5
Solid Waste Management (n = 122)	\$13.2M	2.4
Other community services	\$11.0M	15.6
Other community services	\$7.7M	14.9

We can't reconcile this \$13.2M with data analysed in this review – so we're uncertain about the validity of this number (let alone the comparison to averages)

This Service Review report hasn't used any external benchmark comparisons, as we cannot be certain about how the external benchmarks have been calculated, nor can we be certain about the accuracy and consistency of underlying data

Differences in reported performance can be due to multiple factors:

- On-the-ground Processes
- Staffing levels
- Staff capability
- Team Culture
- HR Policies and Practices
- Management Practices
- Management Structures
- IT Systems
- Data capture practices (affects reported performance, rather than actual performance)
- Reporting and Dashboards
- Work Prioritisation and Allocation
- Asset Tracking Systems
- Asset Management Practices
- Budgets (including short-term priorities)
- Plant and Equipment (cost and capability)
- Geographical spread (size/travel time AND changing environmental conditions)
- Construction backlog and future forecast

For civil construction, each of these factors varies between each council.

Direct performance comparison is a worthwhile pursuit but can easily lead to incorrect conclusions.

The risk of attempting to compare costs between councils

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- Since 2016, Victoria's state-wide benchmarking system has recorded key data, with well defined and consistent metrics.
- Despite well-defined metrics, there is a large range of values within councils and between councils and these ranges could not possibly be representing a like-for-like comparison. *Note the ranges are generally NOT as a result of decreases over time (e.g. realised cost-savings).*
- Realistically, these benchmarks are useless from a comparison perspective; worse – they misrepresent the truth and if used for decision making could result in poor outcomes.

The range of values for cost of road construction
(2016-2021)

\$0\$50\$100\$150\$200\$250\$300\$350

Bayside City

Frankston City

Glen Eira City

Greater Dandenong City

Hobsons Bay City

Maribyrnong City

Melbourne City

Monash City

Moonee Valley City

Moreland City

Port Phillip City

Stonnington City

Yarra City

The range of averages for cost of road reseals
(2016-2021)

\$0\$10\$20\$30\$40\$50\$60

Bayside City

Frankston City

Glen Eira City

Greater Dandenong City

Hobsons Bay City

Maribyrnong City

Melbourne City

Monash City

Moonee Valley City

Moreland City

Port Phillip City

Stonnington City

Yarra City

If benchmarks are used, they should be viewed with healthy scepticism

FRAC211214 - Finance, Risk and Audit Committee - 14 December 2021

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Community Perception – Insights from 2018 National Survey by Markyt

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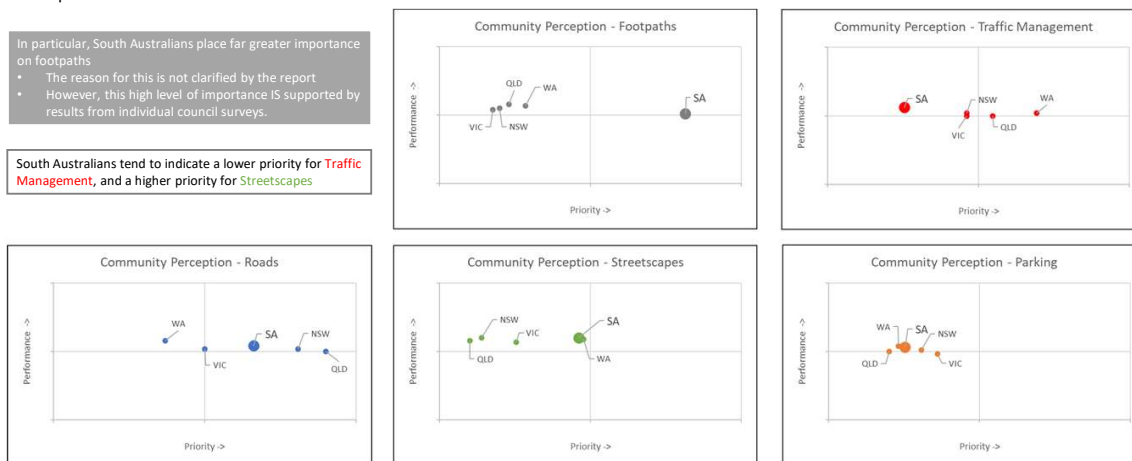
Source: Markyt Local Council National Benchmark Report 2018

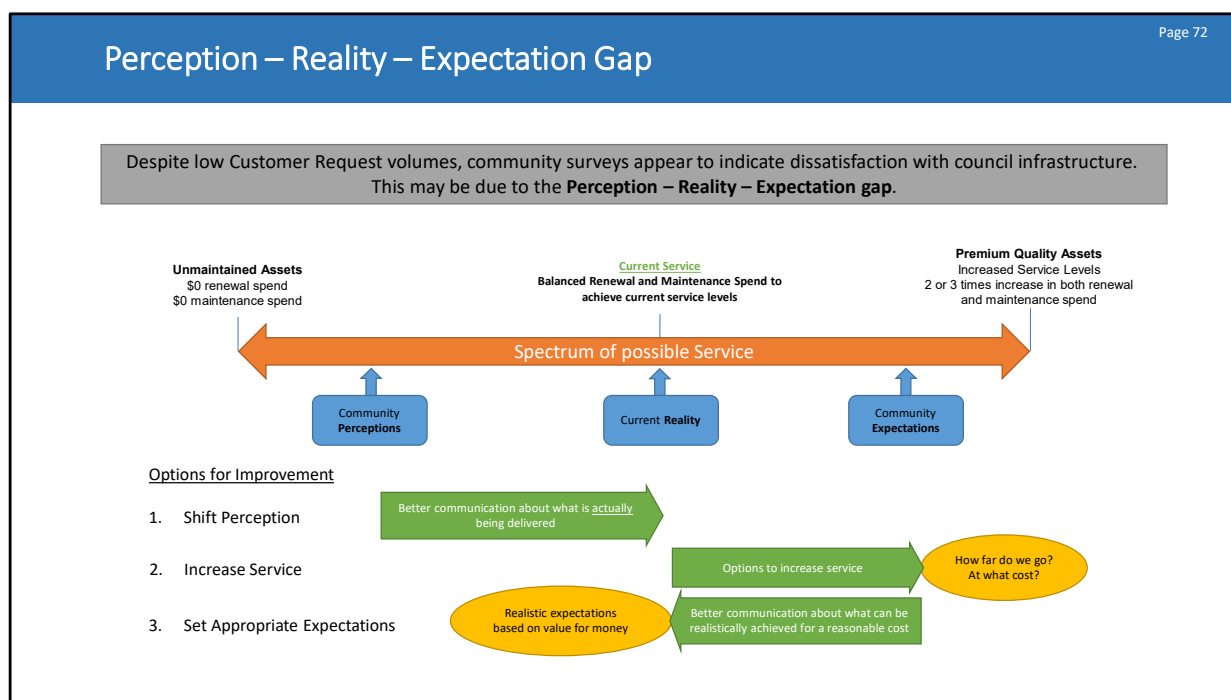
- A national survey collected responses from 2,000 residents about a range of council-delivered services; asking for perceptions of both “performance” and “priority to improve” (aka importance).
- 5 categories are relevant to the Civil Construction Review.
- Nationally, the perception of performance across all 5 categories is “fair”, however there are substantial differences in the community perception of importance.

In particular, South Australians place far greater importance on footpaths

- The reason for this is not clarified by the report
- However, this high level of importance is supported by results from individual council surveys.

South Australians tend to indicate a lower priority for **Traffic Management**, and a higher priority for **Streetscapes**





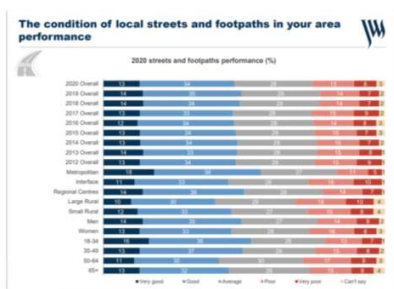
The Perception, Reality, Expectation gap is commonly seen in all services (and not just for local government either).

We strongly believe that this is a factor in the feedback received by Elected Members and is a critical concept to address in any improvements.

Community Perception

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- Roads and Footpaths have high importance and relatively low performance
- This is common across many council areas, including interstate



https://www.localgovernment.vic.gov.au/_data/assets/pdf_file/0031/468760/Local-Government-Community-Satisfaction-Survey-2020.pdf p74

Marion 2019 Community Survey, p10



Often, feedback relates to operational activities, rather than maintenance or construction issues

Footpaths! Reported public health data for the City of Marion highlights key lifestyle challenges increased sedentary lifestyles, and insufficient levels of physical activity and participation. Well, from my experience as a resident who likes to WALK everywhere as much as possible, walking the footpaths of Warracree Ward is a real challenge. I choose to approach on the footpaths that are the most scenic route to walk, through the gardens and the open grassland strip back. My husband and I have both received nasty facial scratches from this situation 2. The Council's policy on barking dogs: Please keep up with the changing times!! Houses are built closer together these days; back gardens are smaller; and dog-owning has increased exponentially. So far, however, dog-owners are still the minority yet if a non-dog-owner is constantly being annoyed by neighbouring dogs, the process involved in actually getting

	Footpaths, Tree Management, Dog Management
--	--

Community perception is important to consider, but it is not a reliable indicator of actual asset performance

Asset Sustainability Ratio / Asset Renewal Funding Ratio

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- As a high-level measure, these ratios appear to be useful within a council to understand whether agreed asset plans are being delivered.
- However, they do not indicate whether the **right** projects are being planned/delivered.
 - A single project can have a profound impact on the ASR/ARFR, for example:
 - These ratios DO NOT and CANNOT indicate whether "assets are being renewed and replaced in an optimal way".
- In order to understand optimal asset replacement, we must investigate each capital project and assess it against what is actually needed. This is the role of Asset Management Planning.
 - Asset Management Plans provide the basis of the ARFR, yet these plans (for good reasons) are often adjusted based on available budgets and strategic priorities, which differ between councils and from year-to-year. Asset Renewal Plans (and rationale for these plans) vary widely between councils and over time.
 - On the other hand, ASR is dependent on asset valuations – this approach varies considerably between councils and is highly sensitive to unit rate calculations and estimates of remaining asset life. Further, ASR does not consider whether the life of an asset can be extended beyond its 'depreciation life'.
 - The ASR and ARFR are simply measures of "did we achieve what we set out to do".
 - But even this has problems because often a combination of avoidable and unavoidable factors influence when a capital project is actually completed and this will have an impact on the ASR or ARFR.
- Because they cannot be viewed simplistically, both of these measures are unreliable as benchmarking measures.
 - Comparison of the ratios between councils is largely irrelevant.



This report has not included calculations of ARFR or ASR, and does not make any observations or comparisons between councils regarding these ratios

Civil Services Review:

Strategic Response and Tactical Implementation Plan

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Executive Summary:

City of Marion (CoM), along with the City of Charles Sturt and City of Port Adelaide Enfield commissioned a review of the respective Civil Services teams. The CSReview was undertaken by BeeSquared Consultants and received in October 2021.

The CSReview provides some useful insights into the relative performance of various CSBU related activity. CoM performed strongly in terms of minimal financial carryover, recycling and waste management as well as customer satisfaction.

Notwithstanding, the CSReview provides a case for change. It highlights the need for improvements relating to business processes and data collection necessary to demonstrate value. Limitations of available data meant in most cases CSReview findings and recommendations were based on assumptions rather than actual data.

This report articulates the intended approach to improve and optimise the CSBU beyond what was undertaken through the CSReview. It includes refined strategic objectives and a corresponding tactical implementation plan.

1. Purpose:

To improve and optimise provision of Civil Services Business Unit (CSBU) services with consideration to the Civil Services Review (CSReview) undertaken by BeeSquared Consultants.

2. Terms of Reference:

Terms of reference for this response include the Civil Service Review (CSReview) findings and recommendations as well as reconciliation against the original objective and scoping statement. Although the review was scoped and undertaken for all three Councils, commentary in this response relates specifically to City of Marion (CoM).

3. Background:

CoM, along with City of Charles Sturt and City of Port Adelaide Enfield, commissioned a review of the respective Civil Services teams.

The objective of the CSReview was to assess civil capital construction performance for three high priority services; roads, kerb and water table, and traffic management devices to identify opportunities to improve community outcomes from a cost, quality and service level perspective.

Although the focus of this review is CSBU within the wider Operations Department, CoM's organisational structure means that there are elements of the report that relate to the Engineering, Assets and Environmental team, for example defining service levels.

The CSReview was undertaken by BeeSquared consultants. The review was commenced in March 2021 and the final report was received in late October 2021.

Summary of CSReview findings and recommendations:

In general, the scope of the review was broad and delivered high level insight into areas requiring further, more detailed investigation. This report frames the approach to take the insights from the CSReview and incorporate them into a robust plan to understand and improve the provision of CSBU services.

General:

1. A case for change:

The CSReview report provides a case for change. It highlights the need for improvements relating to business processes and data collection necessary to demonstrate value. In post review discussions with the author, findings and recommendations relating to better performing areas such as Drainage and LAWAs were based on *assumed* productivity but could not be substantiated with *actual* data.

2. Unreliable data:

A fundamental thread found throughout the report was the lack of reliable data to substantiate work activity. Consequently, a range of assumptions rather than actual metrics relating to processes, resources, costs and productivities support CSReview findings and recommendations.

4. Strategic Response:*Introduction:*

There is considerable opportunity to optimise the performance of the CSBU to deliver improved value for ratepayers. The scope of the CSReview was relatively broad, so the review and subsequent recommendations outlined do not go into practical operational detail. Accordingly, the CSReview is a source of information to assist in understanding where some of those opportunities for improvement exist, although more detailed analysis is required to fully realise the improvement potential.

Strategic Objectives:

The following objectives frame the direction and measure the success of the Civil Service optimisation:

1. CSBU delivers a consistent, acceptable level of service for ratepayers
2. CSBU demonstrates value for money
3. CSBU consists of a motivated, digitally aware and high performing Civil Services team

In the context of the original review scope and subsequent findings, this report seeks to achieve the strategic objectives by framing the requisite analysis through a series of questions in terms of:

what, how and who.

Specifically, answers to these questions will achieve the objective:

1. “What” should the CSBU deliver? (levels of service)
2. “How” does the CSBU deliver value? (processes, tools and systems including digital)
3. “Who” is best placed to deliver? (organisational structure and resource considerations, internal and external, required to deliver value)

Where appropriate, key interdependencies with other internal business units or external companies will be incorporated.

Each section will detail and critically analyse the current state, explore improvement opportunities and incorporate them into an optimised future state.

“What” we deliver:

What we deliver is defined by a prescribed service level. That service level guides and determines the scope and scale of activity required to achieve a condition that is optimally functional and safe.

Further investigation is required to identify the prescribed service level by asset class or service provision that can be broken down into the following sub-categories:

1. Outdoor: Physical Works by Asset: Roads (pavement & surfacing), Kerb and Water Table, Footpaths, Stormwater Drainage, Traffic signs, and linemarking.
2. Outdoor: Physical Works that are routine, cyclic activities: rapid response, street sweeping, graffiti removal and sump cleaning.
3. Indoor: Management and administrative activity: Infrastructure Audit Unit and capital works project delivery.

To understand the effectiveness of CoM’s current investment, the following information is required for each sub-category:

1. The prescribed service level condition
2. Current condition data analysis relative to service level
3. Historic investment (i.e. that has resulted in the current level of service). This will include:
 - a. Capital improvement
 - b. Capital renewal
 - c. Planned maintenance
 - d. Reactive maintenance
 - e. Operational and emergency response activities
 - f. Management and Administrative activities

It is important to benchmark service levels against relevant industry standards and other Councils with similar asset / network characteristics and customer expectations.

Once the desired standard is set (what good looks like), a series of performance measures will be developed so we can continually track achievement to measure success and seek continual improvement. This element requires a detailed analysis of the data and information required to ensure performance measures are supported through adequate data capture and subsequent reporting.

Deliverables:

1. A defined level of service for each asset or service provision that balances customer expectation with allocated budget provision.
2. For non-physical works a clearly articulated purpose, accountabilities and specific deliverable expectations.
3. Outline of key interdependencies with tasks and accountabilities of other departments.
4. Indicative performance measures – how we’ll measure success for each asset or activity.

“How” we deliver:

“How” works are undertaken is directly correlated to cost (productivity), service level and quality. The opportunity exists to analyse current work methods and processes and seek opportunities to **improve and optimise**.

This analysis has yet to be undertaken, but initial assessment of current workflows suggest there are significant opportunities.

A lean six sigma approach will be applied for both outdoor and indoor related activities.

Outdoor related analysis will cover reactive maintenance, planned maintenance, routine cyclic activity, capital renewal and capital improvement processes for all key asset categories. This will include on site observation and confirmation of timing and productivity for each step within process workflows.

The process optimisation exercise will involve the critical analysis of process workflows and identification of factors affecting performance. Benchmarking against external contractors and other Councils will be undertaken to seek process improvements and reconcile productivity assumptions. This information will inform process optimisation where factors that positively affect performance will be enhanced, while those adversely affecting performance will be removed or reduced.

The optimised process flows will form the basis of performance measures that can be utilised to track performance and productivity as a measure of success while enabling continual improvement.

Deliverables:

1. Optimised process workflow for all processes associated with each asset class.
2. Indicative intervention and frequency required to achieve desired service level.
3. Indicative performance measures – how we’ll measure success for each process or activity

“Who” should deliver:

With service level confirmed (What) and optimal processes identified (How) the focus turns to “Who”. This analysis will have an internal and external focus. Internally, an assessment of the existing internal structure, accountabilities, capacity and capability. A gap analysis will be required to reconcile the CSBU business needs against the CSBU team ability or suitability to meet those needs. A further analysis, such as SWOT, will be undertaken to clearly articulate the CSBU’s position.

The external focus looks to consultants, contractors or other service providers who may be best placed to perform some tasks or activities for CSBU.

There are a range of factors that will need to be holistically considered when determining “who” is best placed to deliver. For example, a contractor may cost less for a particular activity, but the activity may have high reputational risk, demand high responsiveness (safety or customer expectation) or business continuity criticality that Council may not want to rely on external contractor provision.

Analysis will extend to each asset class or service provision (for operational activity) and will cover reactive maintenance, planned maintenance, capital renewals, and capital improvements. It is also necessary to identify and explore interdependent activities that directly affect CSBU, for example the design and procurement of capital works.

Performance measures will be developed to provide assurance that the CSBU structure is performing as intended. Internally that may include metrics confirming internal accountabilities are properly aligned with tasks, and team motivation metrics. For externally provided works and activities

metrics will seek to provide time, quality, cost and risk assurance, this will enable regular assessment of whether the balance of outsourced work is appropriate.

All performance measures will include provision for requisite data capture and reporting.

This analysis has yet to be undertaken, but initial assessment of current structure indicates significant opportunities for improvement.

Deliverables:

1. Optimised internal organisational structure
2. Breakdown of asset activities that are recommended to be performed externally.
3. Indicative performance measures – how we'll measure the success

5. Tactical Implementation Plan

The purpose of the Tactical Implementation Plan (TIP) is to outline how CoM will give effect to the strategic improvements identified through the CSReview and subsequent analysis.

A phased approach is necessary. In particular, the lack of reliable data limits the ability to understand where potential issues or opportunities exist across the full range of CSBU functions. Accordingly, the first phase requires the identification and capture of relevant data, to enable analysis and inform further decision making.

The TIP comprises two key sections:

1. TIP Delivery Programme:

Firstly, an outline and indicative timeframe of the phased approach to investigating, analysing, developing, optimising and implementing CSBU improvements.

The TIP Programme is framed within three key pillars: *What* we deliver, *How* we deliver and *Who* should deliver. Within each pillar it is essential to ensure complete and accurate data is available to support informed, evidence-based decision making.

2. Specific Response to CSReview Recommendations:

Secondly, detailed commentary and actions in direct response to specific CSReview recommendations. Please note that the CSReview recommendations will be incorporated into the TIP going forward, so for each CSReview action a reference is provided to the relevant step within the TIP Delivery Programme (eg. TIP G1).

Regular reflective review of implementation:

Reflective reviews will be undertaken at key stages during and post-implementation of the TIP. Further, the investigation will seek to develop a series of performance indicators for the CSBU organisational structure itself that can inform regular future assessments (i.e. annual).

TIP Delivery Programme (TIP):

Tactical Implementation Plan (TIP) Programme		2021/22			2022/23	
		Q2	Q3	Q4	Q1	Q2
	General:					
	Collaborate: Regular meetings with other Councils (especially CCS and PAE)					
G1						
G2	Procurement & Contract documentation clarity					
G3	Develop Communication Strategy relating to service level and delivery					
G4	Contractor / Industry Engagement					
G5	Develop a wide range of performance measures and indicators to measure success for important tasks, activities or functions (for 'what', 'how' & 'who')					
	What:					
W1	Define current level of service for each asset					
W2	Assess current condition against current LoS					
W3	Assess historic investment relative to current LoS					
W4	Research industry leading LoS for benchmarking					
W5	Develop robust service levels for works and activities.					
	How:					
H1	Develop systems to capture workflow & productivity data					
H2	Collect actual data and lessons learnt across asset classes and work activity and undertake gap analysis to inform Data & Process Improvement plan					
H3	Workflow mapping for all processes					
H4	Site confirmation of workflow mapping					
H5	Assessment of intervention frequency to achieve LoS					
H6	Benchmarking, productivity and comparative analysis					
H7	Develop Optimised Process workflows					
	Who:					
WH1	Assess each asset activity in terms of internal or external deliverability, pro's and con's					
WH2	Undertake capability gap analysis inc SWOT					
WH3	Develop workforce resource plan for self-performed work					
WH4	Develop optimal organisational structure					
WH5	Develop appropriate, right sized Contract Document suite for works to be undertaken by others (Capital, renewal and maintenance)					
	Implementation:					
I1	Change management for structural changes - ongoing					
I2	Reflective assessment - end of each quarter					

Specific Response to CSReview recommendations:

The CSReview report provided a range of specific recommendations broken down into the following categories: Financials, Team productivity, Condition Audits, CRMs & Community Satisfaction, Contractors, Project Management, Design, Collaboration, Contractor Relationship Management, Waste Management, Plant Utilisation, Standardisation, Benchmarks.

The recommendations within the CSReview will be incorporated into the Phased Tactical Implementation Plan.

The following table outlines all the CoM specific recommendations, actions, progress / timing and also the relevant step within:

Financials:

Recommendation	CoM Comment and Action(s)	Status, TIP Reference & Timing
See recommendation regarding Contractor Relationship Management		
See recommendation regarding improved Contract Specifications		
Continue to move toward "Design Year 1, Construct Year 2"	This approach is applied to a number of asset classes and is being applied to the development of the 2022/23 Annual Business Plan. This is particularly pertinent given the increasingly constrained market conditions and essential to provide a higher level of delivery assurance for all capital works. ACTION: Ensure this is built into relevant process workflows	Status: In progress TIP ref: H7 Timing: 21/22 Q4 Note: In the interim, this is being applied to Aligns with 2022/23 Annual Business Plan development approach

Team Productivity:

Recommendation	CoM Comment and Action(s)	Status, TIP Reference & Timing
Status, TIP Reference & Timing	Status, TIP Reference & Timing	Status, TIP Reference & Timing
Collaborate to improve productivity through implementing expectation setting (LAWAs)	Operations team is currently developing and implementing a robust workforce management system that will include provision to set work based on clear productivity expectations and enable transparency and accountability for delivery. The LAWAs are used as a proxy for a suitable workforce management system that would include productivity	Status: In progress TIP ref: H7 Timing: 21/22 Q4

	<p>expectations and performance indicators. The narrow but detailed focus of the LAWA enable perverse behaviours and outcomes.</p> <p>ACTION: Optimise physical work productivity and workflow management through process improvement.</p>	
<p>Review footpath team expectations: (a) increase minimum expectation based on observed performance and (b) collaborate with CS to identify opportunities for productivity improvement</p>	<p>a) The CoM footpath team are overly reactive, which has a detrimental effect on productivity and delivers inconsistent network level of service outcomes. The aforementioned workforce planning system will improve productivity, as well as enabling capture of data so productivity is known.</p> <p>b) From mid-October CoM Operations have been working closely with CoM Engineering to operationalise the network level footpath prioritised programme. This is now being implemented through a more robust workforce planning system. CoM Manager Operations has met with CS. Their approach aligns with the new planned prioritised approach described.</p> <p>ACTION 1: Optimise footpath asset management and associated works.</p> <p>ACTION 2: Continue regular collaborative meetings with other Councils.</p>	<p>Action 1: Status: In progress TIP ref: H7 Timing: 21/22 Q4</p> <p>Action 2: Status: In progress TIP ref: G1 Timing: ongoing regular meetings</p>
<p>Collaborate to share ideas about improved productivity of Drainage teams (Using LAWAs as the mechanism)</p>	<p>Initial meeting with CS has taken place. Regular meetings that will also include PAE have been arranged. Note that the CSReview findings relating to CoM's Drainage team and LAWA were based on assumed rather than actual productivity. Workforce planning system will improve the data quality to better understand productivity of Drainage crews.</p> <p>ACTION: Establish ongoing collaborative meetings with other Councils.</p>	<p>Status: In progress TIP ref: G1 Timing: ongoing regular meetings</p>

Condition Audits:

Recommendation	CoM Comment and Action(s)	Status, TIP Reference & Timing
Ensure new Road Seal condition audit data can be seamlessly linked to asset register data. Consider collaborating with CSS to develop robust contractor specification.	This is within scope of the Asset Information Management System (AIMS) system called Assetic that is being implemented as part of CoM's Digital Transformation. The tender specification for the road seal condition audit is being developed. CoM has liaised with CSS, PAE and Mitcham during the development of the specification.	Status: In progress TIP ref: H2 Timing: 21/22 Q3
Review of Annual Planning process for Road Seals once reliable condition assessments are done, and in future use audit data to monitor whether asset management planning is correctly addressing issues.	As part of the AMIS, a predictive deterioration model will be incorporated. Predictive models provide objective data driven analysis of future investment profile relative to a desired service level. The accuracy of any predictive model is relative to the <i>quality and frequency</i> of data inputs that enable trends and deterioration profiles to be established. In the case of road seals, pavement and surface condition data parameters. A full network condition audit is planned for early 2022, that will provide data to inform the above. As part of a robust AMIS there is continual assessment and feedback to reconcile the adequacy of data inputs and subsequent outputs against strategic asset management objectives. ACTION 1: Undertaken network condition audit for road pavement and surface conditions. ACTION 2: Implement AMIS system with a predictive model for road pavement and surfacing that is well supported with data.	Action 1: Status: In progress TIP ref: H2 Timing: 21/22 Q3 Note: Condition audit planned for early 2022 Action 2: Status: In progress TIP ref: N/A Timing: 22/23 Q4 Note: To be delivered through the DTP project as part of the AMIS system, Assetic

CRMs and Community Satisfaction:

Recommendation	CoM Comment and Action(s)	Status, TIP Reference & Timing
See recommendation re Benchmarking		
Consider improving the frequency and detail of community communications regarding Civil Assets (relating to both current condition, completed projects and upcoming projects).	<p>An integrated communications plan is being developed that will align to current and planned Civil Assets projects.</p> <p>More robust planning systems will improve ability to provide regular communications to the community around planned works, with confidence.</p> <p>With regard to current condition, any such communication needs to be in the context of the asset level of service, which is being developed under TIP item W5.</p> <p>ACTION 1: Develop robust work programming process.</p> <p>ACTION 2: Develop Integrated Communications Plan subsection for CSBU.</p>	<p>Action 1: Status: In progress TIP ref: H7 Timing: 21/22 Q4</p> <p>Action 2: Status: In progress TIP ref: N/A Timing: 22/23 Q2</p>
Ensure the during new system migration, Work Orders are separate from CRMs	<p>Work orders / tickets belong within an AMIS. CRM should and will be separate. An interim solution has been developed and implemented to bridge the gap between CRM and AMIS implementation through the DTP.</p> <p>ACTION: Ensure that work order system is separate from CRM.</p>	<p>Status: Complete TIP ref: N/A Timing: N/A</p> <p>Work order scope has explicitly been removed from the CRM system scope</p>

Contractors:

Recommendation	CoM Comment and Action(s)	Status, TIP Reference & Timing
Collaborate to improve quality and consistency of contract specifications	<p>Specifications are just part of a wider Contract Document suite. Further, there is a need to ensure alignment of all contract documents (Schedule, Conditions of Contract, Specification, Tender documents and Drawings) are all aligned with the desired project outcomes. Risk profile and accountability must also be well understood and articulated.</p>	<p>Status: In progress TIP ref: WH5 Timing: 22/23 Q1</p> <p>Note: Improved contract documents are to be developed for implementation in the 2022/23 capital programme</p>

	<p>As part of the joint procurement team, CoM is developing a suite of contract documents that align with industry standard and best practice.</p> <p>ACTION: Develop and implement an improved contract document suite.</p>	
<p>Prior to moving towards a consistent Bitumen rate card, carefully analyse potential financial gains using actual bitumen usage records from prior years</p>	<p>Rather than a consistent rate card, CoM will actively engage with suppliers to understand the detailed work up of rates, in particular the risk profile assumed. This may also include consideration of exceptional cost escalation assumptions. Rates often vary due to risk assumptions as well as more practical reasons such as timely provision of a full work programme that enables cost efficient delivery.</p> <p>ACTION: Engage with Downer to discuss rates including risk profile and assumptions that have cost implications.</p>	<p>Status: In progress TIP ref: H6 Timing: 22/23 Q3 Note: Discussion with Downer will commence in the new year, Q3, with a focus on the 22/23 programme</p>

Project Management:

Recommendation	CoM Comment and Action(s)	Status, TIP Reference & Timing
<p>Improve accuracy of measurement of work completed</p>	<p>There is a need to implement strong project management discipline into delivery. This has commenced with some improvements already implemented for the Diagonal / Sturt Streetscape project. Those improvements include regular provision for accurate measurement of completed works in accordance with best practice. Improvements are to be built into the CoM Project Management system, including a range of processes and supporting tools, templates and proforma.</p> <p>Note: Improvements specifically relating to capture of completed work have already been implemented on current streetscape project. Specifically, robust project management discipline for monthly</p>	<p>Status: Complete TIP ref: N/A Timing: 21/22 Q2</p> <p>Note: Improvements implemented will be incorporated into TIP H7</p>

	claim processes as well as a detailed progress claim schedule that accurately records work completed, against asset sub-class. ACTION: Implement processes to better capture completed works.	
Conduct and document Post Implementation Reviews (PIR) for projects and ensure lessons learned are implemented for future projects	Agree, this aligns with Project Management best practice and will form an integral part of CoM's updated Project Management system process. The PIR will be undertaken with key staff from Engineering and CSBU. ACTION: Undertake PIR for key 2021/22 projects.	Status: In progress TIP ref: H2 Timing: 22/23 Q3
Collaboratively share lessons learned from project PIRs	Agree, there are common issues facing all Councils project delivery, so opportunity to leverage and share the development of solutions. ACTION: Incorporate a lessons' learnt session into regular collaboration meetings with other Councils, after CoM PIR.	Status: In progress TIP ref: G1 Timing: 22/23 Q2

Design:

Recommendation	CoM Comment and Action(s)	Status, TIP Reference & Timing
Continue to separately manage Design team resources, but investigate opportunities to collaboratively share information	Agree, design teams should be separately managed between each Council. ACTION: include provision to share information during regular collaborative meetings.	Status: Complete TIP ref: G1 Timing: Ongoing
Monitor for small, short-term opportunities to share design resources across team, carefully considering potential downsides	Initial meeting already held with CCS. Next meeting arranged will also include PAE to identify opportunities to collaborate and potentially share resources across teams. ACTION: include provision to share design resource during regular collaborative meetings.	Status: Complete TIP ref: G1 Timing: ongoing

Collaboration:

Recommendation	CoM Comment and Action(s)	Status, TIP Reference & Timing
Re-establish the collaboration group across Civil Assets and Construction, initial meetings can focus on drainage team efficiencies and agenda items outlined	<p>Initial meeting already held with CCS. Next meeting arranged will also include PAE to identify opportunities to collaborate.</p> <p>CoM drainage team efficiencies were based on assumptions rather than actual performance, so this discussion will be held after TIP H3 has been completed.</p> <p>ACTION: hold regular collaboration meetings with other Councils.</p>	<p>Status: Complete TIP ref: G1 Timing: ongoing</p>
Consider establishing smaller sub-groups for focussed collaboration around maintenance (esp. linemarking), project management and design	<p>Agree, at the recent initial meeting a range of more focused areas were identified including asset management planning, tree management, footpaths and surfacing. Each warranted a separate focus meeting, and they're being arranged.</p> <p>ACTION: Arrange for specific focused collaboration meetings.</p>	<p>Status: Complete TIP ref: G1 Timing: ongoing</p>

Contractor Relationship Management:

Recommendation	CoM Comment and Action(s)	Status, TIP Reference & Timing
Implement robust Contractor Relationship Management (as distinct from Project Management), along with executive involvement	<p>Agree, better engagement with industry will enable transparency, improved financial outcomes and better understanding and management of potential risks across the full pipeline of works.</p> <p>Key suppliers to be identified and meetings arranged. Timing to be early next year when draft 2022/23 programme can be discussed.</p> <p>ACTION: Arrange series of meetings with key Contractor partners.</p>	<p>Status: In progress TIP ref: G4 Timing: 21/22 Q3</p>

Plant Utilisation:

Recommendation	CoM Comment and Action(s)	Status, TIP Reference & Timing
In future business cases for the sale of plant or equipment,	Plant utilisation and true cost of ownership is not calculated thoroughly.	<p>Status: In progress TIP ref: H7</p>

ensure that cost calculations only consider true ownership costs and also consider benefits of availability	<p>It is set to extend equipment life from a procurement phase, but costs council more in repairs over the extended time. Dedicated major projects should engage discussion with CCS and PAE Civil teams to see if a cost saving could be used for some plant hire.</p> <p>ACTION: Consider true cost of ownership in future fleet business cases.</p>	<p>Timing: 21/22 Q4 Note: to be incorporated into 22/23 ABP</p>
If establishing collaborative sharing of plant or equipment, ensure formalised understanding are in place, including what happens in circumstance where the “owner” council has a need for the plant or equipment	<p>The review on shared equipment has not been agreed to by parties who the joint Fleet Manager has spoken to since his commencement in April 2021. The opportunity may be there, but some equipment is used by councils at the same time of the year. WHS & SOP will be challenging. Insurance is for Wet Hire only at this stage, which would add to costs of projects.</p> <p>ACTION: Consider Fleet sharing at regular collaboration meetings.</p>	<p>Status: In progress TIP ref: G1 Timing: ongoing</p>

Standardisation:

Recommendation	CoM Comment and Action(s)	Status, TIP Reference & Timing
Collaborate to align definition of key terms used across Civil Construction	<p>The regular collaboration meetings provide an opportunity to go far beyond standardising definition, but into management and process optimisation.</p> <p>ACTION: Discuss key definitions at regular collaboration meetings.</p>	<p>Status: In progress TIP ref: G1 Timing: ongoing</p>

Benchmarks:

Recommendation	CoM Comment and Action(s)	Status, TIP Reference & Timing
Exercise extreme care if using benchmarks as an indicator of performance	<p>Note the importance of equitable comparison. However, benchmarking is a recognised mechanism to evaluating relative performance and is an essential element to demonstrating value. It will form an important part of this review process.</p> <p>ACTION: Ensure any benchmarking is equitable.</p>	<p>Status: In progress TIP ref: G1 Timing: ongoing</p>

Understand the limitations of ASR and ASFR and share this understanding with relevant committees	<p>Assumes capital expenditure for renewal is based on long term service levels. It is important that the service levels are not over or underservicing the asset. There is potential for unforeseen asset failure (that comes at a significant cost to rectify).</p> <p>This review will explore and improve assumptions through service level definition (TIP W5) frequency of intervention (TIP H5), Data and Process Improvements (TIP H2) and will develop more tightly focused performance measures (TIP G5) that may supplement or supplant those being currently used.</p> <p>ASFR forms part of the AM Strategy and will be reported to FRAC in December 2021 at an organisational level.</p> <p>ACTION 1: Develop performance measures.</p> <p>ACTION 2: Include discussion on metrics at the Asset and Sustainability Committee (Asset / Transport theme) (currently scheduled for June).</p>	<p>Action 1: Status: In progress TIP ref: G5 Timing: 22/23 Q2</p> <p>Action 2: Status: In progress TIP ref: N/A Timing: 22/23 Q4</p>
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6.6 Corporate Risk Review Report Q1 2021/22

Report Reference	FRAC211214R6.6
Originating Officer	Unit Manager Risk – Sherie Walczak
Corporate Manager	Manager Office of the CEO - Kate McKenzie
General Manager	Chief Executive Officer - Tony Harrison

REPORT HISTORY

The Corporate Risk Review is undertaken quarterly by the Senior Leadership Team as outlined in the Risk Management Policy and the outcomes of which are reported to the Council, via the Finance, Risk and Audit Committee (FRAC).

Report Reference	Report Title
FRAC211214R0	Corporate Risk Quarterly Report

REPORT OBJECTIVE

The purpose of this report is to provide the FRAC with the outcomes of Quarter 1 (July to September) 2021 Corporate Risk Review.

EXECUTIVE SUMMARY

The quarterly Corporate Risk Review was undertaken by management. Focused reviews occurred in City Activation, Development and Regulatory Services, Customer Experience, People and Culture plus City Property (in relation to the LKCC, the services of which are now being delivered through a management agreement). Scrutiny was placed on current controls, recognition of completed actions and updating actions and alignment of action due dates.

Completed actions were listed as controls where applicable and the likelihood/consequence ratings were re-evaluated which resulted in the current risk rating decreasing from medium to low for 1 risk and 2 medium risks being removed or combined.

The review undertaken for Quarter 1 saw the total number of risks decrease by two to 102. The current risk ratings are: 6 high, 67 medium and 29 low.

High Risk Plans-on-a-Page have also been reviewed for all 6 current High risks to provide greater detail and context. These are included in Attachment 1.

Due to the timing of the FRAC meetings, this report was presented and noted by the Council at its meeting on the 23rd November 2021.

RECOMMENDATION

That the Finance, Risk and Audit Committee:

1. Notes the report.

OUTCOMES OF THE QUARTERLY RISK REVIEW PROCESS

The quarter 1 2021/22 review of the Corporate Risk Register resulted in a total of 102 risks identified. The current risk ratings are: 6 high, 67 medium and 29 low outlined in **Table 1** which also illustrates the movement in our risk exposure over the previous 12 months.

Table 1: Corporate Risk Register Quarterly Review – Comparative Outcomes

Period:	Qtr 1: Jul to Sep 2019			Qtr 2: Oct to Dec 2019			Qtr 3: Jan to Mar 2019			Qtr 3: Apr to Jun 2020			
Corporate Risk	I	C	F	I	C	F	I	C	F	I	C	F	Overall Impact
Extreme	26	0	0	27	0	0	28	0	0	28	0	0	↔
High	65	6	0	65	6	0	65	6	0	63	6	0	↔
Medium	13	73	58	13	71	59	11	70	62	11	67	60	↓
Low	0	25	46	0	28	46	0	28	42	0	29	42	↑
Total	104	104	104	105	105	105	104	104	104	102	102	102	-3 +1
Current High Risk %	6%			6%			6%			6%			

*Key: I = Inherent, C = Current, F = Forecast *Overall movement of current Risk Rating

This report provides further details on the outcomes of the quarterly review including.

- Changes to the risks reported in the Corporate Risk Register
- Ongoing and emerging risks / opportunities (currently not identified on the register)

CHANGES TO THE RISKS REPORTED IN THE CORPORATE RISK REGISTER

During the supported reviews, scrutiny was placed on current controls, updating actions and action due dates. This has resulted in some likelihood and consequence ratings being re-evaluated affecting current risk ratings for 1 risk, from Medium to Low, outlined in **Table 2** and two risks being removed from the register, outlined in **Table 3**.

Re-rated Risks

The risks associated with the LKCC were reviewed due the operations of the LKCC being contracted to Southern Cultural Immersion (SCI). As a result, LKCC02 was incorporated with LKCC03 resulting in LKCC02 having a new risk description and LKCC03 being removed. The likelihood was re-rated from Possible to Unlikely and the consequence was re-rated from Moderate to Minor which resulted in a change to the current risk rating from MEDIUM to LOW.

The view was that the risk associated with the agreement in place with Southern Cultural Immersion for the provision of economic development opportunities for indigenous Australians and indigenous education & environmental learning to non-indigenous persons at the LKCC was low due to their connection with the local indigenous community and the understanding of their specific needs.

Table2: Risks Re-Rated During Reporting Period

Risk Ref	Work area	Risk Description	Inherent Rating	Current Rating	Forecast Rating	Comment
LKCC02	City Property	Inability to achieve outcomes of the management agreement to provide economic development opportunities for indigenous Australians and indigenous education & environmental learning to non-indigenous persons	High	Low	Low	Risk description rewritten to include LKCC03 and re-evaluated. Current risk rating changed from Possible/Moderate - MEDIUM to unlikely/minor – LOW due to management agreement to deliver indigenous services by SCI

Risks removed from Register

The processes defined in DSE05 '*failure to follow due process during the enforcement/ emergency action procedure resulting in a public safety/referral to Development Services*', are part of the broader processes outlined in DSE01 '*failure by Development Approval and/or Building Inspection processes and procedures to detect structural or public safety issues or other non-compliance and to apply enforcement/emergency actions*' and doesn't warrant a discrete risk. DES05 was combined into and DSE01 and DSE05 was removed.

As a result of the review outlined above in Re-rated Risks, LKCC03 was removed.

Table 3: Risk Removed from register

Risk Ref	Work area	Risk Description	Inherent Rating	Current Rating	Forecast Rating	Comment
DSE 05	Development & Regulatory Services	Failure to follow due process during the enforcement/ emergency action procedure resulting in a public safety/referral to Development Services	High	Medium	Medium	Removed as this forms part of the process defined in DSE01 and these risks have now been combined.
LKC03	Economic & Cultural Development	Inability to develop the LKCC to maximise its revenue potential & provide economic development opportunities for indigenous Australians	High	Medium	Medium	Removed as this has been combined with LKC02 due to both objectives being incorporated into the SCI management agreement

ONGOING & EMERGING RISK / OPPORTUNITY ISSUES

Organisational innovation and growth cannot occur without presenting new exposure to risk; therefore, some degree of risk is not only healthy for organisations but is essential. To ensure early, quick and clear escalation of items of strategic or high operational risks to key decision makers, potential risks and opportunities are identified in the quarterly environmental scan undertaken using the PESTLER model (P = Political, E = Economic, S = Social, T = Technological, L = Legal, E = Environmental, R = Relationships). The latest scan suggests areas for continued observation are:

Ongoing Risk & Opportunity Issues:

- **North-South Corridor land acquisitions:** The commencement of the Torrens to Darlington upgrade, is the final piece of the North-South Corridor that will complete 78km of continuous traffic-light free connectivity between Gawler and Old Noarlunga. Just under 400 properties in total will be acquired for the project. The first round of compulsory land acquisitions in July 2021 resulted in 50 properties within CoM boundaries. This quarter there has been a secondary announcement of approximately 40 properties being acquired within City of Marion boundaries. Key risks and opportunities for the CoM include:
 - **Financial:** DIT announced that impacted properties will need to vacate by November 2022. The CoM has not yet received any formal notification from the State Government on the exact details of rateable properties that are to be acquired for the project however, the earmarked zone publicly announced by DIT may have an impact to revenue in the second half of 2021-22. The greatest financial impact will be in the 2022/23 year as these properties equate to \$541k in rates revenue however, there is also a reduced cost associated with the reduction in properties to service. Council's LTFP forecasts growth in the order of 1% annually, this forecast will be impacted by this large reduction in rateable properties reducing our current growth forecast in 2022/23 by 0.4%.
 - **Reputation:** The North-South Corridor continues to present itself as an opportunity to enhance the 'City of Marion' brand attributes through strengthened communications, engagement and support with/and to our community on key issues and to consider what supporting role (if any) it will take as more residents and businesses are impacted over

the course of the project. There has been confusion over the actual start dates of construction and dates of acquisition of homes communicated to those affected. There is opportunity to support the CoM residents around these issues.

- **Local employment:** The impact to the local economy and jobs will be felt should affected businesses choose not to relocate. Large businesses not relocating within the CoM, including the Tonsley Hotel who employ 55 people, could result in jobs being lost.
- **Human Pandemic:** The ongoing effects of COVID-19 continues to cause uncertainty. Issues arising are being monitored with appropriate responses implemented as required.
 - The rollout of COVID vaccinations and the potential for our workers to require mandatory vaccinations dependent on the changing emergency directions and other obligations. Interstate there are industries that are mandated for workers and visitors to be vaccinated. Currently, there are two areas of the organisation that this has had an affect:
 - CoM is funded through a Federal Government contract to provide in-home care services to the elderly. CoM is required to regularly provide desensitised reports on vaccination numbers of all staff, volunteers and workers from brokered agencies who provide services under this contract if they are willing to share this information (as their requirement to inform us remains voluntary).
 - CoM lease a facility to an organisation that provides housing for young people with a mild intellectual disability who want to be independent. The Management Committee of this facility have recently advised of their decision that anyone entering the facility will need to provide evidence that they are vaccinated.
 - The opening of State borders may pose risks relating to the possible transmission of COVID in South Australia however, this could provide many opportunities for the CoM, our residents and businesses due to the return of families, tourists and business travellers.
- **Planning Reforms:** Changes associated with the Planning, Development and Infrastructure Act 2016 have now been implemented (from March 2021), impacts to internal processes and resources are continued to be monitored. State Government has advised that data provided from Plan SA system in this initial phase requires further enhancement, meaning reporting cannot be confirmed as accurate at present.
- **Digital transformation:** Generally, the highest inherent risks in Digital Transformation Programs are integrations across systems and the risk of cost overrun with our major vendors. With regards to integration risk, we have assembled key internal stakeholders and received external expert advice and are working with incumbent vendors to integrate our systems with Salesforce and Microsoft Azure at the centre of our integrations (as proven to work well in other councils). With regards to cost overrun, we have one major supplier on a mix of fixed price outcome delivery. For the other major suppliers, we have a firm budget estimation tied to RFP responses and milestone delivery which we monitor closely at the monthly level for time, materials, and output.

Emerging Risks & Opportunity Issues:

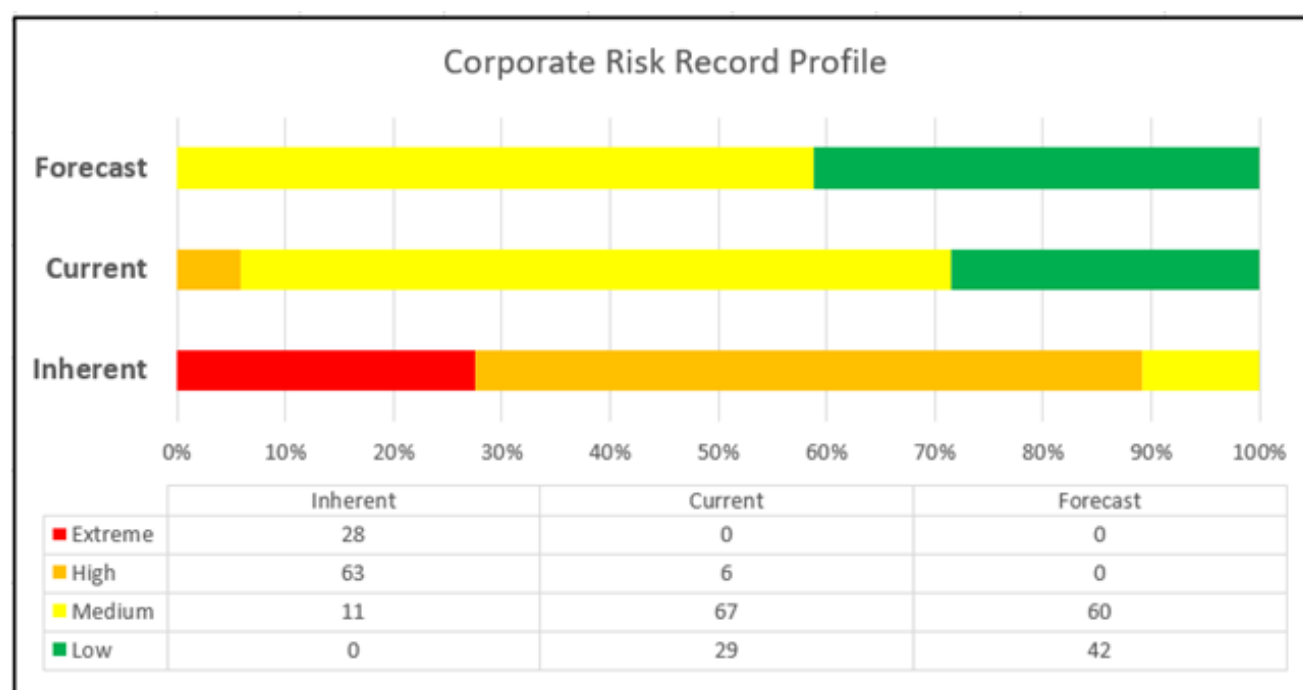
- **State Government Funding reforms:** Changes to State Government funding models may impact our services, however this may also provide an opportunity for CoM to engage and partner with other organisations to continue to provide services to the community. Memorandums of Understanding remain for Neighbourhood Centres, Libraries and Positive Aging and Inclusion services. This is collectively worth over \$2m per annum. Funding remains committed until October 2022 for Neighbourhood Centres, June 2023 for Positive Aging and Inclusion services and libraries is unknown.
- **Elections:** There are upcoming State Government elections in March 2022, Federal Government elections in May 2022 and Local Government elections in November 2022. There are possibilities for marginal seats which could present an opportunity to lobby candidates for their support on significant projects. A list of key projects has been identified and distributed to candidates through the Mayor.
- **Social Media:** Social media affords Councils an instant channel to engage with local community and the ability to reach demographic sectors who are out of the traditional touch points. Despite these opportunities, it is not without risks. The High Court recently ruled a publisher can be held responsible for defamatory comments readers leave on its Facebook page, this decision may

mean anyone who runs a social media page can theoretically be sued over disparaging comments posted by readers or random group members.

MANAGEMENT OF HIGH RISKS

There are currently six risks currently assessed as outside the CoM's adopted risk appetite, as outlined in **Table 4**. Although the Risk Appetite outlined in the Risk Management Framework outlines varying tolerance levels for specific risk criteria, the reporting structure requires that risks with a current risk rating of extreme or high are to be reported to the ELT and subsequently, to Council via the Finance and Audit Committee.

Table 4: Corporate Risk Register Quarterly Review – Current Ratings



An excerpt of the Corporate Risk Register, outlining the six high-rated risks is provided in **Table 5**, which shows the movement in the current risk rating from last reporting period. Further detail on the mitigating actions identified by the risk owners, targeted to reduce the risk to within tolerance levels is outlined in the High Risk Plans-on-a-Page.

Table 5: Risks Currently Rated as High (or above)

Risk Ref	Risk Description	Inherent Risk Rating	Current Risk Rating	Qtr Mvmnt
CDO 01	Poor data quality and information governance not supporting informed decision making	Extreme	High	↔
DTP0 1	Decentralised, unsupported, and unintegrated ICT systems to support current and future needs	High	High	↔
ESU 03	Failure to understand, plan and act to respond to the projected impacts of climate change.	Extreme	High	↔
FIN0 6	Ineffective & inefficient organisational project and portfolio management/ monitoring to deliver strategic objectives and outcomes	High	High	↔
GOV 10	Inability to prevent, prepare, respond to, and promote resilience in the community in the event of an emergency i.e., pandemic (human disease), earthquake, flood, extreme heat, bushfire, and terrorism	Extreme	High	↔
LPR0 2	Injury or harm/damage arising out of a failure of CoM contractors to comply with contract conditions and CoM HSE requirements	High	High	↔

High Risk Plans-on-a-Page

To provide greater detail and context for High rated risks, a High Risk Plan-on-a-Page was developed in collaboration with the each of the risk owners for review, validation and monitoring by ELT each quarter. These are presented for discussion in **Attachment 1, Table 1 to 6**.

CONCLUSION

The quarterly risk review process, culminating in an updated Corporate Risk Register and High Risk Plans-on-a-page, provides assurance to Council, the organisation and its stakeholders of an integrated approach to the identification, management and ongoing monitoring of risk and opportunities.

ATTACHMENTS

1. GC211123 Attachment 1 Corporate Risk Quarterly Review Q1 2021 22 Report [**6.6.1** - 6 pages]

Table 1: High Risk Plan-on-a-Page




RISK ID	CDO01			
DATE LAST REVIEWED	30/09/2021			
ELT	Corporate Services			
SLT	Business Intelligence Lead	INHERENT	CURRENT	TARGET
Risk Description				
Poor data quality and information governance not supporting informed decision making				
Risk Statement				
There is a risk that poor quality of data within systems doesn't allow for informed decisions				
Link to Strategic Plan	Council of Excellence			
Link to Business Plan	Digital Transformation Program			
Context/Background and Environmental considerations				
CoM currently uses legacy business applications which are not integrated with each other. Without proper integration double keying of data takes place which can result in data loss or integrity issues. Due to the limited functions of the business systems, the business has needed to make manual workarounds, this can lead to data entry errors, this can contribute to long processes for information gathering and decision making.				
Stakeholders		Consultation		
All data users within the business		Digital Transformation Program		
Risk source - Causes/Drivers				
<ul style="list-style-type: none">- Inadequate strategic awareness/oversight of corporate data processes- Lack of standardised Data Quality Assurance processes- Obsolete Data Governance Framework- No resource/capacity to review/embed the Data Governance Framework- Poor data capture due to inadequate processes & systems- Lack of IT training for staff (no IT Trainer role)- Lack of mobility tools for outdoor staff to capture data- Ineffective use of end user reporting and query tools- Lack of single source of truth for Corporate data				
Potential Consequences				
<ul style="list-style-type: none">- Non compliance with related regulations/ legislation- Unsupported decision making- Inability to deliver identified business outcomes- Inability to address business issues- Inability to provide innovation and improve efficiencies- Lack of data integrity- Failure to measure data value- Increased errors due to inefficient work processes				
Implemented Controls			Endorsed Date	Review Date
1	DTP ELT Meetings (ICT steering committee)		Aug-21	Dec-23
2	Core application systems user groups with ICT business unit account & manager roles		Jan-21	Dec-21
3	Vendor management reviews of software enhancements/faults		Jan-21	Dec-21
4	Software owner roles & responsibilities documented (org wide vs departmental)		ongoing	Dec-21
5	Business intelligence/data analytics reporting toolset (MS PowerBI)		Dec-19	Mar-22
Planned Treatment			Status	Due Date
1	Implementation of ICT Service Review recommendations		On schedule	30/11/2021
2	Implementation of ICT Internal Audit recommendations		On schedule	31/12/2021
3	Digital Transformation Project (move to Cloud)		On schedule	30/12/2022
4	DTP - COM9 data analytics		On schedule	30/06/2022
5	Seek endorsement of Data Governance and Mgmt framework		Behind schedule	30/07/2021
6	Implement and oversee the Data Governance Framework		On schedule	30/06/2022
				Responsible Officer
				GM Corp Serv
				Snr DTP IT Mgr
				Snr DTP IT Mgr
				Snr DTP IT Mgr
				CDO
				UM ICT
				UM ICT
				Snr DTP IT Mgr
				BIL
				BIL

Table 2: High Risk Plan-on-a-Page




RISK ID	DTP01			
DATE LAST REVIEWED	30/09/2021			
ELT	Corporate Services			
SLT	Manager IT Operations • Information Services			
Risk Description				
Decentralised, unsupported and unintegrated ICT systems to support current and future needs.				
Risk Statement				
There is a risk that having decentralised IT systems that are not fit for purpose through the lack of strategic planning for IT will cause unstable systems or failures, inefficiencies, and not allow progression of key business developments resulting in poor customer experience, frustrated staff.				
Link to Strategic Plan	Engaged			
Link to Business Plan	Digital Transformation Program			
Context/Background and Environmental considerations				
Old systems and old technologies used, these have caused inefficient work arounds for the systems. The planning and endorsement of the Digital Transformation Project has taken time to scope and present for endorsement from Council. Budget endorsement from Council was needed. The restructure of the organisation has moved the ownership of addressing these risks to the DTP				
Stakeholders		Consultation		
All data users within the business		ELT, SLT & work areas via meetings		
Risk source - Causes/Drivers				
<ul style="list-style-type: none">- Ineffective implementation of the DT program- IT platform and operating systems no longer pertinent, potentially unfit for Business over the long term- Lack of strategic planning & investment in Business systems as Information Management assets- Lack of timely engagement with IT- Business units implement their own technology solutions- Lack of common IT architecture- Shortage of IT resources				
Potential Consequences				
<ul style="list-style-type: none">- Inefficient corporate software systems- Ineffective use of IT staff resources- Inability to support & progress key business developments- Lack of flexibility, capacity &/or capability for future options- Poor customer experience- Frustrated staff - low morale- Increase turnover of staff- Business inefficiency- System instability &/or failures				
Implemented Controls		Endorsed Date	Review	Responsible Officer
1	DTP ELT Meetings (ICT steering committee)	Aug-20	Dec-23	GM Corp Serv
2	DTP Communications Plan	Nov-20	Nov-21	Mgr Cust Ex
3	DTP Change Management Plan	Jul-20	Jul-21	Mgr Cust Ex
4	Digital Literacy training plan	Jan-21	Dec-21	Snr DTP IT Mgr
5	DTP team of qualified & experienced personnel inc dedicated BA and PM resources (service review undertaken)	Feb-21	Feb-22	GM Corp Serv
6	DTP performance reporting to ELT & FAC	Aug-20	Dec-23	Snr DTP IT Mgr
7	Cross Council collaboration (peer review of initiatives)	Jun-20	Jun-22	Snr DTP IT Mgr
Planned Treatment		Status	Due Date	Responsible Officer
1	1. Digital Transformation Project	On schedule	30/06/2023	GM Corp Serv
2	1a. CRM system replacement	On schedule	31/01/2022	Mgr Cus Exp
3	1b. Finance system replacement	On schedule	1/07/2022	Mgr Fin
4	1c. Asset Mgt new system	On schedule	1/05/2022	Mgr Fin
5	1d. HR/Payroll system replacement	On schedule	31/01/2022	Mgr P&C

Table 3: High Risk Plan-on-a-Page




RISK ID	ESU03			
DATE LAST REVIEWED	30/09/2021			
ELT	City Services			
SLT	Engineering Assets and Environment	INHERENT	CURRENT	TARGET
Risk Description				
Failure to understand, plan and act to respond to the projected impacts of climate change.				
Risk Statement				
There is a risk that extreme weather events, coastal inundation and protracted and enduring changes in weather patterns caused by climate change/global warming will result in an increase in operating costs due to asset damage and accelerated deterioration, damage to Council natural and built environments and an increasing disconnect between Councils capacity to deliver facilities and services and the community's expectations				
Link to Strategic Plan	Valuing Nature			
Link to Business Plan	Series of supporting processes and guidelines (i.e ESD guidelines for new building and refurbishments) guide project/initiatives such as the development of the Asset Management Plans			
Context/Background and Environmental considerations				
Climate change is already affecting aspects of CoM operations including how we undertake business and activities and how we design, build and refurbish facilities and infrastructure. It is recognised that unless we ensure we have a sound understanding of the projections and impacts of climate change and incorporate this knowledge into the design and management of infrastructure and the mode of delivery of services we risk exposing the community to increased operating costs and a decrease in the utility of infrastructure and service.				
Stakeholders		Consultation		
Community, Elected Members, State and Federal Governments, Risk Unit/ Governance, City Activation, City Development, SME's and Local Business, Resilient South, Regional Climate Partnership, Consultants		Consultation through the Climate Risk Governance assessment (internal survey/SLT Interview/ focus/group interview). Common Thread engagement initiative, Local Member, Resilient South Regional Climate Partnership collaboration, Community of Practice (through RCP)		
Risk source - Causes/Drivers				
<ul style="list-style-type: none">- Lack of climate change awareness / understanding- Lack of recognition for climate risk mapping in urban planning (PDI Act) and decision making (climate hazard mapping)- Failure to include Climate Change consideration in business activities/operations (inc events, asset management planning & CapX projects)- Inadequate stakeholder engagement- Poor inter-departmental collaboration and communication- increasing carbon emissions- Planning application approvals in unsuitable areas				
Potential Consequences				
<ul style="list-style-type: none">- Catastrophic damage to assets and infrastructure during extreme weather (e.g. flooding and fire)- Increased cost of remedial works- Increased cost of mitigation works- Dissatisfied community- Damage to coastal zone from storm surge- Reduced rates revenue as property values go down- Increased difficulty in obtaining insurance cover/increased premiums- Increased difficulty in obtaining loans if financial institutions require evidence of responses to climate change impacts- Adverse impact of vulnerable people during extreme weather events (e.g. heat wave)- Increased operating costs- Reduction in asset lifecycle				
Implemented Controls		Endorsed Date	Review Date	Responsible Officer
1	Resilient South Regional Climate Change Adaptation Plan	2019	2022	UM ES
2	Resilient South Local Government Regional Implementation Plan	2019	2022	UM ES
3	Coastal Climate Change Adaptation Plan including baseline monitoring to detect early changes to risk.	2019	2023	UM ES
4	Program and schedule of External Education via events, networking, workshops etc.	2020	annual	UM ES
5	Environmental induction including climate change content	Bi-monthly	ongoing	UM ES
6	Energy Efficiency and Renewable Energy Plan	2018	2022	UM ES
7	Insurance; Asset & Public Liability	1/07/2021	30/06/2022	UM ES
8	Carbon Neutral Plan	2021	2030	UM ES
Planned Treatment		Status	Due Date	Responsible Officer
1	Update Review of climate change projections/observations & use of pathways approaches in adaptation planning as part of the Resilient South Regional Implementation Plan review.	On schedule	30/12/2021	UM ES
2	Develop & implement RAMP program	On schedule	30/06/2025	UM ES
3	Deliver the Coastal Climate Change Monitoring Program	On schedule	30/06/2024	UM ES
4	Undertake a skills/capability audit & document training gaps in the TNA	On schedule	30/06/2022	UM ES

Table 4: High Risk Plan-on-a-Page




RISK ID	FIN06			
DATE LAST REVIEWED	30/09/2021			
ELT	Corporate Services			
SLT	Finance	INHERENT	CURRENT	TARGET
Risk Description				
Ineffective & inefficient organisational project and portfolio management/monitoring to deliver strategic objectives and outcomes				
Risk Statement				
There is a risk that work areas across the organisation are managing projects and project risk through differing methodology and that projects are not easily able to be monitored by the Executive Leadership Team.				
Link to Strategic Plan	Council of Excellence			
Link to Business Plan	Digital Transformation Program			
Context/Background and Environmental considerations				
The Project Management Office was introduced a number of years ago with a Project Leader and a Project Support Officer. The team developed a Project Management Policy and Framework and implemented CAMMS project management software however, the implementation and uptake of these documents and software solution was inconsistent. The resourcing recently changed during the DTP restructure and there is uncertainty regarding the ownership of this risk.				
Stakeholders		Consultation		
All data users within the business		Digital Transformation program		
Risk source - Causes/Drivers				
<ul style="list-style-type: none">- inefficient set-up & utilisation CAMMS system- lack of PMO resources- inadequate assessment of organisational PM needs- omission of key considerations in project outline eg: risk/WHS/finance/reporting/contracts				
Potential Consequences				
<ul style="list-style-type: none">- Failure to achieve strategic objectives- Poor business/project planning-. Inability to effectively delivery of projects- Inappropriate use of resources- Inadequate staff levels for projects- Community dissatisfaction- Reputation damage				
Implemented Controls		Endorsed Date	Review Date	Responsible Officer
1	Prudential Management Policy	Dec-21	Dec-25	Mgr Fin
2	Project Management Framework	Aug-19	Jan-20	Snr PM FT
3	CAMMS project management software (contract)	Mar-21	Mar-22	Snr PM FT
4	Project Steering Group	Jan-18	monthly	Snr PM FT
5	Monthly financial reporting	ongoing	ongoing	Mgr Fin
6	Project Management Office	May-21	Nov-21	Snr PM FT
7				
8				
9				
10				
Planned Treatment		Status	Due Date	Responsible Officer
1	Implement KPMG Internal Audit Report outcomes - Project Carryovers - report to be presented to FAC (actions and due dates included in report)	On schedule	31/12/2021	Mgr Corp Gov
2	Targeted approach to CAMMS training for those that require it	Complete	30/09/2021	Snr PM FT

Table 5: High Risk Plan-on-a-Page







RISK ID	GOV10			
DATE LAST REVIEWED	30/09/2021			
ELT	City Services			
SLT	Office of the CEO	INHERENT	CURRENT	TARGET
Risk Description				
Inability to prevent, prepare, respond to and promote resilience in the community in the event of an emergency ie pandemic (human disease), earthquake, flood, extreme heat, bushfire and terrorism				
Risk Statement				
There is a risk that the organisation has not acted reasonably in the prevention, preparation, response and promotion of resilience to the community w hich could adversely affect the liveability of our residents.				
Link to Strategic Plan				
Liveable				
Link to Business Plan				
Risk Strategic Plan				
Context/Background and Environmental considerations				
Emergencies are becoming more prevalent in recent time w ith incidents occurring blackouts, bush fires, pandemics etc...				
Stakeholders		Consultation		
Community, Elected Members, State and Federal Governments, Risk Unit/ Governance, SMEs and Local Business, Resilient South		Risk team members, LG Council Ready specialist project officers, various SLT emergency risk ow ners, RWG		
Risk source - Causes/Drivers				
<ul style="list-style-type: none">- Failure of Business Continuity Planning- Failure of Community Emergency Planning- Failure of Recovery Planning- Risk assessment doesn't identify appropriate controls- Inadequate training of the IMT and workforce- Failure to undertake scenario exercises and review s				
Potential Consequences				
<ul style="list-style-type: none">- Death or critical injury to Worker(s) and/or Visitor(s)- Disruption to CoMs service delivery- Disgruntled local community- CoM exposure to liability- Officers' exposure to criminal litigation- Reputation damaged through adverse media cover- Asset Damage				
Implemented Controls		Endorsed Date	Review Date	Responsible Officer
1	Business Continuity Policy	Sep-19	Sep-23	UM Risk
2	Business Continuity Procedure	Sep-19	Sep-23	UM Risk
3	Business Continuity Plan (inc testing and training)	May-18	May-22	UM Risk
4	Business Impact Analysis; Critical Functions identification and Recovery Strategies	Feb-20	Feb-22	UM Risk
5	Community Emergency Management Plan	Jul-18	Jul-22	UM Risk
6	Recovery Management Plan	Jun-20	Jun-24	UM Risk
7	Risk Assessment on State Hazards	Nov-20	Nov-25	UM Risk
8	IT Service Recovery Plan (inc testing)	Feb-19	Feb-20	IT Gov & CS Lead
9	Asset Management Plans x 8	Jan-20	Jan-30	UM Asset Systems
10	ZEMC membership - TOR/Workplan	Jan-21	Jan-22	UM Risk
Planned Treatment		Status	Due Date	Responsible Officer
1	Implementation of IMT response to COVID19 for CoM and the community	On schedule	ongoing	UM Risk
2	Review and redevelopment of Recovery Strategies	On schedule	31/12/2021	UM Risk
3	Review IT Service Recovery Plan (inc testing)	On schedule	30/09/2021	IT Gov & CS Lead

Table 6: High Risk Plan-on-a-Page

RISK ID	LPR02			
DATE LAST REVIEWED	15/04/2021			
ELT	City Development			
SLT	City Property			
		INHERENT	CURRENT	TARGET
Risk Description				
Injury or harm/damage arising out of a failure of CoM contractors to comply with contract conditions and CoM HSE requirements				
Risk Statement				
There is a risk of non performance of contractors engaged by City of Marion to undertake high risk Land & Property related activities as a consequence of a failure to effectively apply a rigorous, commercial and proactive contractor induction and management process which may result in a failure to deliver services within the intended scope, budget and timeframe and to the required standard of safety and legislative compliance leading to additional operational costs, the potential for injury or harm, litigation and reputational and community relationship degradation				
Link to Strategic Plan	Council of Excellence			
Link to Business Plan	Develop the City Property Strategic Asset Management Plan to meet community, sport and recreation needs			
Context/Background and Environmental considerations				
CoM Contractor Management processes are manual, with no clear process or system having been implemented into the City Property team through a trained and supported approach.				
Stakeholders		Consultation		
Safe/Work SA, Community (facility users), Staff (facility users), Elected Members, Risk Unit, City Activation, Operational Support		Consultation through City Property team meetings and regular engagement with the Risk Team		
Risk source - Causes/Drivers				
<ul style="list-style-type: none">- Ineffective procurement processes that evaluate Contractors' WHS practices/performance- Inconsistent / Ineffective WHS induction of contractors- Ineffective monitoring and evaluation of Contractors' WHS practices/performance- Failure to undertake site inspection and hazard identification prior to commencement of work.				
Potential Consequences				
<ul style="list-style-type: none">- Serious injury to Workers, Contractors or member of Public- Disruption to works impacting CoM & team- Disruption to works impacting local community- CoM exposure to liability- Officers' exposure to criminal litigation- Reputation damaged through adverse media coverage- Net increase in operating costs				
Implemented Controls		Endorsed Date	Review Date	Responsible Officer
1	Contract Management Procedure	Sep-17	Oct-19	Mgr St Procuremnt
2	Procurement Procedure	Sep-17	Oct-19	Mgr St Procuremnt
3	Tender Evaluation Procedure	Sep-17	Oct-19	Mgr St Procuremnt
4	Contract Management Checklist	tba	tba	Mgr St Procuremnt
5	CoM Contractor Induction (inc Contractor acknowledgement, undertaking & receipt of CoM HSE contractor induction handbook)	Nov-18	Nov-20	Mgr St Procuremnt
6	Contractor Site Induction (inc handover of CoM risk assessment plus contractor generated site hazard and risk assessment before commencement)	Oct-19	Oct-23	Mgr St Procuremnt
7	Contractor Insurance - recording and monitoring process	tba	tba	Mgr St Procuremnt
8	CoM Insurance	1/07/2021	30/06/2022	UM Risk
Planned Treatment		Status	Due Date	Responsible Officer
1	City Property staff to attend Contractor Management training on revised Policy/Procedures (including updates through KPMG Audit recommendations)	Complete	1/08/2021	Mgr City Property
2	Engage HSE Business Partner to review contractor management undertaken by CP	Complete	30/08/2021	Mgr City Property
3	Implement revised Contractor Management Procedure into team processes	On schedule	30/09/2021	Mgr City Property
4	Implement Contract Performance Evaluation process	On schedule	30/09/2021	Mgr City Property
5	Implement Contractor Induction/Observation/Monitoring process (inc record keeping)	On schedule	30/09/2021	Mgr City Property

6.7 Annual Ombudsman Report 20/21

Report Reference	FRAC211214R6.7
Originating Officer	Manager Office of the Chief Executive – Kate McKenzie
Corporate Manager	N/A
General Manager	Chief Executive Officer - Tony Harrison

REPORT HISTORY

Report Reference	Report Title
FAC201208R09	Annual Ombudsman Report 2019/20

REPORT OBJECTIVE

To provide information on complaints received by the Ombudsman SA regarding the City of Marion during the 2020/21 financial year.

EXECUTIVE SUMMARY

Each year, after the Ombudsman SA has released their Annual Report, a report is formulated to the Finance, Risk and Audit Committee that reports on all complaints made about the City of Marion to the Ombudsman's office in that financial year. The Ombudsman's Annual Report recorded 25 complaints relating to the City of Marion for 2020/21. This is a reduction on the 2019/20 complaint numbers of 41.

In addition to complaints to the Ombudsman's office, two (2) requests were received direct to the City of Marion to conduct an internal review of a decision in accordance with the City of Marion Complaints and Grievance Policy. These are referred to and known as 'Section 270 Reviews' as the right is provided via this clause of the Local Government Act 1999.

RECOMMENDATION

That the Finance, Risk and Audit Committee:

- 1. Notes the report.**

DISCUSSION

In 2020/21 the Ombudsman's office received 892 complaints regarding local government and closed out a total of 851 complaints. Of these complaints, 25 related to the City of Marion. In the previous financial year (2019/20), 41 complaints were received about the City of Marion. The Ombudsman has previously provided a 6 monthly report to the council which outlined how the complaints had been managed. They have now ceased this level of reporting and Council only receives the information within the annual report. However, no matters relating to the City of Marion progressed to a full investigation under section 25 of the Ombudsman Act.

The table below provides an extract from the Ombudsman's Annual Report that provides the full statistics of complaints from all Councils across South Australia. This data is useful to benchmark and the City of Marion continues to track at a low percentage of complaints per population (2.8 complaints per 10,000 population).

Complaints received and completed

Council	Received	%	Completed	%	Population 30 June 2020	Received / 10,000 pop	Completed / 10,000 pop
Adelaide Hills Council	20	2.24%	21	2.47%	40,162	5.0	5.2
Adelaide Plains Council	15	1.68%	12	1.41%	9,441	15.9	12.7
Alexandrina Council	43	4.82%	39	4.58%	27,876	15.4	14.0
Barunga West Council	8	0.90%	8	0.94%	2,550	31.4	31.4
Berri Barmera Council	9	1.01%	7	0.82%	10,836	8.3	6.5
Campbelltown City Council	26	2.91%	23	2.70%	53,082	4.9	4.3
City of Adelaide	41	4.60%	41	4.82%	26,177	15.7	15.7
City of Burnside	10	1.12%	12	1.41%	46,127	2.2	2.6
City of Charles Sturt	49	5.49%	45	5.29%	120,733	4.1	3.7
City of Holdfast Bay	16	1.79%	17	2.00%	37,784	4.2	4.5
City of Marion	25	2.80%	24	2.82%	94,879	2.6	2.5
City of Mitcham	20	2.24%	19	2.23%	67,907	2.9	2.8
City of Mount Gambier	15	1.68%	13	1.53%	27,433	5.5	4.7
City of Norwood, Payneham & St Peters	28	3.14%	23	2.70%	37,462	7.5	6.1
City of Onkaparinga	65	7.29%	63	7.40%	174,575	3.7	3.6
City of Playford	23	2.58%	27	3.17%	96,547	2.4	2.8
City of Port Adelaide Enfield	42	4.71%	37	4.35%	129,530	3.2	2.9
City of Port Lincoln	6	0.67%	5	0.59%	14,750	4.1	3.4
City of Prospect	8	0.90%	9	1.06%	21,827	3.7	4.1
City of Salisbury	32	3.59%	31	3.64%	144,872	2.2	2.1
City of Tea Tree Gully	50	5.61%	47	5.52%	100,862	5.0	4.7
City of Unley	14	1.57%	14	1.65%	39,416	3.6	3.6
City of Victor Harbor	13	1.46%	12	1.41%	15,724	8.3	7.6
City of West Torrens	25	2.80%	25	2.94%	61,735	4.0	4.0
Clare and Gilbert Valleys Council	9	1.01%	9	1.06%	9,470	9.5	9.5
Coorong District Council	6	0.67%	3	0.35%	5,415	11.1	5.5
Copper Coast Council	9	1.01%	10	1.18%	15,128	5.9	6.6
Corporation of the City of Whyalla	7	0.78%	8	0.94%	21,506	3.3	3.7
Corporation of the Town of Walkerville	1	0.11%	1	0.12%	8,094	1.2	1.2
District Council of Ceduna	1	0.11%	1	0.12%	3,423	2.9	2.9
District Council of Cleve	4	0.45%	5	0.59%	1,780	22.5	28.1
District Council of Coober Pedy	5	0.56%	5	0.59%	1,820	27.5	27.5
District Council of Elliston	5	0.56%	5	0.59%	1,011	49.5	49.5
District Council of Franklin Harbour	2	0.22%	1	0.12%	1,304	15.3	7.7
District Council of Grant	11	1.23%	9	1.06%	8,619	12.8	10.4
District Council of Karoonda East Murray	3	0.34%	3	0.35%	1,101	27.2	27.2

Council	Received	%	Completed	%	Population 30 June 2020	Received / 10,000 pop	Completed / 10,000 pop
District Council of Lower Eyre Peninsula	4	0.45%	4	0.47%	5,814	6.9	6.9
District Council of Loxton Waikerie	9	1.01%	9	1.06%	11,737	7.7	7.7
District Council of Mount Remarkable	7	0.78%	6	0.71%	2,913	24.0	20.6
District Council of Peterborough	7	0.78%	7	0.82%	1,668	42.0	42.0
District Council of Renmark Paringa	6	0.67%	6	0.71%	9,926	6.0	6.0
District Council of Robe	10	1.12%	10	1.18%	1,472	67.9	67.9
District Council of Streaky Bay	4	0.45%	3	0.35%	2,204	18.1	13.6
District Council of Tumby Bay	10	1.12%	7	0.82%	2,733	36.6	25.6
District Council of Yankalilla	18	2.02%	18	2.12%	5,679	31.7	31.7
Kangaroo Island Council	14	1.57%	13	1.53%	5,021	27.9	25.9
Light Regional Council	11	1.23%	10	1.18%	15,501	7.1	6.5
Mid Murray Council	5	0.56%	5	0.59%	9,143	5.5	5.5
Mount Barker District Council	16	1.79%	17	2.00%	37,744	4.2	4.5
Naracoorte Lucindale Council	4	0.45%	4	0.47%	8,574	4.7	4.7
Northern Areas Council	2	0.22%	3	0.35%	4,625	4.3	6.5
Port Augusta City Council	8	0.90%	8	0.94%	13,697	5.8	5.8
Port Pirie Regional Council	8	0.90%	8	0.94%	17,576	4.6	4.6
Regional Council of Goyder	5	0.56%	6	0.71%	4,170	12.0	14.4
Rural City of Murray Bridge	11	1.23%	12	1.41%	22,847	4.8	5.3
Southern Mallee District Council	5	0.56%	2	0.24%	2,089	23.9	9.6
Tatiara District Council	1	0.11%	0	0.00%	6,827	1.5	0.0
The Barossa Council	13	1.46%	14	1.65%	25,245	5.1	5.5
The Flinders Ranges Council	3	0.34%	3	0.35%	1,688	17.8	17.8
Town of Gawler	18	2.02%	15	1.76%	24,718	7.3	6.1
Wakefield Regional Council	4	0.45%	4	0.47%	6,773	5.9	5.9
Wattle Range Council	11	1.23%	11	1.29%	12,060	9.1	9.1
Yorke Peninsula Council	12	1.35%	12	1.41%	11,331	10.6	10.6
Total	892	100.00%	851	100.00%	1,754,733	5.1	4.8

S270 Reports (internal reviews of a council)

In addition to complaints to the Ombudsman's office above, two (2) requests were received direct to the City of Marion to conduct an internal review decision in accordance with the Council's Complaints and Grievance Policy.

These complaints related to:

- Christmas Lights (December 2020)
- Driveway Link, Edwardstown (not concluded in this financial year).

From these reviews, some improvement opportunities were noted however, both reviews determined that Council decision making was lawful and no administrative errors were noted.

ATTACHMENTS

Nil

6.8 Work Program and Meeting Schedule for 2022

Report Reference	FRAC211214R6.8
Originating Officer	Unit Manager Governance and Council Support – Victoria Moritz
Corporate Manager	Manager Office of the Chief Executive - Kate McKenzie
General Manager	Chief Executive Officer - Tony Harrison

REPORT OBJECTIVE

To set an annual work program for 2022 for the Finance, Risk and Audit Committee (FRAC) to ensure the Committee addresses the scope of activities identified in the Committee's Terms of Reference. This provides the opportunity to review the program and ensures that the workload of the Committee is planned, managed and resourced. It allows the Committee to relay the dates and times of the meetings to the community and provides for upcoming business to be dealt with in a timely manner.

EXECUTIVE SUMMARY

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

The proposed dates in this report are based on the 2021 Committee Meeting schedule and can be amended. Consideration could also be given to the holding of the meeting outside of normal business hours, however care should be taken to avoid City of Marion General Council Meetings and Elected Member Forums held on Tuesday nights. It is also noted that the Council Assessment Panel meets on Wednesday nights as determined.

A work program and meeting schedule for 2022 satisfying the requirements set out in the Terms of Reference has been compiled in **Attachment 1** for the Committee's consideration. The items included on the program are indicative only as items may be added, changed or moved during the year depending on areas of identified risk. As can be seen, the program addresses areas of responsibility as defined with the Committee's Terms of Reference, as well as providing opportunity for the improvement of the Committee's operations.

RECOMMENDATION

That the Finance, Risk and Audit Committee:

1. **Notes the proposed work program for 2022 identified at Attachment 1 to the report.**
2. **Adopts the following schedule of meetings for 2022:**
 - **Tuesday 22 February 2022 (2-5pm)**
 - **Tuesday 17 May 2022 (2-5pm)**
 - **Tuesday 16 August 2022 (4-6pm and followed by a joint workshop with Council from 6.30pm onwards)**
 - **Tuesday 11 October 2022 (2-5pm)**
 - **Tuesday 13 December (2-5pm)**

ATTACHMENTS

1. FRAC SCHEDULE OF MEETINGS 2022 [6.8.1 - 3 pages]

SCHEDULE OF MEETINGS 2022

Day	Date	Time	Venue
Tuesday	22 February 2022	2 pm – 5pm	Administration Centre
Tuesday	17 May 2022	2 pm – 5pm	Administration Centre
Tuesday	16 August 2022	4.00 – 6.00 pm Followed by 6.30 – 8.30 pm (Joint workshop with Council)	Administration Centre
Tuesday	11 October 2022	2 pm – 5pm	Administration Centre
Tuesday	13 December 2022	2 pm – 5pm	Administration Centre

INDICATIVE AUDIT COMMITTEE WORK PROGRAM – 2022**TUESDAY, 22 February 2022**

Topic	Action
Elected Member Report	Communication Report
Cove Sports and Community Club – Section 48 Report (February Meeting TBC)	Review and Feedback
Draft Annual Business Plan and Budget 2022-23 and Draft Long Term Financial Plan - Update	Review and Feedback
Internal Audit Program – Scopes, Reviews, Plans	Review and Feedback
Internal Audit Program – Implementation of Recommendations	Noting
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback
Quarterly Risk Report	Review and Feedback
Budget Review 2 – 2021-22	Review and Feedback
External Audit Contract Review	Recommendation to Council
Cybersecurity – Quarterly Update	Noting
Digital Transformation Project – Quarterly Status Update	Noting

TUESDAY, 17 May 2022

Topic	Action
Elected Member Report	Communication Report
Draft Annual Business Plan and Budget 2022-23 (after public consultation) & Draft Long Term Financial Plan	Review and Feedback
Internal Audit Program – Scopes, Reviews, Plans	Review and Feedback
Internal Audit Program – Implementation of Recommendations	Noting
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback
Annual Report on Business Continuity	Review and Feedback
Quarterly Risk Reporting	Review and Feedback
Internal Audit Plan for 2022-23 & 2023 724	Review and Feedback
External Audit Engagement Letter for the year ending June 2022	Review and Feedback
Budget Review 3 – 2021-22	Review and Feedback
Cybersecurity – Quarterly Update	Noting
Digital Transformation Project – Quarterly Status Update	Noting

TUESDAY, 16 August 2022 (Joint Workshop with Council)

Topic	Action
Elected Member Report	Communication Report
Australian Service Excellence Standards – Audit Outcome (Aug 21 - provide a report back to the Committee in August 2022 with an update on the implementation of actions)	Review and Feedback
Meeting with Internal auditors in camera	Seeking feedback from Auditors
Annual Review of HSE Program	Review and Feedback
Annual Insurance and Claims	Review and Feedback
Asset Valuations	Review and Feedback
Internal Audit Program – Scopes, Reviews, Plans	Review and Feedback
Internal Audit Program – Implementation of Recommendations	Noting
FRAC Annual Report to Council	For discussion prior to October
Quarterly Risk Reporting	Review and Feedback
Insurance & Claims Annual report	Review and Feedback
Service Review Program – Scopes, Reviews and Monitoring	Review and Feedback
Asset management maturity assessment results summary	External consultants to present a summary of the results of asset management maturity assessment (electronically via zoom)

Joint Workshop with Council (6.30pm onwards)	TBA
Cybersecurity – Quarterly Update	Noting
Digital Transformation Project – Quarterly Status Update	Noting

TUESDAY, 11 October 2022

Topic	Action
Elected Member Report	Communication Report
FRAC Annual Report to Council 2021-22	Review and Recommendation to Council
Independence of Council's Auditor for the year end 30 June 2022	Review and Recommendation to Council
Audited Annual Financial Statements for the year end 30 June 2022	Review and Recommendation to Council
Investment Performance 2021-22	Noting
Debtors Report	Noting
Meeting with external auditors in camera	Seeking feedback from Auditors
Internal Audit Program – Scopes, Reviews, Plans	Review and Feedback
Internal Audit Program – Implementation of Recommendations	Noting
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback
Fraud and Corruption Annual Review	Review and Feedback
Annual Corporate Risk Profile & Strategic Risk Register	Review and Feedback

Tuesday, 13 December 2022

Topic	Action
Elected Member Report	Communication Report
Internal Audit Program – Scopes, Reviews, Plans	Review and Feedback
Internal Audit Program – Implementation of Recommendations	Noting
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback
Work Program and Meeting Schedule 2023	Review and Feedback
First Budget Review 2022-23	Review and Feedback
Framework and Key Assumptions for preparation of 2023/24 ABP and LTFP	Review and Feedback
Quarterly Risk Reporting	Review and Feedback
Cybersecurity – Quarterly Update	Noting
Digital Transformation Project – Quarterly Status Update	Noting

7 Reports for Noting

7.1 Update on Asset Management Strategy KPI measures

Report Reference	FRAC211214R7.1
Originating Officer	Unit Manager Asset Solutions – Brendon Lyons
Corporate Manager	Manager Engineering, Assets and Environment - Mathew Allen
General Manager	General Manager City Services - Tony Lines

REPORT OBJECTIVE

To update the Finance, Risk and Audit Committee (FRAC) on the organisation's progress against key performance indicators included in the Asset Management Strategy. The Asset Management Strategy was endorsed by Council at its meeting of 8 October 2019 (GC191008R09).

EXECUTIVE SUMMARY

Sitting under the 30-year Community Vision, the 2019 – 2028 Asset Management Strategy is a key planning document within Council's Asset Management Framework. The Asset Management Strategy sets a clear direction to meet the evolving service delivery needs of the local community.

Two years into its life, the Asset Management Strategy monitors the performance of the organisation against 9 key performance indicators (KPIs 1-10 with KPI 6 removed at the recommendation of the Asset Steering Committee). The KPIs are measured against each of the 8 Asset Management Plans and at an organisation level when appropriate. As of 30 June 2021, progress against the KPI's reflects 42 items as On Track and 13 items as Monitor. 24 items are unable to be measured at this time and are dependent upon the Asset Management Information System implementation, expanded Community Satisfaction Survey questions and alignment with the Corporate Metrics and Dashboard project.

Performance will continue to be monitored and reported to the FRAC annually.

RECOMMENDATION

That the Finance, Risk and Audit Committee:

- 1. Notes the report and continues to support the measurement and reporting of progress against the Asset Management Strategy KPIs.**

DISCUSSION

The Asset Management Strategy is aligned to Council's Strategic Management Framework, driven by the priorities of Council's Strategic Plan and is complementary to Council's Long-Term Financial Plan. Feedback from the Finance and Audit Committee (FAC190820R07) was incorporated into the draft Asset Management Strategy endorsed by Council at its meeting of 8 October 2019 (GC191008R09).

The Asset Management Strategy is a key planning document that specifies how the organisation's strategic objectives are addressed by its asset management objectives. Ten key performance indicators (KPIs) were developed to enable Council to track and monitor the Strategy's delivery. KPI performance is measured against each Asset Management Plan and for the organisation as a whole.

Target thresholds were determined by the Asset Steering Committee (an internal committee

comprising senior and executive level management), measured against each asset class and organisationally.

The attached status report highlights indicators where targets were met, narrowly missed, missed or are unable to be measured due to a lack of data, process or systems.

Developing, monitoring and performance reporting on asset management metrics and KPIs to Executive Leadership, Council Committees, General Council and the community is a key focus of the City of Marion's Asset Management transformation. Increased confidence levels in KPI data quality, consistency and availability are dependent upon:

- Integration and implementation of the Asset Management Information System and Finance Information System.
- The inclusion of questions in the bi-annual Community Satisfaction Survey for a wider range of asset classes across all Asset Management Plans.
- Alignment with the current corporate metrics and dashboards project.

Actions to address KPI's are being actively worked on. Good governance and ongoing monitoring of compliance occurs through the Asset Steering Committee. The Asset Solutions Team is actively working with the business to improve results and facilitate the achievement of each KPI.

ATTACHMENTS

1. Asset Management Strategy KP Is - 2020-21 Performance Data and Targets [7.1.1 - 3 pages]

ASSET MANAGEMENT STRATEGY 2019-2028 KPIs - Status at 30/6/21

	#	Community facing KPI / What it measures	Target	Artworks, Culture & Heritage	Buildings & Structures	Coastal Walkway	Fleet, Plant & Equipment	Open Space	Transport	Stormwater	Water Treatment & Resources	Organisation
MAXIMISE COMMUNITY VALUE	KPI 1	Asset Condition rating - How good is the service? Helps us understand the age and remaining life of existing assets	90% Assets in Very Good to Fair Condition On Track - 90% to 100% Monitor - 70% to 89.9% Off Track - 0% to 69.9%	97% Public Art Assets in Very Good to Fair Condition Data Confidence: Medium	93% Assets in Very Good to Fair Condition Data Confidence: High	80% Assets in Very Good to Fair Condition Data Confidence: Medium	N/A - Asset Management based on utilisation. No mechanism to easily calculate, would be age based.	90% Assets in Very Good to Fair Condition Data Confidence: Medium	85% Bridge Assets in Very Good to Fair Condition Data Confidence: Medium 91% Road Assets in Very Good to Fair Condition Data Confidence: Low	100% Assets in Very Good to Fair Condition Data Confidence: Medium	93% Assets in Very Good to Fair Condition - Data Confidence: Medium	N/A - Cannot calculate across entire asset portfolio until Asset Management Information System implemented
	KPI 2	Asset Function rating - Are we providing the right service? Helps us understand future needs in response to changing circumstances	100% Assets in Very Good to Fair Function (aspirational) On Track - 100% Monitor - 70% to 99.9% Off Track - 0% to 69.9%	N/A - Assets are designed for current demand, incorporating Public Art in Open Spaces, Community Facilities, Sports and Recreation facilities and other public infrastructure servicing the City as outlined in the Public Art Guidelines.	95% Assets in Very Good to Fair Function Data Confidence: High	80% Assets in Very Good to Fair Function Data Confidence: Medium	N/A - Asset Management based on utilisation. No mechanism to easily calculate, would be service level based.	90% Assets in Very Good to Fair Function Data Confidence: Medium	100% Bridge Assets in Very Good to Fair Function Data Confidence: Medium 100% Road Assets in Very Good to Fair Function Data Confidence: Low	100% Assets in Very Good to Fair Function Data Confidence: Medium	93% Assets in Very Good to Fair Function Data Confidence: Medium	N/A - Cannot calculate across entire asset portfolio until Asset Management Information System implemented
	KPI 3	Asset Capacity rating - Is the service under or over used? Helps us understand future needs due to demand and growth	90% Assets in Very Good to Fair Capacity – reporting whether under or over utilised On Track - 90% to 100% Monitor - 70% to 89.9% Off Track - 0% to 69.9%		83% Assets in Very Good to Fair Capacity Data Confidence: Low	80% Assets in Very Good to Fair Capacity Data Confidence: Medium	94% Assets in Very Good to Fair Capacity Data Confidence: High	100% Assets in Very Good to Fair Capacity Data Confidence: Medium	100% Bridge Assets in Very Good to Fair Capacity Data Confidence: Medium 100% Road Assets in Very Good to Fair Capacity Data Confidence: Low	100% Assets in Very Good to Fair Capacity Data Confidence: Medium	90% Assets in Very Good to Fair Capacity Data Confidence: Medium	N/A - Cannot calculate across entire asset portfolio until Asset Management Information System implemented
KEY:					On Track		Monitor		Off Track		Data not available	

	#	Community facing KPI / What it measures	Target	Artworks, Culture & Heritage	Buildings & Structures	Coastal Walkway	Fleet, Plant & Equipment	Open Space	Transport	Stormwater	Water Treatment & Resources	Organisation
DELIVER AGREED LEVELS OF SERVICE	KPI 4	City of Marion's annual Community Satisfaction survey - How satisfied are our customers? Helps us understand how we meet customer needs and expectations	Core Target: Greater than or equal to 75% rated as satisfied or above Stretch Target: Greater than or equal to 85% rated as satisfied or above On Track - 75% to 100% Monitor - 50% to 74.9% Off Track - 0% to 49.9%	No questions included in 2019 or 2021 Community Satisfaction Survey	Libraries 78% Data Confidence: Medium	No questions included in 2019 or 2021 Community Satisfaction Survey	No questions included in 2019 or 2021 Community Satisfaction Survey	Number of Playgrounds 81% Data Confidence: Medium	Roads 72% Data Confidence: Medium	Stormwater Harvesting, Treatment and Reuse Network 79% Data Confidence: Medium	Stormwater Harvesting, Treatment and Reuse Network 79% Data Confidence: Medium	Overall satisfaction rating of 79% Data Confidence: Medium
					Neighbourhood Centres 88% Data Confidence: Medium			Irrigation of Reserves 76% Data Confidence: Medium	Footpaths and Kerbs 71% Data Confidence: Medium			
					Outdoor Pool 87% Data Confidence: Medium			Lighting in Reserves 75% Data Confidence: Medium	Street Signs 86% Data Confidence: Medium			
					Sporting and Recreation Facilities 82% Data Confidence: Medium				Street Furniture (e.g. bins and benches) 76% Data Confidence: Medium			
									Lighting in Streets 86% Data Confidence: Medium			
	KPI 5	% Assets achieving technical levels of service - How good is our service performance? Helps us deliver against Australian Standards and community needs	Methodology and business rules to be established once AMIS implemented	Current levels of service and target areas for improvement have been documented through clear and defined asset management business processes for each asset class assigned to each Asset Management Plan. Awaiting scoping of corporate metrics and dashboards project and AMIS implementation before reviewing resourcing to review alignment and level of detail required for performance monitoring during 2021/22								
	KPI 6	% Assets achieving community levels of service - How well do we deliver what the community wants?		Asset Steering Committee endorsed removal of this KPI at ASC20210810. It duplicates KPIs 1, 2, 3 in an aggregated form that provides insufficient detail to be useful.								
KEY:					On Track		Monitor		Off Track			Data not available

	#	Community facing KPI / What it measures	Target	Artworks, Culture & Heritage	Buildings & Structures	Coastal Walkway	Fleet, Plant & Equipment	Open Space	Transport	Stormwater	Water Treatment & Resources	Organisation
INFORMED DECISION MAKING	KPI 7	HEADLINE KPI - Asset Funding Renewal Ratio - Are we delivering optimal and cost-effective asset replacement? Helps us plan and budget effectively for the long term	Core Target: Between 90% and 110% Stretch Target: 100% On Track - 90% to 110% Monitor - 80% to 89.9%, or 110.1% to 120% Off Track - less than 80% or greater than 120%	Development of Asset Renewal Funding Ratios (ARFR) for each individual Asset Management Plan to occur as ability to obtain relevant granularity of financial data improves. Training needs identified for implementation of Finance information System and Asset Management Information System. Methodology and business rules determined to calculate ARFR ongoing including definition of new/renewal/maintenance cost allocation across the asset management lifecycle, inclusion / exclusion of carryovers and grouped asset programs such as Streetscapes. Calculated annually after EOY closeout and carryovers finalised. Validated via annual audit.								86% Data Confidence: Medium
	KPI 8	% Asset Management Plan (AMP) projections included within the Long Term Financial Plan (LTFP) - Are our Asset Management Plans driving our long term budget forecasts? Helps us budget effectively for the long term	100% - Methodology and business rules to be established once Finance System and AMIS implemented On Track - 100% Monitor - 90% to 99.9% Off Track - 0% to 89.9%	100% projections included Data Confidence: Medium	100% projections included Data Confidence: Low - Further detail required for future years, driven by COMPAS review	100% projections included Unfunded grant potential identified for later years. Data Confidence: Medium	100% projections included Data Confidence: Medium	100% projections included Data Confidence: Medium	100% projections included Data Confidence: Medium	100% projections included Data Confidence: Medium	100% projections included Data Confidence: Low - Further detail required for future years	Year one of this approach. Reconciliation undertaken between AMPs and LTFP. All AMP projections included in LTFP, however improvements identified in developing detailed AMP projections Further asset accountancy and budget owner training scheduled to refine asset lifecycle funding categorisation, improving data confidence.
OPTIMALLY MANAGED	KPI 9	HEADLINE KPI - Is our asset management decision making effective and informed? Helps us to continually improve our financial planning, asset management and service delivery activities	To achieve 'core' asset maturity in the remaining two categories of Data and Systems and Evaluation by 30 June 2022, consolidating core maturity across all competencies as business as usual at the City of Marion. Ongoing future improvements towards advanced asset maturity will be prioritised against return on investment.	N/A - Calculated at organisational level	N/A - Calculated at organisational level	N/A - Calculated at organisational level	N/A - Calculated at organisational level	N/A - Calculated at organisational level	N/A - Calculated at organisational level	N/A - Calculated at organisational level	N/A - Calculated at organisational level	Achieved the core maturity requirements in nine of the 11 core competencies Progress against projects which address the two outstanding core competencies areas will be monitored quarterly by Assets Steering Committee.
	KPI 10	Level of confidence in asset data within Asset Management Plans - How current and accurate is our asset data? Ensures our data is based on sound records, procedures, investigations, assessment methods and analysis	Level B - Reliable, measured against IPWEA Data Confidence ratings On Track - all data is rated 'Level B - Reliable' or above Monitor - all data is rated 'Level C - Uncertain' or above Off Track - some data is rated lower than 'Level C - Uncertain'	Level C – Uncertain Improvement Plan actions will improve data quality through data cleansing and validation.	Level B - Reliable	Level B - Reliable excluding some items of infrastructure that were not accessible for level 3 inspections of structure footing conditions.	Level A - Highly Reliable	Level B - Reliable	Levels B to C – Reliable to Uncertain, dependent on asset class Improvement Plan actions will improve data quality through data cleansing and validation	Level B - Reliable	Level B - Reliable for the Oaklands ASR Scheme. Level C – Uncertain for all other assets Improvement Plan actions will improve data quality through data cleansing and validation	N/A - Cannot calculate across entire asset portfolio until AMIS implemented
KEY:					On Track		Monitor		Off Track			Data not available

7.2 Update on Asset Management Improvement Program progress

Report Reference	FRAC211214R7.2
Originating Officer	Unit Manager Asset Solutions – Brendon Lyons
Corporate Manager	Manager Engineering, Assets and Environment - Mathew Allen
General Manager	General Manager City Services - Tony Lines

REPORT OBJECTIVE

To provide the Finance, Risk and Audit Committee with an update on the organisation's progress against key improvement tasks identified in the eight Asset Management Plans endorsed by Council.

EXECUTIVE SUMMARY

The City of Marion has eight endorsed Asset Management Plans. Section 9 of each of the Asset Management Plan (AMP) identifies a series of improvement tasks to be addressed to ensure Council meets its target of Core Asset Maturity (as measured against the National Asset Management Framework) by 30 June 2022.

A summary of section 9 of the AMPs (and associated inputs) identified 150 specific improvement tasks. As of 30 June 2021, 57 tasks were on track with no changes. 44 tasks were on track with minor changes. 42 had been completed with 7 off track.

The 44 tasks with minor changes had amended completion dates due to staff changes, resourcing and alignment with corporate projects (e.g. Digital Transformation Program).

RECOMMENDATION

That the Finance, Risk and Audit Committee:

- 1. Notes the report and supports Council's ongoing Asset Management improvement processes.**

DISCUSSION

The City of Marion owns and manages a large and diverse asset portfolio, valued at over \$1 billion. Our assets enable the provision of services to the community and businesses for current and future generations. Assets play a vital role in the local economy and on our residents' quality of life.

The South Australian Local Government Act 1999 and its regulations require each council to have Asset Management Plans covering the management of infrastructure and other major assets for a period of at least ten years. In addition to the legislative requirement, our role is to ensure our assets meet the needs of the community now and into the future.

The City of Marion's vision for Asset Management is "To maintain the City of Marion's assets to agreed levels of service which maximise community value throughout an asset's life". It is this vision that is driving asset management improvement at the City of Marion.

The City of Marion's eight Asset Management Plans were brought to Council for endorsement at its meetings on the 11 August 2020 (GC200811R07), 13 October 2020 (GC201013R06) and 27 October 2020 (GC201027R12).

Section 9 of each of the Asset Management Plans identifies a series of improvement tasks to be addressed to ensure Council meets its target of Core Asset Maturity (as measured against the

National Asset Management Framework) by 30 June 2022.

Many of the improvements identified in the improvement plans will be addressed by the implementation and integration of the Asset Management Information System (DTP project 4) and Finance System (DTP project 5).

Focus must be maintained on the other key areas in the improvement plans that are not covered by the DTP to ensure achievement of core asset management maturity.

Each task has been loaded into CAMMS (project management tool) with the responsibility allocated to the relevant Asset Owner or subject matter expert. Progress against these tasks is monitored quarterly and is reported to the Asset Steering Committee with yearly updates provided to Council's Finance, Risk and Audit Committee.

Tasks are allocated in CAMMS under each Asset Management Plan. Details of the progress against each of these tasks can be found in the attached report.

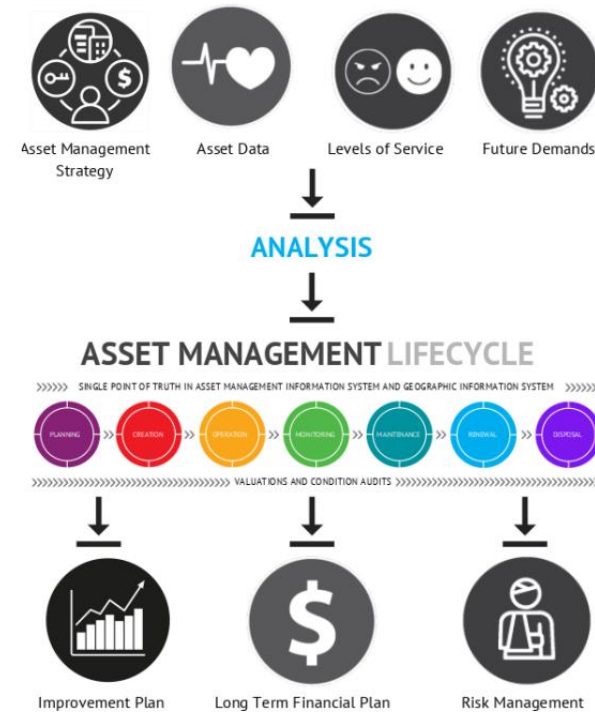
ATTACHMENTS

1. AMIP- Q4 Update [7.2.1 - 5 pages]

Note - Original update report prepared August 2021. For relevance current state comments have been added to this attachment.

Asset Management Improvement Plan: Quarter 4 Update 2021

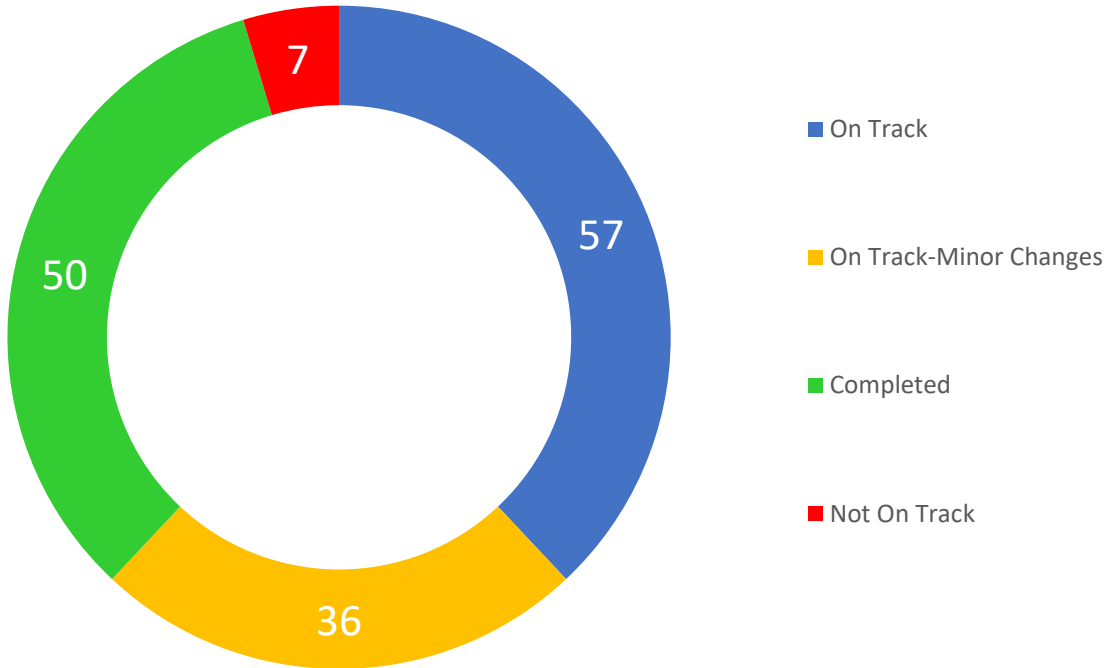
Update based on information received from relevant key personnel and updated in CAMMS.



Overall Progress Snapshot (as of 30 June 2021)



On Track-No Changes:	57 tasks
On Track-Minor Changes:	36 tasks
Completed:	50 tasks
Not On Track:	7 tasks
Total:	150 tasks



On Track-Minor Changes includes Tasks where dates have been slightly adjusted since last Quarter update



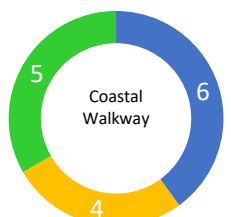
Progress for each AMP (as of 30 June 2021)



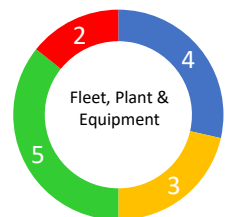
■ On Track
■ On Track-Minor Changes
■ Completed
Total=23



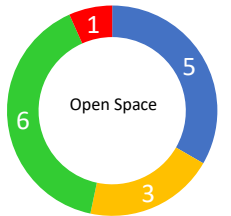
■ On Track
■ On Track-Minor Changes
■ Completed
■ Not On Track
Total=16



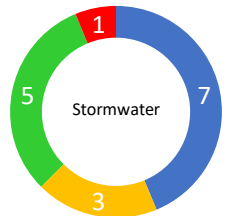
■ On Track
■ On Track-Minor Changes
■ Completed
Total=15



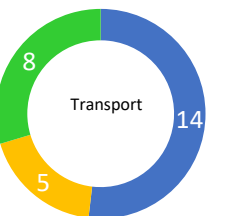
■ On Track
■ On Track-Minor Changes
■ Completed
■ Not On Track
Total=14



■ On Track
■ On Track-Minor Changes
■ Completed
■ Not On Track
Total=15



■ On Track
■ On Track-Minor Changes
■ Completed
■ Not On Track
Total=16



■ On Track
■ On Track-Minor Changes
■ Completed
Total=27



■ On Track
■ On Track-Minor Changes
■ Completed
Total=24

Summary of Tasks Off Track (as of 30 June 2021)

Buildings & Structures AMP: 3 Off Track

- Commence CoM Property Asset Strategy (CoMPAS) [Jun 2021]
- Use utilisation measure to drive decision making [Jun 2022]
- Defined roles of Open Space Planning, Operations and Property to align with Assets Lifecycle [Dec 2021]

Fleet, Plant & Equipment: 2 Off Track

- Undertake review of Council's maintenance [Jun 2022]
- Undertake analysis of process of costing fleet maintenance expenditure [Jun 2022]

Open Space: 1 Off Track

- Defined roles of Open Space Planning, Operations and Property to align with Assets Lifecycle [Dec 2021]

Stormwater: 1 Off Track

- Civil Review - Prepare Operations and Maintenance Management Plan for infrastructure [Jun 2022]

Recommendations:

- Monitor progress [Jun 2022] – [As of 30/11/2021 task commenced](#)
- Await Completion CoMPAS [Jun 2022] – [As of 30/11/2021 task commenced](#)
- Asset Solutions to facilitate review of roles [Dec 2021] – [Review of roles aligned to AMIS configuration by DTP](#)

Recommendations:

- Await Cross Council Position to be filled [Jun 2022] – [As of 30/11/2021 position filled](#)
- Await Cross Council Position to be filled [Jun 2022] – [As of 30/11/2021 position filled](#)

Recommendations:

- Asset Solutions to facilitate review of roles [Dec 2021] – [Review of roles aligned to AMIS configuration by DTP](#)

Recommendations:

- Include Civil Review outcomes [Jun 2022]

Summary of Tasks at Risk (as of 30 June 2021)

Asset Solutions: 8 Tasks

- Update 8 Asset Management Plans during annual budget planning processes [March 2022] – [Low Risk: As of 30/11/2021 task has appropriate resource to achieve task.](#)

Finance: 2 Tasks

- Review and revise chart of accounts [Sep 2021] – [As of 30/11/2021 task complete.](#)
- Undertake annual review of Asset Renewal Funding Ratio [Dec 2021] – [As of 30/11/2021 task complete.](#)

Engineering: 1 Task

- Develop proactive Maintenance Schedule for Bridge Assets based on 21/22 Condition Audit [Jun 2022] – [Low Risk: As of 30/11/2021 Engineering are assessing resource requirements](#)

Tasks reliant on successful implementation of AMIS (Dec 2022): 28 Tasks

- Water Treatment & Resources – 11 Tasks
- Transport – 12 Tasks
- Storm Water – 1 Task
- Open Space – 1 Task
- Fleet Plant & Equipment – 1 Task
- Artworks, Culture & Heritage – 2 Tasks

7.3 Asset Valuation Process and Outcomes for 2020-21

Report Reference	FRAC211214R7.3
Originating Officer	Unit Manager Statutory Finance & Payroll – Andrew Doyle
Corporate Manager	Chief Financial Officer - Ray Barnwell
General Manager	General Manager Corporate Services - Sorana Dinmore

REPORT OBJECTIVE

This report provides a summary of the process and outcomes of the 2020-21 asset valuation.

EXECUTIVE SUMMARY

Council's asset valuation process includes the engagement of independent professionally qualified valuers to provide comprehensive valuations of Council's assets, undertaken in accordance with council's Asset Accounting Policy every 5 years, with independent desktop valuations undertaken by the valuers annually for Infrastructure Assets. Desktop valuations for Infrastructure assets are undertaken to monitor and counteract large valuation fluctuations as these represent 77.5% of Council's total depreciable asset base subject to valuation.

In accordance with Council's Asset Accounting Policy, all infrastructure assets were subject to a desktop valuation for the year ended 30 June 2021. New non-infrastructure assets are included at cost for 2020-21. Plant & Equipment and Furniture and Fittings are also recognised 'At Cost'. The independent desktop valuation of infrastructure assets was undertaken by Australia Pacific Valuers (APV).

The carrying value of Council's Infrastructure assets as at 30 June 2020 was \$621.586m. The outcome of the desktop infrastructure valuation for 2020-21 resulted in a decrease in that valuation of \$21.41m (3.44%). The valuation also recognised the value of contributed assets at \$0.473m.

RECOMMENDATION

That the Finance, Risk and Audit Committee:

- 1. Note the 2020-21 independent desktop valuation for all infrastructure assets.**

DISCUSSION

As noted above Council engages external, independent and qualified valuers to determine the fair value of the council's non-current assets. This is conducted in accordance with the Australian Accounting Standards AASB13 Fair Value Measurement. The definition of Fair Value is:

- the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Under this overarching Accounting Standard all assets (with the exception of assets held for sale) are valued in accordance with AASB13 at Fair Value.

Under Australian Accounting Standards assets are required to be split into components and categorised. For example, roads are valued as formation, pavement and seal; buildings valued as

structure, roof, fit-out, and services; stormwater pipes valued depending on materials (e.g. reinforced concrete, PVC, or Ribloc).

Council's current valuation methodology is comprised of the previous year's valuation data being provided to asset owners who provide up to date information in relation to quantities, materials, unit rates, acquisitions and disposals, and contributed assets (assets constructed on Council land by external parties). This updated data is then provided to the independent valuers to use in their valuation assessment.

Infrastructure Assets

Council's infrastructure assets had a \$21.41m (3.44%) decrease in value as a result of the desktop valuation, with decreases in drainage (\$15.81m), kerbs and footpaths of (\$3.75m), roads and bridges (\$1.82m) and traffic, signs and retaining walls (\$0.026m).

There were devaluations recorded across most asset classes in 2020/21. The main area contributing to the decrease was the Drainage class, primarily resulting from a data cleansing exercise undertaken in early 2020-21. This cleansing identified a range of assets to not be 'controlled' by the City of Marion for the purposes of accounting standards.

The following table shows the year-on-year movements affecting the Infrastructure Assets including revaluation, contributed assets and other movements (made up of additions, depreciation and movement in Works in Progress (WIP)):

Asset Class	Carrying Value as at 30/6/2020	Revaluation Increment / (Decrement)	Contributed Assets	Other Movements (Additions/WIP less Depreciation)	Carrying Value at 30/6/2021	Revaluation as a % of Opening Carrying Value
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Bridges	4,517	(317)	-	(42)	4,158	(7.02%)
Footpaths	100,916	(2,039)	-	3,222	102,099	(2.02%)
Kerb & Gutters	123,414	(1,710)	-	(708)	120,996	(1.39%)
Retaining Walls	5,477	210	-	(45)	5,642	3.83%
Roads	204,025	(1,501)	33	(378)	202,179	(0.73%)
Signage	1,406	(26)	3	(81)	1,301	(1.85%)
Drainage	173,562	(15,814)	310	(711)	157,347	(9.11%)
Traffic Devices	8,269	(211)	127	(7)	8,178	(2.55%)
Grand Total	621,586	(21,408)	473	1,250	601,901	(3.44%)

Building/Other Infrastructure and Other Assets

As these assets are not subject to a desktop review in 2020-21, they will be included in the annual financial statements as a combination of cost (assets constructed since the 2017-18 comprehensive valuation) and fair value.

Valuation Cycle

In accordance with the report on Improved Asset Valuation Process presented to the committee on 26 February 2019 (FAC190226R11), the remaining current valuation cycle is as follows:

Financial Year	Accounting - Infrastructure	Accounting – Non Infrastructure	Insurance
2021-22	Desktop	Not Applicable	Indexation
2022-23	Comprehensive	Comprehensive	Comprehensive
2023-24	Desktop	Not Applicable	Indexation

The Digital Transformation Project will see the transition from Authority and other information systems (e.g. RAMS) into the Assetic Asset Management Information System and Financial Force Accounting System for the financial management and reporting of assets. This transition is scheduled to occur in late 2022.

Following the successful implementation into the new systems, we will be able to complete a full comprehensive revaluation of all asset classes. This comprehensive revaluation is scheduled to be completed in the 2022-23 financial year. The comprehensive revaluation activity will endeavor to match with this timetable for the financial year ended June 2023, wherever practicable to do so.

ATTACHMENTS

Nil

7.4 Service Review Program and recommendations progress update

Report Reference	FRAC211214R7.4
Originating Officer	Business Improvement Officer – Melissa Nottle-Justice
Corporate Manager	Manager Customer Experience - Megan Bradman
General Manager	General Manager Corporate Services - Sorana Dinmore

REPORT OBJECTIVE

To provide the Finance, Risk and Audit Committee (the Committee) with:

- an update on the development of the future approach to the Service Review Program.
- a progress update on implementation of the existing Service Review Program recommendations as of 26 November 2021.

EXECUTIVE SUMMARY

A key objective in City of Marion's (CoM) Strategic Plan 2019-2029 is to "continuously improve through the service review program" (Council of Excellence section).

CoM's Service Review Program was established in 2016. Since that time, it has reviewed 42 services (25 service reviews). The program has had several changes over time to both the leadership and delivery approach. With the appointment of our new Chief Executive Officer (CEO), the departure of a key review resource and an organisational focus on delivering the Digital Transformation Program, now would seem to be an opportune time to review the approach of the program.

RECOMMENDATION

That the Finance, Risk and Audit Committee notes:

1. **That the future approach to the Service Review Program is under development.**
2. **Implementation progress of the Service Review Program recommendations (Appendix 1).**

BACKGROUND

Initial discussions occurred with CoM's CEO on a future approach to the service review program, with various options discussed. These options were also discussed at the August meeting of the Finance, Risk and Audit Committee (FAC210817), where the Committee recognised the importance of the Service Review Program, agreed that the program is delivering significant benefits, and suggested a future focus on non-data elements. The CoM's Executive Leadership Team (ELT) discussed a future approach to the program at its planning session on 24 September 2021.

DISCUSSION

Service Review Program

An update to be provided to the Committee once potential developments progress and the Elected Member planning day has occurred (January 2022).

Implementation of recommendations from service reviews

There are currently five reviews with open recommendations (and actions), key highlights of actions implemented in this period (as of 26 November 2021) include:

- A Workforce Plan has been completed for the Neighbourhood and Community Centres, the new Team Leader has started, and recruitment will commence for other vacant positions.
- One action has been closed from the Fleet Management & Maintenance review, operator and workshop assessment now forms part of the evaluation criteria.

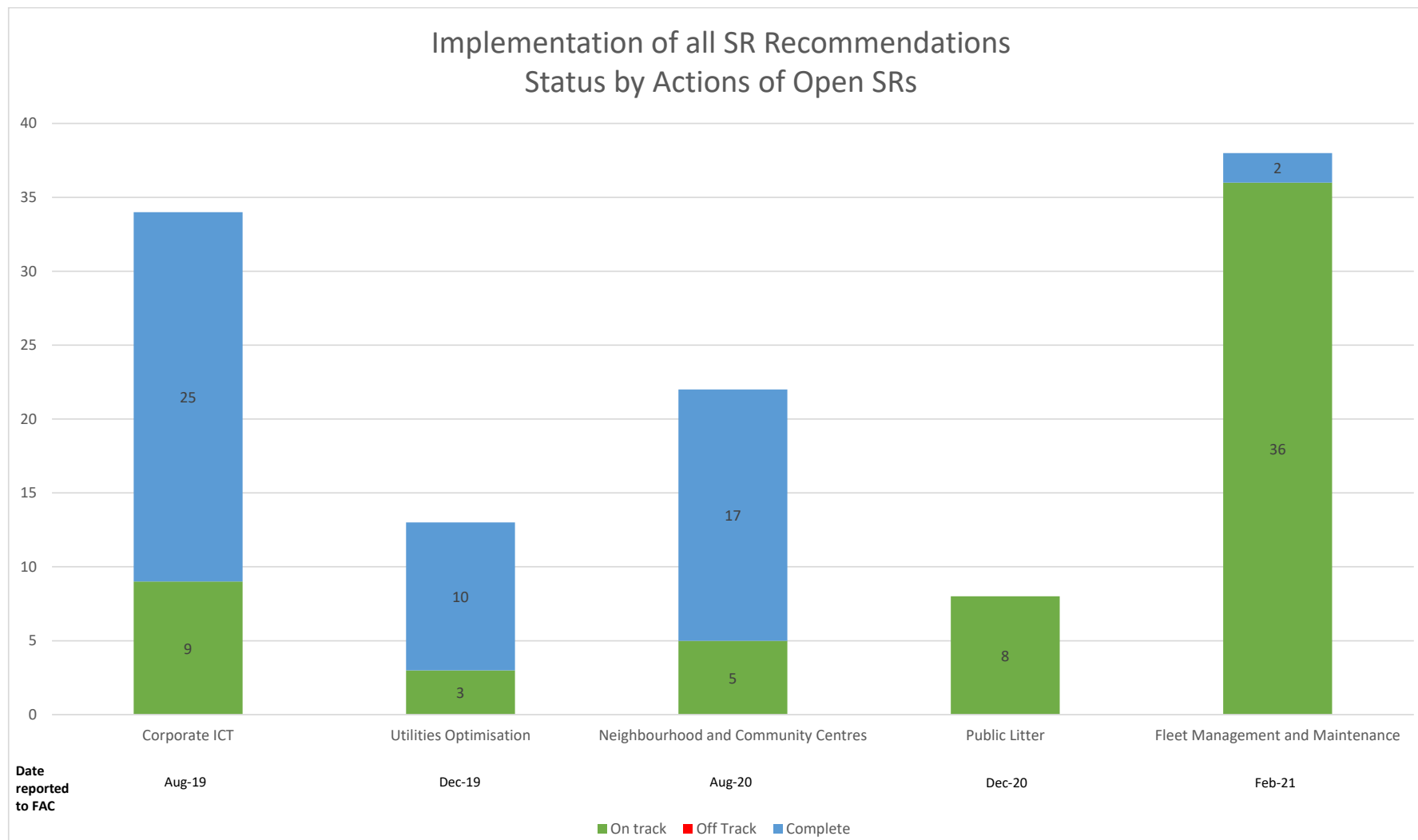
Refer Appendix 1 for more detail.

ATTACHMENTS

1. FRAC211214 - Service Review Program and Recommendations Progress Update - Appendix 1 [7.4.1 - 4 pages]

All Open Service Review Recommendations - Progress Update (Appendix 1)

(Status as at 26/11/2021 based on tracking against original completion dates)



Open Service Reviews - Recommendations - Progress Update

(Status as at 26/11/2021 based on tracking against original completion dates)

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



Division	Department	Service Review	Date Reported to FAC	Original Full Implementation Date	# of Recommendations	# of Actions	# On Track Actions	# Off Track Actions	# Actions Complete	% of Actions Complete	Comments
City Services	Community Connections	Neighbourhood and Community Centres	Aug-20	Jun-22	22	22	5	-	17	77%	<p>The Workforce Plan has been completed in relation to succession planning, staff skills audit and establishing a successful workforce structure for the future and been presented to the Executive Leadership Team. The proposed new structure (an outcome of the workforce plan) has been endorsed by the Executive Budget Committee and has been adopted. The new Team Leader has started, and recruitment will commence for the other vacant positions.</p> <p>The operations of the centres have moved to a more centralised approach which has been working well. Data, systems and analysis continue to be a focus to ensure that good decision making and reporting is consistent across the Neighbourhood Centres and their programs.</p> <p>ICT is working on installing the TV screens at 3 of the Centres, however, there has been a delay as a result of budget. Mitchell Park will be implemented in March 2022 as part of the new build.</p>
Division Total					22	22	5	-	17	77%	
Corporate Services	Information Services	Corporate ICT (cross council)	Aug-19	June-21	14	34	9	-	25	74%	<p>Senior DTP IT Manager position currently vacant, replacement being recruited for.</p> <p>IT Operations are currently working with the Cities of Charles Sturt and Port Adelaide Enfield on a cross-council Trust and Security Framework with the Local Government Association.</p>

Open Service Reviews - Recommendations - Progress Update

(Status as at 26/11/2021 based on tracking against original completion dates)

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



Division	Department	Service Review	Date Reported to FAC	Original Full Implementat-ion Date	# of Recommendations	# of Actions	# On Track Actions	# Off Track Actions	# Actions Complete	% of Actions Complete	Comments
											An ICT Vendor Management Framework and disciplines across the three organisations is in development, expected to be completed by March 2022.
	Strategic Procurement	Utilities Optimisation (cross council)	Dec-19	Feb-23	10	13	3	-	10	77%	Remaining recommendations to be actioned closer to their due dates: - May 2022 and 2023 (annual review of the performance of the team) - February 2023 (the team are recruited on three-year contracts and the value of the function to the community is tested prior to contract renewal)
		Public Litter	Dec-20	Dec-22	6	8	8	-	-	-	Actions are now being reviewed, with data collated on the areas of focus. Reviews are on-going of the recommendations, with the majority of recommendations to be finalised by March 2022.
		Fleet Management & Maintenance	Feb-21	Jul-22	10	38	36	-	2	5%	The initial focus of the Collaborative Fleet Manager has been on the tendering and delivery elements of the program to date, given the supply chain issues. Work has commenced to address recommendations, with this to be finalised by 31 March 2022.
Division Total					40	93	57	-	37	40%	

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

Open Service Reviews - Recommendations - Progress Update

(Status as at 26/11/2021 based on tracking against original completion dates)

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



Completed Service Reviews (Recommendations have been fully implemented) (March 2016 – Current)

Department	Service Review	Date Reported to FAC	Original Complete Date	Actual Complete Date
Community Connections	Libraries	28-Feb-2017	31-Mar-2017	10-Oct-2017
Human Resources	Recruitment	15-Dec-2016	31-Dec-2017	29-May-2018
City Property	Marion Outdoor Swim Centre	15-Dec-2016	31-Oct-2017	02-Oct-2018
Corporate Governance	Council Reporting and EM Support	15-Dec-2016	31-Aug-2017	02-Oct-2018
Engineering and Field Services	Management of Recycling Depot and Stores	30-May-2017	29-Dec-2017	02-Oct-2018
Finance and Contracts	Public Place Litter	12-Dec-2017	30-Jun-2018	02-Oct-2018
Engineering and Field Services	Drainage	30-May-2017	30-Jun-2018	11-Dec-2018
Engineering and Field Services	Roads	15-Aug-2017	29-Jun-2018	11-Dec-2018
Engineering and Field Services	Hard Waste and Dumped Rubbish	08-Mar-2016	01-Jul-2019	26-Feb-2019
City Property	Maintenance of Council Facilities	10-Oct-2017	30-Nov-2018	28-May-2019
Community Connections	Marion Celebrates	30-May-2017	30-Mar-2019	28-May-2019
Development and Regulatory Services	Parking Management and Regulation	30-May-2017	31-Dec-2018	28-May-2019
Engineering and Field Services	Open Space Phase 1	12-Dec-2017	30-Jun-2022	28-May-2019
Customer Experience	Customer Service	27-Feb-2018	31-Mar-2020	20-Aug-2019
Engineering, Assets and Environment	Asset Management	15-Aug-2017	30-Jun-2018	20-Nov-2020
Development and Regulatory Services	Community Safety Inspectorate	30-May-2018	31-July-2019	29-Jan-2021
City Activation	Living Kaurua Cultural Centre	31-May-2016	31-Dec-2021	18-May-2021
Operations	Open Space Phase 2	21-Aug-2018	30-Jun-2022	18-May-2021
Engineering, Assets and Environment	Irrigation Construction and Maintenance	18-Aug-2020	31-Dec-2020	18-May-2021
Corporate Governance	Records Management	21-Aug-2018	31-Dec-2019	30-Jun-2021

7.5 Internal Audit Program - Implementation of Recommendations

Report Reference	FRAC211214R7.5
Originating Officer	Governance Officer – Angela Porter
Corporate Manager	Manager Office of the Chief Executive – Kate McKenzie
General Manager	Chief Executive Officer - Tony Harrison

REPORT OBJECTIVE

To provide the Finance, Risk and Audit Committee (FRAC) with an update of the status of implementation of recommendations from the Internal Audit (IA) program.

EXECUTIVE SUMMARY

The Finance and Audit Committee was provided with a status report at its meeting on 12 October 2021 regarding the City of Marion's Internal Audit Program.

Resourcing issues have impacted a number of audits including Cyber Security, ITT Governance and Metrics that Matter. A number of items that were pending selection of new systems have now commenced.

The implementation of recommendations from these reports continues to be monitored by the FRAC. A short summary of the status of recommendations for each audit is provided in Attachment 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, Risk and Audit Committee:

1. **Notes the status of the Internal Audit Program (Attachment 1).**

ATTACHMENTS

1. Internal Audit - Implementation of Recommendations - Appendix 1 [7.5.1 - 17 pages]

Overall Summary

Project	Findings	On Track	Overdue	Completed	Not Commenced	General Comments
Procure to Pay (2018/19)	9	2		7		The two Performance Improvement Opportunities captured through the Finance Transformation Project have now commenced and are on track.
Customer Experience	Complete (June '20)					
Cyber Security 2019	6	1	4	1	1	A number of items have been impacted by staff departures. COVID-19 has also impacted some Performance Improvement Opportunities which will now be addressed as part of the BCP & COVID-19 Response Audit. Some items will be subsumed into the Digital Transformation Projects which will be reported separately.
Tendering 2019	Complete (March '20)					
BCP and Emergency Management	Complete (June '20)					
Payroll 2020/21	6		4	2		The new Payroll/HRIS system has now gone live. A number of items are pending implementation of the finance system in July 2022.
ITT Governance	11		5	6		Due to changes in resourcing, a number of items are being reviewed. Work has also commenced with the LGA on a number of items.
Metrics that Matter	3		2	1		Staff departures have impacted the remaining two items but work is continuing
Collaborative Leasing	12	1		11		Remaining item scheduled to be presented to Council 14 December for endorsement.
Stores Management	5	2		3		3 items have been completed in entirety with 2 remaining items pending replacement of the Asset Management and Financial Management Systems. Discussions have re-commenced now that systems have been selected.
Business Continuity Plan and COVID-19 Response	7	5	1	1		Overdue item to be presented to ELT on 16 December for endorsement.
Assurance Mapping	Complete (November '21)					
Asset Inspection Schedule	6	6				Some parts have already been completed with the remainder on track.
Project Carryovers	6	6				All items have commenced or commenced in part with a number of items due to commence in November 2021. Some items have been identified as ongoing tasks.
Fraud Management Framework	6	4		1	1	A performance opportunity has been completed and one item is yet to commence, all other items are on track.
Community Facilities Management Models	4	4				All items have commenced or have commenced in part. A number of items are pending endorsement of the revised Leasing and Licensing Policy at the General Council Meeting 14 December.

Procure to pay

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	PRIORITY	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.	PIO1.1	The CoM will investigate on-line invoice approval options that exist with Civica to reduce the level of manual processing that currently exists. The CoM will also investigate the software options available and implementation costs for automatic invoice validation.	N/A	31/12/2019 Revised due date 30/06/2022	On Track	10%	CoM's Financial Transformation project includes a number of requirements that cover off on these opportunities including electronic workflow and invoice matching automation. The project has appointed a Provider and the implementation phase has commenced. It is confirmed that the chosen product does have on-line invoice approval functionality.	On Track	10%	CoM's Financial Transformation project includes a number of requirements that cover off on these opportunities including electronic workflow and invoice matching automation. The project has appointed a Provider and the implementation phase has commenced. It is confirmed that the chosen product does have on-line invoice approval functionality.
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 include 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.	PIO1.2	as above	N/A	31/12/2019 Revised due date 30/06/2022	On Track	10%	CoM's Financial Transformation project includes a number of requirements that cover off on these opportunities including electronic workflow and invoice matching automation. The project has appointed a Provider and the implementation phase has commenced. The implementation of invoice matching automation will not be part of the initial roll out of the new software but will be considered for further stages. Further consideration would need to be assessed against an initiative recently introduced by the ATO for Supplier electronic invoicing (Peppol E-Invoicing). This would have a significant positive impact on invoice processing automation.	On Track	10%	CoM's Financial Transformation project includes a number of requirements that cover off on these opportunities including electronic workflow and invoice matching automation. The project has appointed a Provider and the implementation phase has commenced. Scoping has included the requirement to integrate with the ATO for Supplier electronic invoicing (Peppol E-Invoicing) which will be required to comply with the roll-out to all levels of government.

Cyber Security 2019

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	PRIORITY	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
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		Low	31/10/2021	Not on Track	50%	Current cyber security awareness training under review following recruitment. Notation against CoM Cyber Security handbook from preliminary review suggests cyber security handbook requires additional alignment against business objectives. Phishing training can be run via the Azure subscription – this would help us baseline our primary infection mechanism	Not on Track	55%	Adjusted cyber security awareness training delivered to a small group of "new staff" - staff indicated a preference for the refined personal format and repeating detail. Phishing training review of third party suppliers has been negatively impacted by the resignation of COM1 Project Leader and incomplete exit interview, as no information able to be transferred to Cybersecurity Lead. Notably, in the previous quarter there have been only three incidents of CoM staff falling for "clickable" phishing attacks. A detailed review of Cyber Security Handbook indicates significant "rewrite" is necessary to develop a complete Information Security Manual in alignment with business objectives and staff awareness training.

<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 Data Governance Framework to classify CoM's information and define appropriate resources to manage this function to communicate requirement for information sharing.	Moderate	<p>31/03/2020</p> <p>Revised Due Date 30/06/2021</p>	Not on Track	50%	We are still working with LGIT around the policy and they are aiming to get a response to use in mid October around funding to help pay for this activity	Not on Track	50%	We are still working with LGIT around the policy.
<p>1. Ensure that defined recovery objectives have been communicate and validated with IT to ensure that these are achievable.</p>	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.	Low	<p>30/06/2020</p> <p>Revised Due Date 31/10/2021</p>	On Track	35%	Meeting set with Team Leader Records and Manager IT Operations to review the design for the revised RS and what format should be used to inform IT	Not on Track	70%	Meeting held with TL Records and Manager IT. SharePoint site created. KPMG engaged to facilitate workshops. Workshops underway.
<p>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.</p> <p>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.</p>	5.1	Continue to invest in Cyber Security program and appropriate technology.	Low	31/12/2021	On Track	50%	Internal Security Audits are underway, currently focussed on extranet exposure reduction, regular and automatic remediation in line with ASCS maturity levels for application and operating systems, and systemic hardening. Secondary works from security include complexity reduction, baseline of security models through comparison with public "best practices" documentation, and more appropriate role separation.	On Track	70%	Cybersecurity additional investment remains on hold pending significant infrastructure reworks and ongoing remediation - Internal Security Audits have increased asset coverage of CoM "servers" by 120% for the Quarter. Remediation works during the same timeframe indicate that CoM's total "risk score" for known vulnerabilities on the internal network have been reduced 22%. CoM's highest risk against known vulnerabilities is held by the "comphone" systems, which account for 35.5% of our total known vulnerabilities. ACSC Maturity level (Operating Systems > Supported Operating Systems) raised from 36% compliance of on-prem workstations, to 80% compliance. Cloud compliance at approximately 50% of workstation assets or 99% of "active workstation" assets - reporting is complicated by poor inventory management in this environment. Complexity reduction through extranet exposure ongoing through firewall replacement project, with a reduction of 53% "accessible IPs" expected by end of Quarter 3
<p>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:</p> <p>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).</p>	PIO6.1	1. IT will, in conjunction with Corporate Governance, review processes identifying legislative change to cyber security to be incorporated into future policy governance frameworks.	Low	31/10/2021	Not on Track	0%	Following recent departure of the IT Governance and Cybersecurity Lead, this item has been placed on hold pending recruitment.	Not on Track	0%	Recruitment has placed a candidate at CoM on a part time basis for Q2. No engagement with Governance has yet occurred

Payroll 2020/21

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	PRIORITY	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
Investigate system opportunities with specific focus on increased functionality, reporting, elimination of manual processes, and systems integration.	1.1	The findings and relevant recommendations identified across this review, and specifically from Finding 1, will be addressed through the CoM's Digital Transformation Program. It is further noted that a number of separate projects are also currently in progress.	Moderate	30/06/2021 Revised Due Date 31/08/2021	On Track	95%	Payroll system went live in August 2021. Functionality has been enhanced and a large number of manual processes have now been automated (timesheets & interpretation, leave forms). Integration is pending implementation of other new systems.	Not on Track	95%	Payroll system went live in August 2021. Functionality has been enhanced and a large number of manual processes have now been automated (timesheets & interpretation, leave forms). Integration is pending implementation of other new systems - forecast for implementation by July 2022.
Work to ensure that all internal audit recommendations are actioned and implemented as soon as practicable to ensure identified risks are mitigated, and issues are resolved. This should apply for all findings listed in this report, and previous internal audit findings that are not completely addressed.	3.1	Since the 2016 Payroll internal audit, CoM has increased the frequency of reconciliations, particularly around accruals, from annually/quarterly to monthly to improve its financial reporting against budget and enable better variance analysis. Through the Digital Transformation process, CoM will be aiming for these accruals to be built into the new system, removing the need for manual calculations to be performed. Before this is implemented we will focus on improving the timeliness of reconciliations. Capability around one source for record keeping relating to employee recruitment and retention will also be included as a key requirement for the new system.	Moderate	30/06/2021 Revised Due Date 31/08/2021	On Track	95%	Payroll system went live in August 2021 and provides reports on required accruals for leave balances. Integration with finance system is pending implementation.	Not on Track	95%	Payroll system went live in August 2021 and provides reports on required accruals for leave balances. Integration with finance system is pending implementation forecast for July 2022.
Investigate system opportunities that would allow for capture and reporting of staff overtime, and enable more effective reporting mechanisms including live dashboards. As first priority, work to implement overtime reporting to ensure overtime can be appropriately monitored and managed (CCS and CoM).	PIO1	City of Marion currently has limited payroll/HR reporting available in a PowerBI dashboard. We are looking to further extend these capabilities. CoM will also ensure that these recommendations are incorporated into the requirements as part of its Digital Transformation project.	N/A	30/06/2021 Revised Due Date 31/08/2021	On Track	85%	Payroll system went live in August. HRIS implementation is due to commence in October 2021 with a projected completion early 2022. CoM have commenced investigation on building a link from the new system to it's PowerBI platforms.	Not on Track	90%	Analysis of data from system has commenced to transform the data into the required tables to prepare the required reports.
Ensure that reconciliation activities are undertaken in a timely manner (i.e. within one to two weeks) at the defined intervals.	4.1	Since the 2016 Payroll internal audit, CoM has increased the frequency of reconciliations, particularly around accruals, from annually / quarterly to monthly to improve its financial reporting against budget and enable better variance analysis. Through the Digital Transformation process, the CoM will be aiming for these accruals to be built into the new system, removing the need for manual calculations to be performed. Before this is implemented we will focus on improving the timeliness of reconciliations. Capability around one source for record keeping relating to employee recruitment and retention will also be included as a key requirement for the new system.	Low	30/06/2021 Revised Due Date 31/08/2021	On Track	95%	Payroll system went live in August 2021 and provides reports on required accruals for leave balances. Integration with finance system is pending implementation.	Not on Track	95%	Payroll system went live in August 2021 and provides reports on required accruals for leave balances. Integration with finance system is pending implementation forecast for July 2022.

ITT Governance

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	PRIORITY	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
Investigate opportunities to consolidate all the principles into an overarching ITT governance framework.	1.1	In reviewing the allocation of work and responsibilities across the ITT team, the development of an ITT Governance Framework will be prioritised and delivered over the first quarter of FY2021. To note, the Cross Council Service Review identified this as a priority and a Solution Development Framework was created in response.	High	31/10/2020	Not on Track		The new ICT Governance & Cybersecurity Lead started at CoM in mid September (one day a week until December and then fulltime). He will be reviewing these documents along with all the CoM policy documents	Not on Track		We are currently working through the policies in ITT, We have looked at AUP, Mobile devices, User policies.
Define how Corporate Governance ITT Principles and ITAS Principles will be applied.	1.2	ITT and ITAS principles will be aligned and incorporated into the new governance framework.	High	31/10/2020	Not on Track		The new ICT Governance & Cybersecurity Lead started at CoM in mid September (one day a week until December and then fulltime). He will be reviewing these documents along with all the CoM policy documents	Not on Track		We are currently working with the LGA to shape the governance policies. Funding has been approved for this project and the steering group has been formed, COM has a member on the group to help guide it.
Work to embed principles in ITT policies and procedures, change management practices, workforce planning, business engagement protocols and data stewardship practices.	1.3	The new governance framework will be based on COBIT5 principles that assures coverage of all relevant topics such as resource planning, change management and business engagement protocols	High	31/10/2020	Not on Track		The new ICT Governance & Cybersecurity Lead started at CoM in mid September (one day a week until December and then fulltime). He will be reviewing these documents along with all the CoM policy documents	Not on Track		We are currently working with the LGA to shape the governance policies. Funding has been approved for this project and the steering group has been formed, COM has a member on the group to help guide it.
For ITT practices and ITAS related works, embed regular (i.e. quarterly) reviews and reporting, to ensure principles are being adhered to and achieved through ongoing ITT operations and initiatives.	1.4	The ITT Governance framework regulates all relevant reviews, reporting, committee meetings.	High	31/10/2020	Not on Track		The new ICT Governance & Cybersecurity Lead started at CoM in mid September (one day a week until December and then fulltime). He will be reviewing these documents along with all the CoM policy documents	Not on Track		We are currently working with the LGA to shape the governance policies. Funding has been approved for this project and the steering group has been formed, COM has a member on the group to help guide it.
Develop, agree and implement an ITT policy and documentation framework, to provide an appropriate level of governance and guidance to the IT team and help drive consistency amongst work practices and behaviours.	2.1	The ITT Governance Framework will include the required IT policies. This work is expected to be completed prior to the Finance and Audit Committees' December 2020 meeting (8 December 2020).	High	8/12/2020	Not on Track		The new ICT Governance & Cybersecurity Lead started at CoM in mid September (one day a week until December and then fulltime). He will be reviewing these documents along with all the CoM policy documents	Not on Track		We are currently working with the LGA to shape the governance policies. Funding has been approved for this project and the steering group has been formed, COM has a member on the group to help guide it.
Consider which technology assets need to be included in the register and managed under IT Asset Management governance processes (e.g. software licences, software subscriptions, SaaS, desktops, laptops, mobile devices, servers, IaaS, PaaS, etc.). Develop and implement a framework and processes for ongoing management of IT assets.	5.2	Following the ITT restructure a dedicated resource will be charged with the responsibility for the FreshWorks Asset management. In addition, CoM will introduce and embed an IT asset management policy to ensure compliance.	High	31/10/2020	Not on Track	50%	Devices have been audited but issues have occurred after Covid Lockdowns where people did not report what devices they took how and returned. Other options need to be evaluated	Not on Track	50%	IT Ops working with the Helpdesk to better understand what they are currently doing and ways to automate this system to make them more reliable
Update and finalise the Data / Information Governance Framework and receive approval from the Finance and Audit Committee.	9.1	CoM is working with its partner councils PAE and CCS on developing a joint framework across the three, following the recruitment of a joint CDO. Following this, the associated policies and procedures will also be developed.	Low	30/06/2021	Not on Track	50%	An updated strategy is being provided to ELT on 21 October 2021.	Not on Track	50%	The analytics strategy made it to ELT in late October and further work/feedback on it was received. The data governance framework is a separate piece of work to the strategy, but the governance framework has been highlighted as a requirement before project initiation. With no Cross Council CDO in place, little communication has been had with partner councils around the subject. A data governance framework remains a key output of project planning.
Implement the Framework and develop any further policies and procedures required to embed and operationalise data management processes within the organisation.	9.2		Low	30/06/2021	Not on Track	10%	An updated strategy is being provided to ELT on 21 October 2021. The data governance piece is being worked on in parallel, extensive work is required.	Not on Track	10%	An updated strategy is to be provided to ELT in December. This will not include a data governance framework which is an extensive piece of work, but it will outline the expected content of the framework for sign off at ELT level.

Investigate opportunities to update training and induction processes with more information regarding security practices and requirements.	PIO2.2	CoM agrees with the recommendation and security awareness is made part of the Digital Literacy project	N/A	31/12/2020	Not on Track	50%	The training given to all staff around ICT is currently under review and we are looking at different ways to deliver this product which will give better value to staff.	Not on Track	50%	We are currently looking to employ a person into the training role.
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Metrics that Matter

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	PRIORITY	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 ensures that as the use of Power BI for KPI reporting increases, so the complete implementation of the Data Governance and Management Framework should be undertaken in parallel. This should include: <ul style="list-style-type: none"> Ensuring it is up to date and formally approved Key roles are formally assigned, and The necessary policies and procedures are developed and operationalised in order to embed the framework across the organisation. This will be fundamental to helping build and maintain confidence in the data and the resultant reporting.	1.1	Aligned to the Internal Audit finding 9 in the ITT Governance Review, CoM is working with its partner councils PAE and CCS on developing a joint framework across the three, following the recruitment of a joint Chief Data Officer. Following this, the associated policies and procedures will be finalised.	Low	30/06/2021	Not on Track	80%	Due to the recent departure of the Chief Data Officer this item has been placed on hold pending recruitment.	Not on Track	80%	A review is being undertaken on CoM infrastructure and software options for BI. Power BI has not been embedded for corporate reporting as yet. A data governance framework will be created as part of the data & analytics project in the coming months. This is off track currently due to the loss of the CDO and CoM taking the chance to review the current analytics setup. The new strategy recommends a data governance framework be created as part of the larger project, and as a precursor to project initiation.
Future projects should ensure full identification, documentation and management of risks to the project. These should be monitored and reported to the Steering Group on a regular basis such that potential problems are identified and managed early. Typically risks, as they arise, flow into 'issues' where active management and action tracking ensures their resolution in a timely manner. The CoM should ensure that these requirements are part of the new Solution Delivery Framework.	PIO2.1	Agree – this action will be included within the Risk Management 3 Year Strategic Plan (currently under development) and work in partnership with the ITT Manager and the new Change Manager to embed better risk management practices with the CoM Project Management Framework.	N/A	30/06/2021	Not on Track	80%	PMO have commenced reporting of project risks in Monthly Capital Works Meeting (from Sept 2021) in revamped reporting format; however quality of risk information needs to be improved. Currently undergoing re-education of CAMMS with project managers during October (back to PM basics), PMO to check alignment of CAMMS with Risk Matrix, project/contract risk management training to be scheduled Nov/Dec 2021.	Not on Track	80%	UM Risk to engage with PMO to promote risk assessment training through CAMMS re-engagement in Dec 2021 PMO have engaged Capital Works PM in Oct 2021 and directed the PMs to the project risk register template currently available in both Teams and CAMMS (risk matrix aligned)

Collaborative Leasing

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	PRIORITY	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 further review and consider the current policy of obtaining external valuations for club and community properties.	M1.3	The CoM to undertake a review of the current policy in determining the rental fee via external valuations and potential consideration for another fee structure for consideration.	Moderate	31/12/2020 30/06/2021 Revised due date 31/12/2021	On Track	25%	The Leasing and Licencing Policy is currently being reviewed and is scheduled to be presented to the Elected Member Forum for feedback on 16 November 2021 and General Council for endorsement on 14 December.	On Track	70%	The updated Leasing and Licencing Policy principles were presented to the Elected Member Forum for feedback on 16 November 2021 .An updated Leasing and Licensing Policy will be presented to the General Council for endorsement on 14 December.

Stores Management

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	PRIORITY	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
Review the current manual practices and determine if any manual processes can be reduced through automation (e.g. barcodes and scanners, or PPE vendors – see Benchmarking page 5).	J3.1	Digitising processes is part of the broader digital transformation program, and will be considered as part of the Asset Management and Financial Management System replacements.	Low	30/06/2023	On Track	30%	Assetic has been selected as the Asset Management tool for Council's assets. Stores team are exploring the capability and suitability of Assetic to stores related processes, including fleet. All will include consideration for seamless integration with the new finance system.	On Track	30%	Unit Manager Operational Support has been working with the Digital Transformation Team towards an outcome. It is reasonable to expect that Assetic will not deliver a suitable Fleet Management Tool.
Internal Audit recommends that the Councils investigate further system opportunities to implement or modify their inventory management systems to better support their needs. This includes improved stock ordering, monitoring and reporting capabilities.	JPIO1.1	Improving elements of the inventory management process is part of the broader digital transformation program, and will be considered as part of the Asset Management and Financial Management System replacements.	Low	30/06/2023	On Track	30%	Assetic has been selected as the Asset Management tool for Council's assets. Stores team are exploring the capability and suitability of Assetic to inventory management. All will include consideration for seamless integration with the new finance system.	On Track	30%	Unit Manager Operational Support has been working with the Digital Transformation Team towards an outcome. Assetic is a standard business platform and should have no issues delivering the desired outcome, with regard to inventory management.

Business Continuity Planning and COVID-19 Response

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	PRIORITY	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
The new plans and strategies now need to be referenced into the existing Business Continuity framework (refer Appendix 4).	1.1	Risk Team to coordinate a review of the Recovery Strategies to reflect the new way of working implemented in the response to Covid-19 and referenced in the BCP by December 2021.	Moderate	31/12/2021	On Track	33%	Meeting set with Team Leader Records and Manager IT Operations to review the design for the revised RS and what format should be used to inform IT	On Track	70%	SharePoint site created. KPMG engaged to facilitate workshops. Workshops underway.
Provide guidance on activation thresholds.	1.2	Risk Team to work with P&C to review BIA for critical activities and the interaction with spreadsheet of staffing to enable the continuation of critical activities by June 2021.	Moderate	30/06/2021 Revised due date 31/03/2022	On Track	33%	The Workforce Plan document has been placed on hold pending the commencement of the new Manager P&C and the implementation of the Aurion system. Extension has been granted until March 2022.	On Track	40%	Staff spreadsheet from 2020 is currently being reviewed. Critical staff are being analysed through the Recovery Strategy project. Both will inform the review of the Workforce Plan.
Reflect the 'new' minimum IT equipment requirements for pandemic WFH scenarios.	1.3b	Risk Team to coordinate a review of the Recovery Strategies to reflect the new technologies to enable WFH by December 2021.	Moderate	31/12/2021	On Track	35%	Meeting set with Team Leader Records and Manager IT Operations to review the design for the revised RS and what format should be used to inform IT	On Track	70%	SharePoint site created. KPMG engaged to facilitate workshops. Workshops underway.
The CoM should consider how procurement activity as a result of a crisis or BCP incident works in practice.	2.1	Strategic Procurement together with Operational Support, Operations, City Property & IT to develop a crisis procurement process to enable quick procurement of items in a crisis whilst ensuring appropriate governance.	Moderate	30/06/2021	Not on Track	99%	Procurement procedures updated to include elements regarding urgent purchasing and the process to undertake. Consultation completed, formal adoption by ELT to occur in October.	Not on Track	99%	Procedures being presented to ELT for formal endorsement and implementation 16 December 2021.
As part of a lessons learnt exercise, the CoM should retrospectively review the events that occurred and: • Document IT procurement requirements and specifications to detail minimum standards to assist future urgent procurement needs. This will provide a baseline standard. • Assess compatibility of procured IT equipment, including laptops, to ensure they are sufficient to meet business specifications. • Assess the financial impact of the fast-tracked procurement. This should consider the increased cost associated with low buying power and not sourcing directly from one-provider.	2.2	Strategic Procurement together with Operational Support, Operations, City Property & IT to develop a crisis procurement process to enable quick procurement of items in a crisis whilst ensuring appropriate governance.	Moderate	30/06/2021	Not on Track	99%	Procurement procedures updated to include elements regarding urgent purchasing and the process to undertake. Consultation completed, formal adoption by ELT to occur in October.	Not on Track	99%	Procedures being presented to ELT for formal endorsement and implementation 16 December 2021.

Long-term remote working solutions, such as call centre technologies that meet business requirements.	3.3	Implement long-term remote working solutions, such as call centre technologies that meet business requirements by January 2021.	Moderate	31/01/2021	Not on Track	20%	We have completed the tender and reviewing the options with CSS for the best options for both councils	Not on Track	30%	We went to tender for a phone system but the requirements were not met. We are going back to market for a system to better work with COM
Training needs and/or capability requirements for the workforce.	3.4	Identify new technologies, update these in the TNA & offer identified training by December 2022.	Moderate	31/12/2022	On Track	20%	The DigLit project team is partnering with Navitas to apply for foundation skills funding, and to undertake skills assessments of outdoor workforce digital literacy skills in November 2021. Training is planned to commence in February 2022.	On Track	25%	Diglit assessments delayed until February 2022, as (a) COM are awaiting on the outcome of an application for federal funding for the provider, Navitas, to commence assessments and training for staff (b) filling of the DTP IT project manager position (currently vacant).
The CoM need to review activities that were undertaken and document key considerations and sequential tasks to enable these plans to be re-used in responding to future events. This should be considered in conjunction with the recommendations in Finding 1.	4.1	Risk Team to coordinate a review of the Recovery Action Plans to identify key actions, document the process and identify key learnings and improvements by June 2021. Risk Team to coordinate a review of the Recovery Strategies to reflect the key learnings and improvements by December 2021.	Low	31/12/2021	On Track	85%	Risk Business Partner has facilitated a meeting with the RTG and is developing a final report.	On Track	85%	Embedding key findings as part of the Recovery Strategy review
The CoM should review current business processes with a focus on manual processes that are performed in relation to critical services or key activities. Once identified, the CoM should identify and assess: 1. Contingency measures in place to enable them to operate if they are impacted by disruptions (e.g. communication, remote working).	5.1	Will undertake an SLT session to identify manual business processes in relation to critical services or key activities. Relevant SLT to develop contingency measures identified.	Low	30/09/2021 Revised due date 31/12/2021	On Track	15%	This will be delayed as it will be brought into the SLT engagement sessions as part of the Recovery Strategy review. Extension has been granted until December 2021.	On Track	70%	SharePoint site created. KPMG engaged to facilitate workshops. Workshops underway.
Transformational plans to enable them to transition and operate in a remote working environment. Where technology is introduced, contingency measures in the case of a technological disruption should also be considered.	5.2	Will undertake an SLT session to identify manual business processes in relation to critical services or key activities. Relevant SLT to develop contingency measures identified.	Low	30/09/2021	On Track	15%	This will be delayed as it will be brought into the SLT engagement sessions as part of the Recovery Strategy review. Extension has been granted until December 2021.	On Track	70%	SharePoint site created. KPMG engaged to facilitate workshops. Workshops underway.
In continuing to develop the BCP suite of documentation, the CoM should consider the ease of use and applicability of documentation and templates. For example, the CoM should assess: What mechanism would be most appropriate to document and track actions for future events. This should ensure due dates are recorded with functionalities to sort, search and archive actions.	PIO2.1	Risk Team to engage IT & Governance to enable the use of Ecuria (or its replacement system) for IMT agendas, minutes and actions by December 2021.	Low	31/12/2021	On Track	35%	Meeting set with Team Leader Records to explore SharePoint site for this purpose	On Track	35%	Conversations with Team Leader Records and Office of the CEO have confirmed Doc Assembler (Ecuria replacement) is not fit for purpose. Other opportunities to be explored.
What tool is most appropriate for the creation and communication of Recovery Action Plans to avoid duplication of effort and enhance ease of use.	PIO2.2	Risk Team to incorporate the IMT risk assessments in the system specifications of the Enterprise Risk Management Software business case by June 2021.	Low	30/06/2021 Revised Due Date 31/03/2022	On Track	20%	Specifications and business plan commenced. Extension of date required given the demand on resourcing of the team at present and the restructure. Extension has been granted until March 2022	On Track	20%	Next critical task post BIA and Recovery Strategy project.
Formats of risk assessments moving forward and consider how this information integrates into and interacts with other BCP activities and assessments.	PIO2.3	Risk Team to incorporate the IMT risk assessments in the system specifications of the Enterprise Risk Management Software business case by June 2021.	Low	30/06/2021 Revised Due Date 31/03/2022	On Track	20%	Specifications and business plan commenced. Extension of date required given the demand on resourcing of the team at present and the restructure. Extension has been granted until March 2022	On Track	20%	Next critical task post BIA and Recovery Strategy projec
Whether further communication templates need to be developed and added to the suite of templates.	PIO2.4	Comms Team to work with the Risk Team to review the current suite of templates and create a document library for ease of use by June 2021.	Low	30/06/2021 Revised Due Date 31/03/2022	On Track	50%	Meeting set with Team Leader Records to explore SharePoint site for this purpose, drafting of new site taken place and sub-site is under planning. Extension has been granted until December 2021.	On Track	70%	Comms review complete. Currently uploading to new SharePoint site in an easy to use, single document format.

Assurance Mapping

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	PRIORITY	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
Ineffective organisational project and portfolio management (Risk#16) • Although robust internal measures have been put into place, due to the significant investment and impact on the organisation it would be recommended that third party assurance is considered for the Digital Transformation Program.	PIO1.1	It is agreed that the next step following this work is to develop a strategic risk register, and agree the desired residual risk rating for each of those risks based on further refinement and articulation of the three lines of defence model. Additionally, this work will be used as a tool to inform the City of Marion Internal Audit Plan for 2021/22. Those areas identified in Section 1.9 will be prioritised as part of the work involved with developing the Strategic Risk Register and considered as part of the Internal Audit Planning process for 2021/22.	High	30/06/2021 Revised Due Date 31/10/2021	Not on Track	90%	The Strategic Risk Register work has been developed, consulted with FAC and then further developed by ELT at a workshop. This is being reported to FAC at their meeting 12/10/21.	Completed	100%	The Strategic Risk Register was developed through ELT, FAC and then noted by Council on 23 November 2021. Further work will continue on the strategic risks and refinement of the corporate risk register.
Risk of ineffective contractor management (Risk#5) • It is noted that due to the volume of procurement activity that is happening across the CoM, that further clarity over the role of contractor management post contract execution, including responsibilities relating to the management of contractor safety is performed.	PIO1.2		High	30/06/2021 Revised Due Date 31/10/2021	Not on Track	90%		Completed	100%	
Data risk (Risk#19) • It is recommended that the CoM ITT Governance Framework is finalised and implemented across the organisation, noting that this will be a key enabler to the Digital Transformation Program in addition to being an area of focus considered more widely across all sectors.	PIO1.3		High	30/06/2021 Revised Due Date 31/10/2021	Not on Track	90%		Completed	100%	
Risk of the CoM failing to attract and retain existing and new businesses (Risk#3) • Noting the challenges of the current economic and further challenges when government support payments will be ceased, it is recommended that the CoM consider implementing further monitoring and reporting across this area. This could be inclusive of the dashboards and other key metrics that are understood to currently be under development.	PIO1.4		High	30/06/2021 Revised Due Date 31/10/2021	Not on Track	90%		Completed	100%	

Asset Inspection Schedule

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	PRIORITY	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
The CoM should consider creating an overarching inspection program/scheduling policy or procedure applicable to all 8 asset classes. This policy would outline clear expectations for scheduling, for example purposes: • Each individual asset should be included in the schedule. • Schedules should indicate which day certain assets are required to be inspected. • Consideration for weather when designing the inspection program.	1.1	Procedure documents will be created for Recommendations 1 and 2.	Moderate	31/12/2021 Revised Due Date 31/3/2022	On Track	15%	Procedure documents in development	On Track	20%	Procedure documents in development

Any asset class/category specific scheduling criteria, such as frequency of inspections, should be outlined in an asset category policy or procedure document. This could include some of the following factors regarding inspection intervals: environmental, location, age, criticality and community outcomes.	1.2	Procedure documents will be created for Recommendations 1 and 2.	Moderate	31/12/2021 Revised Due Date 31/3/2022	On Track	15%	Procedure documents in development	On Track	20%	Procedure documents in development
Align condition monitoring techniques with specific asset failure modes. This enables condition monitoring technicians to target their effort in the areas which are most important rather than identifying faults which do not pose a significant threat.	1.3	Asset Inspection frequency to be optimised in Asset Inspection Program.	Moderate	31/12/2021 Revised Due Date 31/3/2022	On Track	15%	To be included in procedure documents in development	On Track	20%	Procedure documents in development
Develop metrics and benchmarks pertaining to number of inspections required to be conducted. Adopt the Open Space PowerBI dashboards to other asset classes.	1.4	In conjunction with governance, and as part of the Asset Management Information System, a set of metrics will be developed.	Moderate	31/12/2021 Revised Due Date 31/3/2022	On Track	15%	Asset Solutions Team exploring development of interim solution through ArcGIS Fieldmaps to monitor progress of Level 1 inspections for infrastructure assets.	On Track	20%	As an interim solution the Asset Solutions Team are developing asset inspection solutions through ArcGIS Fieldmaps and an authorisation process through SharePoint to monitor progress of Level 1 inspections for infrastructure assets.
Investigate the feasibility and value in shifting the inspection activities of high risk, structural assets to an out-sourced model. This may result in financial benefit and a reduction in risk.	1.5	This will be placed on the Asset Steering Committee for investigation and decision.	Moderate	31/12/2021 Revised Due Date 31/3/2022	On Track	50%	Asset Steering Committee recommended to maintain current practice. Current practice reflects a mix of internal and outsourced inspections on high risk assets. In the event a Level 1 inspection of a high risk asset identifies an issue this then initiates a more detailed and outsourced inspection when required. This approach will be covered in the Procedure document.	Completed	100%	Asset Steering Committee recommended to maintain current practice.
Investigate system opportunities to implement an asset management system that supports effective record keeping for asset inspections, (see Finding 1).	2.1	To be developed as part of the AMIS implementation through the DTP. This will be progressed in conjunction with the Senior Project Manager – Financial Transformation.	Moderate	31/12/2021 Revised Due Date 31/3/2022	On Track	10%	To be developed as part of the AMIS implementation through the DTP. This will be progressed in conjunction with the Senior Project Manager – Financial Transformation and is dependent upon the outcomes of recommendation 3.2 AMIS Project kicked off in Sept 2021 and BA resources have been assigned to capture requirements and pain points relevant to CoM Asset Classes. This will be an on-going task as the project implementation will be carried out in phases by Asset Class	On Track	15%	Ownership of this item has been transferred to the Senior Project Manager - Financial Transformation as this is tied to the AMIS DTP. AMIS Project is currently on track . Implementation is in progress Group 1 Open Space - Target Go Live - End Apr 2022 Group 2 Plant & Fleet - Target Go Live - End Jul 2022 Group 3 Transport & Drainage - Target Go Live - End Aug 2022 Group 4 Buildings & Property - Target Go Live - End Oct 2022 Group 5 - IT & Trees - Target Go Live - TBD
Implement an asset class inspection policy or procedure to provide a clearer understanding of documentation requirements, specific Level 1 inspection information and inspection officer responsibilities.	2.2	A procedure document will be developed as recommended.	Moderate	31/12/2021 Revised Due Date 31/3/2022	On Track	15%	Procedure documents in development	On Track	20%	Procedure documents in development
Inspection forms should be completed after each inspection and stored in a central location.	2.3	All asset owners will be reminded of the requirement for inspection forms to be completed and stored. Consideration will be given to completing a spot audit to check compliance.	Moderate	31/12/2021 Revised Due Date 31/3/2022	On Track	15%	Procedure documents in development	On Track	20%	Procedure documents in development

The management of defects, repairs and maintenance should be outlined in a procedure document to ensure high risk/critical asset defects and repairs are risk/severity rated. This will drive the criticality of the associated repairs and maintenance task and inform the timeframes to complete the repairs and maintenance.	2.4	A procedure document will be developed as recommended.	Moderate	31/12/2021 Revised Due Date 31/3/2022	On Track	15%	Procedure documents in development	On Track	20%	Procedure documents in development
In the interim, develop a formalised process to ensure that sufficient record keeping of asset defects and repairs is performed. This could include all repairs and maintenance requests having a CES tickets assigned, to ensure that asset owners are informed of work completion.	2.5	Determine if an interim solution is to be implemented or wait until implementation and integration of AMIS occurs through DTP.	Moderate	31/12/2021 Revised Due Date 31/3/2022	On Track	5%	Direction from Asset Steering Committee is to continue with development of interim solution.	On Track	10%	Exploring the development of a management authorisation process through SharePoint to monitor progress of Level 1 inspections for infrastructure assets across the business. Include in procedure document.
Post repairs inspections should be required and outlined within the policy or procedure document mentioned above.	2.6	A procedure document will be developed as recommended.	Moderate	31/12/2021 Revised Due Date 31/3/2022	On Track	15%	Procedure documents in development	On Track	20%	Procedure documents in development
Due to the diverse asset categories under the CoM's management, each asset class should be considered, and specific functionality investigated to ensure all necessary requirements are met.	3.2	These recommendations are in progress as part of the digital transformation Project and AIMS procurement process.	Moderate	30/06/2022	On Track	50%	AMIS Project kicked off in Sept 2021 and BA resources have been assigned to capture requirements and pain points relevant to CoM Asset Classes. This will be an on-going task as the project implementation will be carried out in phases by Asset Class	On Track	15%	AMIS Project is currently on track. Implementation is in progress Group 1 Open Space - Target Go Live - End Apr 2022 Group 2 Plant & Fleet - Target Go Live - End Jul 2022 Group 3 Transport & Drainage - Target Go Live - End Aug 2022 Group 4 Buildings & Property - Target Go Live - End Oct 2022 Group 5 - IT & Trees - Target Go Live - TBD
Regular reports should be provided to relevant CoM Management on the current status of inspections against the schedule.	4.1	Current decentralised system will make completion of this recommendation challenging, however, post development and endorsement of asset inspection schedule and reporting will be developed.	Moderate	31/12/2021 Revised Due Date 31/3/2022	On Track	5%	Asset Solutions Team exploring development of interim solution through ArcGIS Fieldmaps to monitor progress of Level 1 inspections for infrastructure assets.	On Track	15%	As an interim solution the Asset Solutions Team are developing asset inspection solutions through ArcGIS Fieldmaps and an authorisation process through SharePoint to monitor progress of Level 1 inspections for infrastructure assets. This should enable management to have oversight through reporting.
See Finding 1 for recommendations regarding a fit for-purpose asset management system which would track key inspection data to enable other staff to conduct inspections in lieu of the Technical Officer.	5.1	This item is progressing as part of the DTP – AMIS	Moderate	31/12/2021 Revised Due Date 31/3/2022	On Track	15%	To be developed as part of the AMIS implementation through the DTP. This will be progressed in conjunction with the Senior Project Manager – Financial Transformation and is dependent upon the outcomes of recommendation 3.2	On Track	Refer 2.1	To be developed as part of the AMIS implementation through the DTP. This will be progressed in conjunction with the Senior Project Manager – Financial Transformation and is dependent upon the outcomes of recommendation 3.2.
See Finding 2 for recommendations regarding a formalised asset inspection policy or procedure which would enable other staff to conduct inspections in lieu of the Technical Officer.	5.2	A procedure document will be developed as recommended.	Moderate	31/12/2021 Revised Due Date 31/3/2022	On Track	15%	Procedure documents in development	On Track	20%	Procedure documents in development
While performing the data cleanse, special consideration should be taken to update any assets with multiple functions (e.g. culverts that act as bridges). This should be reflected in the system to ensure that both the culvert and the bridge would be inspected at the same time (where applicable).	PIO1.1	Consider adding a notation in the Asset Data clarifying asset dual function however ensure there isn't duplication within the system.	Moderate	31/12/2021	On Track	10%	Reopened per request from Committee - To be developed as part of the AMIS implementation through the DTP. This will be progressed in conjunction with the Senior Project Manager – Financial Transformation and is dependent upon the outcomes of recommendation 3.2	On Track	Refer 3.2	Recommendation is being addressed as part of data cleanse for AMIS implementation project. Asset Solutions Team are supporting the DTP in the provision of data for the AMIS implementation. Achievement of this recommendation is tied to the data delivery program as part of the AMIS DTP. Finalisation of this recommendation is dependent upon delivery of the AMIS.

In some cases, assets should be considered on a location basis rather than an asset class basis. This will reduce duplication of efforts and allow for a more streamlined approach to some inspections (particularly inspections that take place on reserves, parks, beaches, etc).	PIO1.2	This recommendation requires discussion on the structure and responsibilities for asset inspections.	Moderate	31/12/2021 Revised Due Date 31/3/2022	On Track	10%	To be developed as part of the AMIS implementation through the DTP. This will be progressed in conjunction with the Senior Project Manager – Financial Transformation and is dependent upon the outcomes of recommendation 3.2	On Track	Refer 3.2	To be developed as part of the AMIS implementation through the DTP. This will be progressed in conjunction with the Senior Project Manager – Financial Transformation and is dependent upon the outcomes of recommendation 3.2.
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Project Carryovers

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	PRIORITY	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
The CoM has recently hired a new Senior Project Manager reporting to the CFO and the Senior Leadership Team (SLT). Based on better practice, consideration for this role could include: 1. Working directly with project managers/ relevant staff to coordinate and plan project timelines and milestones to ensure bottlenecks do not occur.	1.1	The PMO will work together with the Project Managers during the project planning period (Sept –April) and ensure the information is accurately captured in CAMMS.	Moderate	31/12/2021	On Track	25%	Schedule for Planning of FY 22 / 23 Program is currently being drafted and will be ready for review by stakeholders in early Oct 2021. Actual Project and Program planning for FY22/23 is targeted to start in Nov 2021. For ongoing current projects - Monthly meetings with PMs have been set up to discuss: - 1. Program schedule and progress 2. Budget forecast 3. Program risks and issues 4. Any other business	On Track	30%	Schedule for Planning of FY 22 / 23 Program completed. Actual Project and Program planning for FY 22 / 23 kicked off with Capital Works SLT and Finance on 4 Nov 2021 For ongoing current projects - Monthly meetings with PMs have been set up to discuss: - 1. Program schedule and progress 2. Budget forecast 3. Program risks and issues 4. Any other business
Training for staff, including for PMF and CAMMS. See PIO 2 for specific recommendations related to training.	1.2	Training will be provided by the PMO to selected staff that requires additional support on learning the PMF and using CAMMS.	Moderate	31/12/2021	On Track		This is an ongoing task - continuous training support will be provided to PMs and relevant staff on the use of CAMMS throughout the project delivery cycle	On Track	N/A	This is an ongoing task - continuous training support will be provided to PMs and relevant staff on the use of CAMMS throughout the project delivery cycle
Project Managers should also ensure the inputting and following of project scheduling, with a focus on more accurate timing of projects to allow for less carryovers. As an assurance mechanism, routine spot checks could be performed to validate the effective implementation of the PMF by Project Managers	1.3	The PMO, on a monthly basis, will randomly select projects to check on the progress and information entered into CAMMS.	Moderate	31/12/2021	On Track		This is an ongoing task Monthly meetings with PMs have been set up to discuss: - 1. Program schedule and progress 2. Budget forecast 3. Program risks and issues 4. Any other business	On Track	N/A	This is an ongoing task Monthly meetings with PMs have been set up to discuss: - 1. Program schedule and progress 2. Budget forecast 3. Program risks and issues 4. Any other business
Further develop PMO reporting which is based on standardised phases and milestones. This reporting should also specifically incorporate cost estimating, scheduling and cashflow forecast guidance.	1.4	The PMO will review the existing reporting format and engage with stakeholders to identify additional reporting requirements and to improve as necessary.	Moderate	31/12/2021	On Track	25%	The PMO is currently revamping the reporting and meeting format of the Monthly Capital Works Meeting to focus more on project delivery issues, risks, and progress	Completed	100%	New Monthly Capital Works reporting and meeting format introduced since Sept 2021 Capital Works Monthly meeting
Refresh and re-distribute standardised project templates.	1.5	The PMO will review the existing project templates and improve/redistribute as necessary	Moderate	31/12/2021	Not Commenced	0%	Target to start activity in November 2021 with focus on the standardised / consistent use of the risk register and risk matrix by PMs	On Track	75%	Risk Register templates introduced to Capital Works PMs in October 2021. PMO will engage PMs to observe use of risk register template
In conjunction with Finding 1, a focus on Project Managers applying the CoM's PMF project planning processes should continue to be supported by the PMO	2.1	The PMO will work together with the Project Managers during the project planning period (Sept – April) and ensure the information is accurately captured in CAMMS.	Moderate	31/12/2021	On Track	25%	Schedule for Planning of FY 22 / 23 Program is currently being drafted and will be ready for review by stakeholders in early Oct 2021. Actual Project and Program planning for FY22/23 is targeted to start in Nov 2021.	On Track	50%	Schedule for Planning of FY 22 / 23 Program completed. Actual Project and Program planning for FY 22 / 23 kicked off with Capital Works SLT and Finance on 4 Nov 2021 For ongoing current projects - Monthly meetings with PMs have been set up to discuss: - 1. Program schedule and progress

										2. Budget forecast 3. Program risks and issues 4. Any other business
When providing training, priority should be given to areas of the CoM that have the highest occurrence of new staff and project managers which would benefit from this training. See also PIO 1 for further discussion on training.	2.2	Training will be provided by the PMO to selected staff that requires additional support on learning the PMF and using CAMMS.	Moderate	31/12/2021	On Track		This is an ongoing task - continuous training support will be provided to PMs and relevant staff on the use of CAMMS throughout the project delivery cycle	On Track	N/A	This is an ongoing task - continuous training support will be provided to PMs and relevant staff on the use of CAMMS throughout the project delivery cycle
Establishment of centralised project cost (and schedule) database to provide cost intelligence for estimating. This could include an investigation into system opportunities to store unit rates.	2.3	For planning of new projects FY22/22 onwards, previous project implementation cost benchmark data (extracted from Financial system) will be provided to Project Managers by the PMO.	Moderate	31/12/2021	Not Commenced	0%	Target to start activity in November2021, in line with start of Program Planning for FY 22 / 23	On Track	50%	Previous historical project budget data was provided in August 2021 to Capital Works SLT. Updated historical budget data (as at Dec 2021) will be provided to PMs in Dec 2021
Where relevant, consider the use of independent cost estimates or early contractor involvement for scoping and budget estimating of projects. This should be considered on a cost and risk basis.	2.4	As per point 3. In addition, costing data will be made available to Project Managers to support planning for future projects.	Moderate	31/12/2021	Not Commenced	0%	Target to start activity in November2021, in line with start of Program Planning for FY 22 / 23	On Track	50%	Previous historical project budget data was provided in August 2021 to Capital Works SLT. Updated historical budget data (as at Dec 2021) will be provided to PMs in Dec 2021
Investigate system opportunities to improve CAMMS and streamline tasks. Specific investigation should be conducted in order to ascertain whether load times can be improved.	3.1	A review was undertaken between CoM and the CAMMS vendor on CAMMS and the conclusion was the PMF set up in CAMMS did not need to change and report improvements were made. The PMO will monitor the system's performance and make the necessary recommendations to IT and CAMMS vendor to improve performance if needed.	Low	31/12/2021	On Track		This is an ongoing task - PMO has resumed monthly service reviews with CAMMS vendor (starting Oct 2021) to manage system performance and post production issues	On Track	N/A	This is an ongoing task - PMO resumed monthly service reviews with CAMMS vendor in Oct 2021) to manage system performance and post production issues PMO is maintaining an internal register of system enhancement requests from the users, and are regularly prioritising enhancements for implementation
See Finding 1 and 2 for recommendations regarding the re-distribution of the PMF and templates.	3.2	See responses in Findings 1 and 2	Low	31/12/2021	Not Commenced	0%	Target to start activity in November2021 with focus on the standardised / consistent use of the risk register and risk matrix by PMs	On Track	N/A	Risk Register templates introduced to Capital Works PMs in October 2021. PMO will engage PMs to observe use of risk register template
Refer PIO2 for project training recommendations.	3.3	See responses in PIO2	Low	31/12/2021	On Track		This is an ongoing task - continuous training support will be provided to PMs and relevant staff on the use of CAMMS throughout the project delivery cycle	On Track	N/A	This is an ongoing task - continuous training support will be provided to PMs and relevant staff on the use of CAMMS throughout the project delivery cycle
It is recommended that the CoM considers transitioning to an open rolling plan where appropriate.	4.1	Finance will work with the PMO and project owners in aligning future funding in the Annual Business Plan and LTFP to support the transition to an open rolling plan where appropriate.	Low	30/06/2022	Not Commenced	0%	Target to start activity in November2021, in line with start of Program Planning for FY 22 / 23	On Track		Actual Project and Program planning for FY 22 / 23 kicked off with Capital Works SLT and Finance on 4 Nov 2021 Finance has commenced engagement with Capital Works SLT in Nov 2021 to review budgets, classification of spend, funding and timing of planned expenditure.
Consideration of actual project scopes and delivery methodology to inform the appropriate project delivery cycle.	4.2	The PMO will review the PMF to consider the suitability of its project life cycle for use by all projects.	Low	30/06/2022	Not Commenced	0%	Target to start activity in November2021, in line with start of Program Planning for FY 22 / 23	Not Commenced	0%	PM Framework to be reviewed in Q1 2022
Further consideration to be provided to allow for resourcing requirements to ensure program planning is performed.	4.3	The PMO will support the Project Managers with past implementation resource data for resource planning use.	Low	30/06/2022	Not Commenced	0%	Target to start activity in November2021, in line with start of Program Planning for FY 22 / 23	On Track		Actual Project and Program planning for FY 22 / 23 kicked off with Capital Works SLT and Finance on 4 Nov 2021
A process to be put in place requiring Project Managers to flag multi-year projects to the PMO, Finance and Procurement.	4.4	PMO, Finance and Procurement will review the internal process to address tracking and reporting of multi year projects.	Low	30/06/2022	Not Commenced	0%	Target to start activity in Jan 2022	Not Commenced	0%	Target to start activity in Jan 2022

It is recommended that the CoM consider further detailing the renewal programs within respective Asset Management Plans. As an example, this could include a detailed breakdown of anticipated expenditure for areas such as Open Space –which would then provide an opportunity subsequent to endorsement, for planning to occur within an earlier timeframe.	4.5	Finance will work with the owners of each Asset Management Plan to further refine the detailed future funding requirements and timing of planned expenditure. This will support the potential transition to an open rolling plan where possible.	Low	30/06/2022	Not Commenced	0%	Target to start activity in November 2021, in line with start of Program Planning for FY 22 / 23	On Track	10%	Actual Project and Program planning for FY 22 / 23 kicked off with Capital Works SLT and Finance on 4 Nov 2021 Finance has commenced engagement with Capital Works SLT in Nov 2021 to review budgets, classification of spend, funding and timing of planned expenditure
Training should be provided to all relevant staff regarding the new Project Management Framework.	PIO1.1	Training will be provided by the PMO to selected staff who requires additional support on learning the PMF and using CAMMS	Low	30/11/2021	On Track		This is an ongoing task - continuous training support will be provided to PMs and relevant staff on the use of CAMMS throughout the project delivery cycle	On Track	N/A	This is an ongoing task - continuous training support will be provided to PMs and relevant staff on the use of CAMMS throughout the project delivery cycle
Specific training should be provided regarding the utilisation of CAMMS and how it is integrated with the PMF. Included in this training should be clearly outlined responsibilities and expectations for Project Officers in regards to documentation and completion of all CAMMS screens.	PIO1.2	See response 1	Low	30/11/2021	On Track		This is an ongoing task Monthly meetings with PMs have been set up to discuss: - 1. Program schedule and progress 2. Budget forecast 3. Program risks and issues 4. Any other business Lessons learnt to be included as agenda with PMs for completed projects	On Track	N/A	This is an ongoing task - continuous training support will be provided to PMs and relevant staff on the use of CAMMS throughout the project delivery cycle
The CoM should consider undertaking lessons learned exercises for each project on a consistent basis.	PIO2.1	The PMO will routinely check completed projects in CAMMS for lessons learned information to be entered.	Low	31/12/2021	On Track		This is an ongoing task Monthly meetings with PMs have been set up to discuss: - 1. Program schedule and progress 2. Budget forecast 3. Program risks and issues 4. Any other business Lessons learnt to be included as agenda with PMs for completed projects	On Track	N/A	This is an ongoing task Monthly meetings with PMs have been set up to discuss: - 1. Program schedule and progress 2. Budget forecast 3. Program risks and issues 4. Any other business Lessons learnt to be included as agenda with PMs for completed projects
Currently, the lessons learned section is in the last phase of CAMMS (and therefore cannot be updated until this phase is unlocked). The CoM should investigate system opportunities to have the lessons learned section permanently unlocked. This would allow for: •Lessons to be identified at any point in time during the project. •Learnings to be recorded as soon as practical, to ensure factual accuracy and that all project management staff are notified as early as possible.	PIO2.2	The PMO will consider the feasibility of implementing this improvement opportunity in CAMMS given its cost implications.	Low	31/12/2021	Not Commenced	0%	PMO will include this requirement in the monthly service reviews with CAMMS vendor to determine feasibility of rolling out this functionality.	Not Commenced	0%	PMO is maintaining an internal register of system enhancement requests from the users, and are regularly prioritising enhancements for implementation

Fraud Management Framework

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	PRIORITY	ACTION DUE DATE	PREVIOUS QUARTER ACTION PROGRESS	PREVIOUS QUARTER ACTION PROGRESS %	PREVIOUS QUARTER ACTION PROGRESS (COMMENTS)	ACTION PROGRESS	ACTION PROGRESS %	ACTION PROGRESS (COMMENTS)
The CoM implement an organisation wide fraud awareness training program which is refreshed and delivered on a regular basis. The CoM should consider the most appropriate method of delivering the fraud awareness training program, which may be through internal delivery or engaging with an external fraud awareness training provider.	1.1	Unit Manager Risk & Strategy will facilitate the Fraud & Corruption training being uploaded to Kineo for distribution to all staff and enabling of automatic recording of training completed.	Low	31/12/2021	N/A	N/A	N/A	On Track	50%	Video link provided to People and Culture for uploading to Kineo.

PID training should be delivered during new starter induction with annual PID refresher training conducted in line with the fraud awareness training (Recommendation 1). It is further noted that this training could be updated to also include additional fraud training elements.	1.2	Manager Office of the CEO will work with the Manager P&C regarding the training.	Low	31/03/2022	N/A	N/A	N/A	On Track	25%	Currently seeking quotes for PID training which will also cover changes to the ICAC and Ombudsman Act and the reporting of Corruption, Maladministration and Fraud. Looking to run in the early part of 2022.
Record completed fraud awareness and PID training in Training Manager.	1.3	Unit Manager Risk & Strategy will provide a record of completed training to be provided to P&C to be recorded in Training Manager.	Low	31/10/2021	N/A	N/A	N/A	Not on Track	50%	Spreadsheet provided to People and Culture for recording in Training Manager.
The CoM prioritise conducting three FRA workshops with the following Business Units: •City Services •City Development •Corporate Services (Finance, IT and Procurement)	2.1	Unit Manager Risk & Strategy will conduct FRA workshops with business units.	Low	28/02/2022	N/A	N/A	N/A	On Track	15%	Risk workshop is booked with key stakeholders
Refresh the current Fraud Risk Register, with specific consideration to the following: •Including targeted risks that may impact each business unit. •Leveraging the Fraud Control Self Assessment checklists to highlight current risks and controls in place. •Consider digital fraud related risks and their potential impacts on the organisation and each business unit.	2.2	Unit Manager Risk & Strategy will refresh the current Fraud Risk Register including targeted risks, those issues highlighted through the self assessment process and in consideration of digital fraud risks	Low	31/03/2022	N/A	N/A	N/A	On Track	5%	Time has been booked in the diary
As part of the CoM Fraud & Corruption Framework, there is an opportunity for the CoM to reference the results of the consolidated fraud risk assessments to help further identify the key areas of internal controls which should be reviewed. As an example, the output of these reviews could help to inform potential internal audit projects.	2.3	Unit Manager Risk & Strategy will update the Fraud & Corruption Framework to reflect the FRA outcomes.	Low	30/04/2022	N/A	N/A	N/A	Not Commenced	0%	Awaiting the workshops.
A pre-employment screening policy should be developed and endorsed by ELT.	3.1	Unit Manager People & Culture will develop a pre-employment screening policy.	Low	31/12/2021	N/A	N/A	N/A	On Track	5%	
As police check requirements have been implemented for certain roles, this requirement and a register of the roles should be included in the above policy. Special consideration should be given to the following: •Whether it is appropriate to retrospectively conduct police checks for staff currently in police check-required roles. •Staff moving to a role that requires a police check should undergo the check. •Guidance to be developed regarding steps to be taken in the event of adverse outcomes resulting from staff police clearance checks.	3.2	Unit Manager People & Culture will include the register of roles requiring police checks into the pre-employment screening policy. Consultation will take place with ELT as to whether it is appropriate to a) retrospectively conduct policy checks for existing staff, b) perform police checks for staff moving into a role that requires a police check, c) guidelines to be developed regarding adverse outcomes from staff checks.	Low	31/12/2021	N/A	N/A	N/A	On Track	5%	
Internal Audit recommends the CoM implement a cab charge procedural document or add to existing policy, with specific considerations including but not limited to the following: •The employees roles and responsibilities •Lost or stolen cards •Manual dockets •Use of EFTPOS machine.	3.3	Unit Manager Operational Support will Implement a Cab Charge Procedure.	Low	28/02/2022	N/A	N/A	N/A	Not Commenced	0%	

Consider introducing further anonymous fraud reporting mechanisms for staff including phone and web channels.	4.1	Unit Manager Risk & Strategy will consider further anonymous fraud reporting mechanisms and update the Fraud & Corruption Framework accordingly.	Low	31/12/2022	N/A	N/A	N/A	Not Commenced	0%	
Formally document and communicate these fraud reporting mechanisms to staff.	4.2	Unit Manager Risk & Strategy will communicate any fraud reporting changes to staff.	Low	31/12/2022	N/A	N/A	N/A	Not Commenced	0%	
Internal Audit recommends the CoM amend the investigation procedural document to include the following: •Established check in points between the two Responsible Officers. •Further rigour around sharing of investigation status and relevant information between the two Responsible Officers.	4.3	Manager Office of the CEO will work with Manager, P&C regarding process for Responsible Officers.	Low	31/12/2021	N/A	N/A	N/A	On Track	25%	Currently working through process and training requirements for the organisation. These will be imbedded within the procedures.
Internal Audit recommends the CoM consider implementing data mining/analytics fraud detection programs as part of the Digital Transformation Program.	PIO1.1	The Chief Financial Officer will explore the opportunity with the Business Intelligence Lead of implementing data analytics fraud detection programs in the future. The CoM is developing its data analytics capability recently employing a data analytics lead with further resourcing to support the function being addressed. Following the completion of FRA as noted in finding 2, options will be explored regarding the introduction of data analytics for fraud detection purposes.	Low	30/06/2022	N/A	N/A	N/A	Not Commenced	0%	As our analytics implementation is not in place as yet, this task has not yet been started, but will be factored into analytics project planning.
Internal Audit recommends the CoM consider including a reference to the Business Continuity Media Response Policy in the Fraud and Corruption Framework.	PIO2.1	Unit Manager Risk & Strategy will update the Fraud & Corruption Framework to reference the BCP Communications Strategy, specifically the process for Media Response.	Low	31/12/2021	N/A	N/A	N/A	Completed	100%	Reference embedded and updated in Framework.

Community Facilities Management Models

RECOMMENDATION	ACTION #	AGREED MANAGEMENT ACTION	PRIORITY	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 if the CoM continues to implement the current subsidy rebate, that supporting guidelines are developed which details: Guidance on the documentation allowable to evidence the meeting of each criteria item. Review the documentation requirements for the subsidy and consider developing weighted criteria base on the importance of each item. Clarify compliance requirements for ongoing annual assurance checks. Develop annual reporting to be provided to the CoM which outlines the current status of compliance of community facilities leasing tenants.	1.1	The CoM Leasing and Licensing Policy is currently under review and will be presented to the November Elected Member Forum.	Moderate	31/04/2022	N/A	N/A	N/A	Completed	100%	Fee model discussion undertaken at EM forum on 16 November 2021, the leasing and licensing policy review scheduled for General Council on 14 December will have recommendations to adopt a simpler fee model structure.
	1.2	The future fee model will include a supporting procedure that will provide guidance to support the Policy which will include the following items: Associated documentation requirements; and On-going compliance requirements.	Moderate	31/04/2022	N/A	N/A	N/A	On Track	60%	Currently drafting of a Guidelines and Procedure document in line with the revised leasing and licensing policy scheduled for General Council on 14 December.

	1.3	Further reporting methods will be investigated following the implementation of a supporting system. In the interim, annual compliance spot checks will be performed by CoM Management.	Moderate	31/04/2022	N/A	N/A	N/A	Not Commenced	0%	In addition to regular reporting, spot checks will commence in early 2022 following the commencement of Annual scheduled property Inspections at the end of 2021.
To address the inadequate and inconsistent monitoring processes, it is recommended that the CoM: •Review the current monitoring processes in place and evaluate the ineffectiveness with consideration to the frequency, thoroughness, tenant compliance, and resource requirements required to undertake these processes. •Consider standardising the monitoring and reporting periods across the community facility portfolio. •Consider the implementation of a supporting system with functionality to automate monitoring of compliance requirements, such as reminders for key actions and non-compliance flags, as well as integration into other systems, such as records management.	2.1	As noted in the Finding 1 Management Actions, pending the implementation of a supporting system, further reporting will be investigated.	Moderate	31/04/2022	N/A	N/A	N/A	Not Commenced	0%	Business requirements have been developed and finalised for the Property Management System (PMS), awaiting for capacity within the Digital transformation team to progress the PMS.
	2.2	The Governance and Compliance Excel spreadsheet will also be reviewed to include conditional formatting to facilitate the tracking of compliance requirements.	Moderate	31/04/2022	N/A	N/A	N/A	On Track	20%	The spreadsheet is being looked at to determine appropriate data requirements and formatting.
	2.3	To reduce documentation requirements at one set period, the CoM will investigate the alignment of documentation requirements to annual property inspection dates to increase the efficiency of the process with available resources.	Moderate	31/04/2022	N/A	N/A	N/A	On Track	50%	Annual Property Inspections have been commenced with compliance documentation being requested to align with these inspection dates.
It is recommended that the CoM developed a procedural document or guidelines to include at a minimum the following: •Guidance for the practical application of the areas covered in the Policy. •Procedure for conducting risk ratings of tenants, including the basis for the rating. •Frequency of inspections, including ongoing monitoring and follow up procedures. •Defined roles and responsibilities performed by supporting CoM teams. •Key definitions to ensure consistency. •Re-enforce the requirements, principles and objectives stated within the Policy.	3.1	Refer to Finding 1 Management Actions.	Moderate	31/04/2022	N/A	N/A	N/A	On Track	60%	Refer to Action Progress Comments in Management Action 1.
	3.2	Subsequent to the development of procedure documents, staff will be made aware of the updated procedure to ensure a clear understanding of expectations required to comply with Council policy and procedures and provide high levels of customer service.	Moderate	31/04/2022	N/A	N/A	N/A	Not Commenced	0%	As part of the policy review scheduled to go to General Council 14 December 2021, draft supporting Guidelines Procedure are being developed. Once policy review is endorsed by Council, the development of a manual for the leasing and licensing portfolio will be included as part of the induction process for new staff.
As noted on p. 13, the CoM may improve the efficiency of the current processes with the following recommendations: •Review the administrative processes involved with the current fee revenue model with consideration to streamlining processes that have a no/negative financial benefits, such as the yearly CPI rental increase calculation. •Review the annual tenant documentation requirements with consideration to the necessity of items and removing non-value adding items. •Consider standardising the monitoring and reporting periods to increase process efficiency, as well as, reduce the resource burdens. •Implementation of a supporting system that will remove highly manual processes, such as those include within the Microsoft Excel Governance and Compliance master document sheet, as well as the integration into other key system.	PIO1.1	Refer to Finding 1 Management Actions.	Low	31/04/2022	N/A	N/A	N/A	On Track	60%	Refer to Action Progress Comments in Management Action 1.
	PIO1.2	The CoM will also investigate the following efficiency opportunities: •Fixed annual increases rather than CPI;	Low	31/04/2022	N/A	N/A	N/A	On Track	50%	This was discussed at the EM forum and broadly supported by EM's. This will be included in the revised Policy scheduled for General Council 14 December 2021.
	PIO1.3	Consider KPI's as part of the annual reporting to replace the subsidy documentation requirements;	Low	31/04/2022	N/A	N/A	N/A	On Track	50%	This was discussed at the EM forum and broadly supported by EM's. This will be included in the revised Policy scheduled for General Council 14 December 2021.
	PIO1.4	Consider standardised periods for annual property inspections and compliance reporting; and	Low	31/04/2022	N/A	N/A	N/A	On Track	50%	Annual Property Inspections have commenced with compliance documentation being requested to align with these inspection dates.
	PIO1.5	Management will also further explore the clear need for the implementation of the effective supporting system at the earliest opportunity.	Low	31/04/2022	N/A	N/A	N/A	On Track	20%	Business requirements have been developed and finalised for the Property Management System (PMS), awaiting for capacity within the Digital transformation team to progress the PMS.

8 Workshop / Presentation Items - Nil

9 Confidential Items

9.1 Cover Report - ICT Security update

Report Reference	FRAC211214F9.1
Originating Officer	Manager IT Operations - Micheal Bowden
Corporate Manager	N/A
General Manager	General Manager Corporate Services - Sorana Dinmore

REASON FOR CONFIDENTIALITY

Local Government Act (SA) 1999 S 90 (2) 3

(e) matters affecting the security of the council, members or employees of the council, or council property, or the safety of any person

RECOMMENDATION

That pursuant to Section 90(2) and (3)(e) of the *Local Government Act 1999*, the Council orders that all persons present, with the exception of the following persons: Chief Executive Officer, General Manager City Development, General Manager Corporate Services, General Manager City Services, Manager Office of the CEO, Chief Financial Officer, Manager IT Operations, Unit Manager Governance and Council Support and Governance Officer, be excluded from the meeting as the Council receives and considers information relating ICT Security Update, upon the basis that the Council 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 information security and technology systems.

9.2 Cover Report - Digital Transformation Program Update

Report Reference	FRAC211214F9.2
Originating Officer	General Manager Corporate Services – Sorana Dinmore
Corporate Manager	N/A
General Manager	Chief Executive Officer - Tony Harrison

REASON FOR CONFIDENTIALITY

Local Government Act (SA) 1999 S 90 (2) 3

(b) information the disclosure of which (i) could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting, or proposing to conduct, business, or to prejudice the commercial position of the council; and (ii) would, on balance, be contrary to the public interest

RECOMMENDATION

That pursuant to Section 90(2) and (3)(b)(i) and (ii) of the *Local Government Act 1999*, the Council orders that all persons present, with the exception of the following persons: Chief Executive Officer, General Manager City Development, General Manager Corporate Services, General Manager City Services, Manager Office of the CEO, Chief Financial Officer, Unit Manager Governance and Council Support and Governance Officer,, be excluded from the meeting as the Council receives and considers information relating to Digital Transformation Program Update, upon the basis that the Council 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 the current status of the Digital Transformation Program and the impact on contractual expectations.

10 Other Business**11 Meeting Closure**

The meeting shall conclude on or before 5.00pm unless there is a specific motion adopted at the meeting to continue beyond that time.