

His Worship the Mayor  
Councillors  
**CITY OF MARION**



**NOTICE OF  
FINANCE AND AUDIT COMMITTEE**

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

**Tuesday 8 March 2016**

**Commencing at 2.00pm**

**In the Chamber**

**Council Administration Centre**

**245 Sturt Road, Sturt**

A copy of the Agenda for this meeting is attached in accordance with Section 83 of the Act.

Meetings of the Council are open to the public and interested members of this community are welcome to attend. Access to Committee Room 1 is via the main entrance to the Administration building on Sturt Road, Sturt.

A handwritten signature in black ink, appearing to read "Adrian Skull", with a horizontal line underneath.

Adrian Skull  
**CHIEF EXECUTIVE OFFICER**

4 March 2016

**CITY OF MARION  
FINANCE AND AUDIT COMMITTEE AGENDA  
FOR THE MEETING TO BE HELD ON  
TUESDAY 8 MARCH 2016  
COMMENCING AT 2.00 PM  
CHAMBER, ADMINISTRATION CENTRE  
245 STURT ROAD, STURT**



**1. OPEN MEETING**

**2. KAURNA ACKNOWLEDGEMENT**

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

**3. MEMBER'S DECLARATION OF INTEREST (if any)**

**4. CONFIRMATION OF MINUTES**

Confirmation of the Minutes for the Finance Audit Committee Meeting held  
15 December 2015

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Confirmation of the Minutes for the Special Finance & Audit Committee Meeting held  
22 February 2016

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**5. BUSINESS ARISING**

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

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**6. ELECTED MEMBER REPORT**

6.1 Elected Members Report

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**7. REPORTS**

**Matters for Discussion**

Corporate & Financial Management

Draft Annual Business Plan and Budget 2015/16 and Draft Long Term Financial Plan

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Risk Management

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Service Reviews and Internal Audit

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**8. CONFIDENTIAL ITEMS**

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**9. ANY OTHER BUSINESS**

**10. MEETING CLOSURE**

The Audit Committee meeting shall conclude on or before 6.00 pm unless there is a specific motion adopted at the meeting to continue beyond that time.

**11. NEXT MEETING**

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

**Time: 2.00pm – 5.00pm**

**Date: 31 May 2016**

**Venue: Chamber, Administration Building**

**MINUTES OF THE FINANCE AND AUDIT COMMITTEE MEETING  
HELD AT THE ADMINISTRATION CENTRE  
245 STURT ROAD, STURT  
ON TUESDAY 15 DECEMBER 2015**



**PRESENT**

Mr Greg Connor (Chair), Mr Lew Owens, Ms Kathryn Presser, Councillor Tim Gard, Councillor Raelene Telfer

**In Attendance**

Mr Adrian Skull	Chief Executive Officer
Mr Vincent Mifsud	Director
Ms Abby Dickson	Acting Director
Ms Kate McKenzie	Manager Corporate Governance
Mr Ray Barnwell	Manager Finance
Ms Fiona Harvey	Manager Innovation and Strategy

**1. OPEN MEETING**

The meeting commenced at 3.00 pm. The Chair welcomed all those present to the meeting and acknowledged Councillors Gard and Telfer as the new Elected Member representatives of the Committee.

**2. KAURNA ACKNOWLEDGEMENT**

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

**3. MEMBERS DECLARATION OF INTEREST**

The Chair asked if any Member wished to disclose an interest in relation to any item being considered at the meeting. No declarations were made.

**4. CONFIRMATION OF MINUTES**

**Moved Mr Owens, Seconded Councillor Telfer** that the minutes of the Audit Committee meeting held on 13 October 2015 is confirmed as a true and correct record of proceedings.

**Carried Unanimously**

**5. BUSINESS ARISING**

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

- Item 2 relates to the Project Management Review. The Committee requested that the report be circulated out of session. Consultation is currently occurring with the new CEO to bring him up to date with the review and it will be distributed thereafter.
- Clarification was sought on item 9 regarding the recovery of rate debts greater than 3 years old (ie. Specifically relating to "Deferred Rates") from the sale of property (noting that the properties were generally deceased estates of properties for sale). It was noted that \$90k was received by City of Marion within 2 years, significantly reducing the debt.

- The Corporate Risk Profile was listed for the 15<sup>th</sup> December 2015 meeting but will be presented to the first meeting in 2016. Significant progress has been made regarding the risk review but it has yet to be considered by the Executive Leadership Team (ELT).

## 6. ELECTED MEMBER REPORT

### 6.1 Elected Member Representative Report to Audit Committee Report Reference: AC151215R6.1

Councillor Telfer spoke to the report drawing the Committee's attention to the following points:

- The Council has been working its way through the 30 Year Plan and its short term goals and issues. An Elected Member Forum is planned for the 16<sup>th</sup> January 2016 with strategic planning and priority setting being a key focus.
- Council has agreed to use the quarterly review process to progress new and unfunded items to ensure that an appropriate prioritisation and approval process is considered and applied.

The Committee advised that the challenge for the Elected Members will be what to say 'no' to. The CEO confirmed that it will be important for the council to establish a plan (potentially a three year plan in the first instance) to assist the progress of strategic priorities.

Councillor Gard agreed with the comments provided by Councillor Telfer and also contributed that further work is required to connect the Asset Management Plans with budget planning for the short, medium and long term. He suggested that the budget process can be complex and it can be difficult to connect budget with outcomes.

The Committee queried if Council had progressed any further in its decision making regarding the vacant land at the City Services site. Councillor Telfer advised that there was no agreement or further decision at this point. A discussion will be held at the 16<sup>th</sup> January 2016 Forum regarding surplus assets and the opportunities for asset consolidation and/or disposal. The Audit Committee requested an update be provided by June 2016.

**ACTION: that the Audit Committee be provided with an update by June 2016 regarding the progress of surplus assets (particularly the status of the land at City Services).**

## 7. REPORTS

### Corporate and Financial Management

#### 7.1 Finance & Audit Committee Work Program & Meeting Schedule for 2016 Reference No: AC151215R7.1

The Committee noted the report and agreed that the proposed work program covered the requirements of the Committee's Terms of Reference. It was noted that internal audit and service reviews were now listed separately on the work program.

The Committee requested that the risk profile work noted on page 134 of the agenda be added to the work program. It was advised that this work will be presented in the Corporate Risk Profile at the meeting in March 2016.

The Committee discussed the meeting dates noting that the October and December Meetings required change.

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

1. **Note the proposed work program for 2016 identified at Appendix 1 to the report.**

**2. Adopts the following schedule of meetings for 2016;**

- a) TUESDAY, 8 March 2016 (2.00 – 5.00 pm)
- b) TUESDAY, 31 May 2016 (2.00 – 5.00 pm)
- c) TUESDAY, 16 August 2016 (4.00 – 6.00 pm, followed by joint workshop with Council from 7.00 – 9.00 pm)
- d) TUESDAY, 4 October 2016 (2.00 – 5.00 pm)
- e) TUESDAY 6 December 2016 (2.00 – 5.00 pm)

**Carried Unanimously**

**ACTION:** the Committee requested that meeting invitations be sent to all Committee Members for the 2016 meeting schedule.

**7.2 Ombudsman’s Annual Report 14/15  
 Report Reference: AC151215R07.2**

The Manager Corporate Governance provided an overview of the report noting that the number of complaints referred back to the Council from the Ombudsman had increased as the Ombudsman’s Office had altered its process to allow Councils the opportunity to address complaints in the first instance.

The Committee queried why some complaints were not listed in Council’s record management system and it was clarified that in some instances where a complainant had gone directly to the Ombudsman and been advised to liaise direct with council, the complainant did not always follow up with Council, hence there were no records on the Council’s system.

The Committee noted the report and recognised that complaints referred to the Council from the Ombudsman are followed up to ensure any relevant actions have been completed.

**7.3 Framework and Key Assumptions for the preparation of the 2016/17 ABP&B and Long Term Financial Plan  
 Report Reference: AC151215R7.3**

The Manager Finance provided an overview of the framework and key assumptions for the Annual Business Plan and Budget (ABP&B) 2016/17 and Long Term Financial Plan (LTFP) noting that the Committee last reviewed this in April 2015. The main differences between the 2015/16 and 2016/17 frameworks were listed on page 33 of the agenda. The key risks were listed on page 35 of the agenda.

The Committee queried the proposed change in the Operating Surplus ratio target from 0-5% to 0–6%. The Committee was advised that the proposed change was made to align the KPI to that adopted by Council in its 2015/16 ABP&B. It was noted that the current KPI was sitting at 9% primarily as a result of substantial forecast gross operational savings of \$3.2m being identified in the development of the 2015/16 ABP&B.

Further discussion was held in regards to the size of the operating surplus, which currently exceeds the Council endorsed KPI and it was agreed that it would be useful for an appropriate explanation to be provided in the ABP&B documentation clarifying this. As noted “above” for example the current year KPI for the Operating Surplus Ratio was exceeded in Council’s adopted ABP&B primarily as a result of substantial forecast operating expenditure savings being identified in the development of the ABP&B.

Discussion was also held in regards to the applicable residential rate in the dollar for the City of Marion as compared with other Councils. The City of Marion residential rate in the dollar is higher than surrounding Councils and therefore it would be useful to explore and understand this further as part of the 2016/17 ABP&B process.

The General Manager Corporate Services advised that budgeted rate revenue is calculated through a formula which considers two key variables being (1) the required total rate revenue and (2) property values provided by the Valuer General. The rate in the dollar is the resultant figure derived from this process and therefore these 2 key variables and the various differing factors that exist from one council to the next need to be considered in this process. Councillor Gard advised the Committee of the differences that occur from Council to Council, particularly within the City of Holdfast Bay and the City of Marion. For example, Marino residents with the same or similar property values will pay significantly less rates in Holdfast Bay than Marion, when they reside in the same suburb. Councillor Gard suggested that the rating system is archaic, complex and requires reform. As a result the average resident does not understand the system.

The Committee agreed that there is opportunity within the pending ABP&B process to explore this issue further with Elected Members, in order to provide a greater level of clarity and understanding in this area. It was proposed that as part of the ABP&B process a number of scenarios could be considered looking at the differential rates that apply to different land use codes (ie. commercial, residential, industrial, etc).

The Committee queried what percentage of rate revenue was derived from commercial properties within the Cities of Marion and Holdfast Bay. The Manager Finance advised that within City of Marion it is about 15 percent and would follow up the details for the City of Holdfast Bay.

**ACTION: provide the Committee with the percentage of rate revenue derived from commercial properties for the Cities of Marion and Holdfast Bay.**

Councillor Telfer advised the Committee that service delivery had been topical amongst Elected Members and that the Council was seeking some assurance from management that service levels would not be impacted and reduced as a result of the ABP&B for 2016/17.

The CEO confirmed that service levels would be consistent with the agreed plan but may be impacted by service reviews and the assumptions within the LTFP.

The Committee made the following final comments regarding the AB&B and LTFP:

- The wording on page 33 that suggests “council only considers new major projects where it has the identified funding capacity to do so” should be altered to read “ council only approve new major projects....” Council should be able to consider a wide variety of matters and this amendment will facilitate this.
- It is important for the risks outlined on page 35 to be considered by Council, which are well encapsulated in the report. For example, the employee costs/increases within the current Enterprise Agreement are above the current assumptions within the LTFP. This is a difficult position for management. The new agreements will need to be negotiated based on the current employment market.
- The provision of key financial ratios, such as Interest and Debt, would be useful in future reports.

With the consideration of the above feedback, the Committee recommended that the framework for the 2016/17 ABP&B and LTFP be presented to Council for consideration and adoption.

**ACTION: that the framework for the 2016/17 ABP&B and LTFP be presented to Council for consideration and adoption.**

The Chair sought leave of meeting to alter the agenda to allow for those items to be considered that related to the Internal Audit. The Committee agreed.

### **Service Reviews and Internal Audit**

4.00 pm Mr Justin Jaimison and Jared Lawrence from KPMG entered the meeting.

#### **7.7 Draft Internal Audit Plan 2015/16 – 2016/17 Reference No: AC151215R7.7**

Mr Jaminson (Audit Partner) from KPMG provided an overview of the Internal Audit Plan for 2015/16 to 2016/17 indicating that this will be the lead document to drive the internal audit program for the next two years. Mr Jaimison indicated that the following process was undertaken to develop the two year plan:

- Consultation with key stakeholders throughout the organisation including ELT, Manager Corporate Governance, Risk and Finance.
- Review and understanding of the City of Marion Community Plan, Annual Business Plan, Long Term Financial Plan, Asset Management Plan and other core documents.
- Review of the City of Marion Strategic Risk Register.

The Committee noted that the Plan focused on a back to basics approach with a mix of some strategic reviews. Mr Jaimison confirmed that the balance of core assurance reviews and strategic reviews was an important balance. The back to basics approach will address matters such as fraud exposure and process breakdown. The Plan is developed for flexibility and reviews can be moved around depending on resources and priorities.

The Committee queried the timing of some reviews (i.e. land and property review) and it was noted that the internal audit will review the implementation and operations of the system improvements that are being implemented now. The land and property internal audit review is included on the program in 2017 for this purpose.

The Committee noted that KPMG could assist Council with independent advice regarding strategic objectives if required.

The Committee noted the Plan had been developed through a considered process and agreed it was a solid approach.

#### **7.8 Internal Audit Scopes Report Reference: AC151215R7.8**

The Committee noted the four (4) scope documents within the report and made the following comments:

- No comment was made from the Committee regarding the scope for the development of the Internal Audit Plan.
- The Committee sought assurance that the Payroll Audit was comprehensive and queried if there was any opportunity within the Payroll Audit to look at cost sharing. It was confirmed that this was out of scope for this review as it would be focused on the payroll processes and internal control environment. It was suggested that this could be considered as part of a further service review.
- The Committee noted that the Capital Works audit will focus on the current issues associated with carryovers and the capital works program. The audit will focus on planning and delivery and assess Council's process. The Committee suggested that there may be an opportunity to look at contingency management and procurement at a



program level rather than at a project level. The Committee also suggested that it was important that this audit looks at the efficiency and effectiveness of capital works programs.

- The Committee suggested that it would be useful if the internal audit on purchase cards was looked at holistically and addressed issues such as the use of credit cards versus accounts/invoice payment (i.e. the risks and resources required for both systems of purchasing). A recommendation of the best method for the business would be helpful within this review.

In addition discussion was held in regards to the appropriate timing for the planned IT Security audit proposed for early 2017 and it was agreed that this should not occur until after the pending Lotus Notes Replacement program has been finalised.

4.27 pm Mr Jaimison and Mr Lawrence left the meeting.

4.27 pm The Presiding Member adjourned the meeting for a short 5 minute break.

4.33 pm The Meeting resumed.

#### **7.9 Service Review Update** **Reference No: AC151215R7.9**

Mr Owens declared that he had worked closely with Kaurna in alternative employment. He did not consider this to be a conflict of interest but requested it be recorded in the minutes.

The Committee noted that the Hard Rubbish Service Review and Community Facilities (Living Kaurna Cultural Centre (LKCC)) Service Review were selected as the first two reviews to be completed in a survey completed by Elected Members. The Hard Rubbish Service Review was progressing well and with the intent to report this to the Committee in March 2016.

The Committee noted the scope of the LKCC Service Review and the review will focus on the cost benefit and community value in the first instances. At the conclusion of the first phase and a decision point will occur regarding where to from here regarding the service delivery model for the site.

Councillor Telfer requested that Fairford House be included within the scope of the review and this was agreed.

Councillor Telfer also sought clarification regarding lot 707 which is owned by the Indigenous Land Corporation (ILC) and suggested it may be useful to explore in the second phase of the review how the LKCC could complement any development at this location.

The Committee was advised of and noted progress on both reviews.

#### **7.4 Asset Management Plan** **Report Reference: AC151215R7.4**

The Committee noted that the Asset Management Plans (AMPs) had been presented to the Committee earlier in the year and were now being brought back after community consultation.

The Committee noted that two responses were received within the community consultation period. The Committee was of the opinion that the current AMPs were the foundation to develop more definitive AMPs and the current AMPs should be considered “a plan for a plan”.

It was noted that the information from the buildings and facilities review will need to be built into the AMPs. The AMPs will also need to link to other organisational plans and a three (3) year plan may be appropriate to assist at an operational level.

The Committee noted that at the Elected Member Forum in January 2016, the council would be considering surplus assets and the opportunities for potential asset disposal and/or consolidation.

Councilor Gard sought clarification as to how Council funds new/enhanced assets (i.e. such as footpath redevelopment and streetscapes) that are above the existing asset service standards and if these items would be considered as new under Council's Asset Management Policy.

The General Manager Corporate Services confirmed that the current AMP's are based on the Asset Management Policy that requires a like for like renewal of existing assets. If an item is a new or enhanced asset, it would require a separate prioritisation and approval process and then be imbedded into the AMPs.

In summary, the Committee emphasised that the AMPs are based on the premise of like for like renewal which is articulated within the Plan. The AMPs reflect a good piece of work but require on-going review to ensure they continue to develop further into better informed and accurate operational AMPs.

The Committee recommended that the AMPs be forwarded to Council for adoption.

**ACTION: That the Asset Management Plans be presented to Council for consideration and adoption.**

### **Risk Management**

#### **7.5 Risk Management Policy and Framework Review Reference No: AC151215R7.5**

The Committee noted the comprehensive documents and agreed that the Framework and Policy provided rigor for the Council and its risk management practices. The Committee suggested that regular review is required and monitoring of risk treatments is critical.

The Manager Corporate Governance provided an overview regarding how risks are monitored throughout the organisation. This includes the review of operational risk reviews (annual) with the risks identified as high or extreme (outside of risk tolerance) to be monitored by the Risk Working Group (Bi-monthly) and the emerging and extreme risks monitored by ELT on a fortnightly basis.

The Committee made the following points for consideration:

- The overall responsibility for risk rests with the Council. The Committee should be used as a filter. The roles and responsibilities within the framework should reflect this.
- The measurement of effective treatments is critical and should be further embedded into the framework.
- Consideration should be given for the CEO to create a top 5 risk report that is considered on a regular basis.
- Further exploration of the Council's media monitoring could occur to review how it could assist in managing emerging risks.
- It was acknowledged that the definition of a risk within the Framework is from the Internal Risk Management Standards (31000:2009) and if Council wants to measure against the standards it would be best practice to refer to the definition within the standards. Notwithstanding this, the key element of a rigorous framework is the application of the process. It was suggested that the definition of a risk could be misleading and it was queried if there is opportunity to look at a different definition and change the word "uncertainty".

- The terminology of “risk appetite” to be amended to “risk tolerance”.

With the consideration of the above, the Committee recommended that the Risk Management Policy and Framework be presented to Council for consideration and adoption.

**ACTION: That the Risk Management Policy and Framework be presented to Council for consideration and adoption.**

**7.6 Local Government Association Mutual Liability Scheme (LGA MLS) Annual Risk Review 2015  
Reference No: AC151215R7.6**

The Committee noted the report, action plan and the rebate of \$41k. It was noted that the LGA MLS will be changing the review methodology in 2016.

The Committee queried the status of items 4.20 and 7.36 with the action plan and noted the following:

- 4.20 :The new section 41 Committee structure is required to be reported to the LGA MLS who will provide cover for any liability arising from the actions of any of the Section 41 Committees.
- 7.36 The railway Interface Guide is currently being worked through with Council staff and the LGA MLS.

The Committee queried what claims contribute to the Administration claims category representing 59% of the ‘types of claims based on cost’. This was taken on notice and will be reported through the actions arising statement.

**ACTION: provide further detail regarding what is included within the 59% Administration Claims on page 142 of the agenda.**

**8. CONFIDENTIAL ITEMS**

Nil

**9. ANY OTHER BUSINESS**

The new section 41 Committees of Council were noted and the Committee recommended that the operations of these Committees be reviewed during 2016. It was noted that Council resolved to review the Committees at the conclusion of 2016.

**10. MEETING CLOSURE**

The meeting was declared closed at 5.22 pm

**11. NEXT MEETING**

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

**Time: 2 pm – 5 pm**

**Date: 8 March 2016**

**Venue: City of Marion Council Chambers  
245 Sturt Road, Sturt**

.....  
**CHAIRPERSON**

/ /

**MINUTES OF THE SPECIAL FINANCE AND AUDIT COMMITTEE MEETING  
HELD AT THE ADMINISTRATION CENTRE  
245 STURT ROAD, STURT  
ON MONDAY 22 FEBRUARY 2016**



**PRESENT**

**Mr Greg Connor (Chair), Mr Lew Owens, Ms Kathryn Presser, Councillor Tim Gard.**

**In Attendance**

Mr Adrian Skull	Chief Executive Officer
Mr Vincent Mifsud	General Manager, Corporate Services
Ms Abby Dickson	General Manager, City Development
Ms Kate McKenzie	Manager, Corporate Governance
Mr John Valentine	Manager, Strategic Projects
Mr Ray Barnwell	Manager, Finance
Mr Neil McNish	Manager, Economic Development
Ms Emma Cavaggion	KPMG
Mr Jared Lawrence	KPMG

**1. OPEN MEETING**

The meeting commenced at 3.02 pm.

**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. MEMBERS DECLARATION OF INTEREST**

The Chair asked if any Member wished to disclose an interest in relation to any item being considered at the meeting. No interests were declared.

**4. CONFIRMATION OF MINUTES**

Nil

**5. BUSINESS ARISING**

Nil

**6. ELECTED MEMBER REPORT**

Nil

**7. REPORTS**

**Matters for Discussion**

**7.1 Edwardstown Soldiers Memorial Recreation Ground - Section 48 Prudential Report  
Reference No: SFAC2202161R.1**

The General Manager, City Development provided an overview of the project, highlighting that Council regards sporting infrastructure and facilities for the City of Marion as a high priority. The Committee noted the aim of the project was to develop the Edwardstown Oval site to create a new precinct that will provide a broad range of recreational, economic and social benefits to the local community.

The Edwardstown Oval redevelopment has been identified as one of Council's top four adopted priorities for sporting and community facilities. In September 2015, the Council resolved to progress the project to develop and prepare concept plans and a comprehensive submission for the National Stronger Regions Funds (NSRF).

As part of the project development, when the capital costs of a project exceeds \$4m, a report that addresses the prudential issues of the project must be developed in accordance with Section 48 of the Local Government Act 1999. The requirements of a Section 48 report are set out on page 61 of the agenda.

The key areas of feedback sought from the Finance and Audit Committee relate to:

- Financial viability and sustainability of the project
- The risk register
- Governance model and management framework.

The Manager, Strategic Projects provided the Committee with a presentation that highlighted the design concepts and an overview of how the facility would operate and be managed. It was noted the project has been developed in a tight timeframe. The Manager, Strategic Projects advised that some elements have been developed 'below the line' which means they can be added or taken off, depending on how the project progresses and the construction tender outcomes.

The Committee queried where this project was prioritised against Council's other priority sporting projects, as Council will need to examine and consider the incremental impact on the financials as these projects further evolve. The Manager Strategic Projects advised that this project was the first to progress to this stage during this term of Council, and had been driven by the timing of the funding application which is due to be lodged by 15 March 2016. It was also raised that a submission for the indoor multicourt facility proposed at Mitchell Park will also be prepared for the mid year applications to the next round of the NSRF.

The Committee cautioned that depending upon how the project will be funded (i.e. through borrowings or reserves), Council needs to consider its debt servicing ratio and the implications on other projects. The \$8m proposal includes a \$4m capital contribution from Council funds in addition to \$4m project funding being sought through the NSRF. Council will also be required to fund additional on going maintenance and renewal costs. This may present a challenge to Council if it does not want to increase rates and other major projects require similar funding. Council's increased funding requirements are highlighted on page 102 of the agenda papers. If the project progresses, consideration should be given to how it will be resourced.

### Economic Development

The Committee noted that expected economic development of the local area and the impact on businesses was one of the issues to be addressed under Section 48 and suggested that this could be further developed within the report.

The Manager, Economic Development advised that the economic impact analysis had been completed at a local level, focusing on impact to businesses based on assumptions of visitations. It was noted that analysis can be difficult as it does not take into account individual businesses as such, but rather how the facility could create further economic benefit to the general location through additional visitation and spending in the area. It was agreed that further clarity can be provided to this section of the report.

**Action – enhance the economic development information within the Section 48 report regarding the impact on local business.**

Consultation

The Committee noted that the primary consultation had occurred with the Edwardstown Oval Committee who represented the clubs at the site and some local residents, including representation from the RSL. It was also noted that good stakeholder consultation had occurred, but as the timeframes to develop the submission had been tight, the general public had not been involved in a broader consultation at this point. Some consultation had occurred in 2012 when the original sports hub master plan was developed. This received a positive response from the community. The difference between this proposal and the master plan proposal from 2012 is the size of the building, which was much larger in 2012. Feedback received at that time was the site was looking tired and in need of upgrading.

It was noted that if Council supports the application at the special meeting of Council scheduled for the 8 March 2016, further consultation with the community should occur. The Committee suggested there seems to be a number of key issues that may affect residents, such as increased noise, traffic management and visitation.

**Action – Acknowledge within the report that consultation with the general public and particularly local residents will occur as the project progresses.**

3.35 pm - Jared Lawrence and Emma Cavaggon from KPMG entered the meeting.

The Committee noted that KPMG had been engaged to develop two elements of the report being the governance model and the financial forecast.

Governance Model

KPMG reviewed what the City of Marion was already doing at a local level and reviewed other facilities such as Club Marion, Cove Sports, Marion Leisure and Fitness, the Marion Outdoor Pool and the Living Kaurna Cultural Centre to see how they were being managed. Guidance was also sought from the Office of Recreation and Sport Management Guidelines and the Local Government Association.

From this research, KPMG recommended that a skills based board be developed with focus on sport and recreation, community capacity building, asset management, financial and risk management. It was noted that representation could come from sporting clubs and residents should they have the right skills. The model also proposed a full time manager, funded by the Council for an initial two year period to drive growth, attraction and community development. The skills based board would be responsible for the revenue collection of the site, and proportionate allocations of revenue would be made to clubs after overhead and maintenance costs were covered.

The Committee queried if this model had been successful at other locations as it could be suggested that this model could create financial sustainability issues for the clubs.

It was noted the current model is not working and requires change. The proposed management model is based on a model tested and currently operating successfully in New Zealand.

The Committee noted the following points regarding the management model:

- Ensure the volunteers do not feel a level removed from the operations of the clubs. Volunteers feel valued when involved in the clubs and can see the benefits of their hard work. It is important the management model does not impact on the ability to attract volunteers, which is critical for the on-going operations.
- Strategic planning and marketing skills are required for the Management Committee.
- Further work needs to be completed regarding how and who selects the Management Committee.
- Clubs could feel a loss of autonomy.
- Careful consideration should be given regarding the constitution and the status of the Committee. Council needs to ensure the Committee is accountable to Council and the constitution does not preclude this from occurring.

The Committee commented that how skills based parties would be appointed to the new management board and who would make the appointments were not discussed in the document. Clarification is also required as to who would set up the business and resident advisory committees and how volunteers would be protected.

#### Action

- **Greater clarity required regarding the nature of the entity to be created (re single management structure) and its relationship to the City of Marion.**
- **Description / outline required how governance arrangements would be resourced (ie Council paid manager), process for attracting and appointing skills based board and their appointment and how status / nature of the board would provide protection for volunteers.**

#### Financial Management

The Committee noted the financial summary on pages 101 and 102 of the agenda and the assumption that Council will fund its \$4m contribution for the project through borrowings. The Committee requested that the report is clear regarding the total capital expenditure for the project being \$8m with \$4m provided by the City of Marion and \$4m sought from the Federal Government through the NSRF. It also suggested that further consideration be given to assessing the best method of funding from the Council; via debt, cash or a mixture of both.

The Committee requested that the LTFP analysis also include details of the key financial Ratios before and after the proposed project.

#### Action

- **Amend the financial summary to clarify funding and display the total capital expenditure of \$8m.**
- **Include all key financial Ratios in the LTFP analysis.**
- **Assess the best method of funding Council's contribution**

The Committee noted the following key points:

- The increase in depreciation is not substantial. It was highlighted that the depreciation has been calculated based on the total \$8m project cost
- If the grant is successful, \$4m will be reflected as capital revenue
- There will be a \$2.4m write down due to the current buildings being demolished
- It is proposed that Council fund a full time manager for the transition period of two years and then the management fee will cover this cost after the transition period when the position will also reduce to a part time manager .



- Revenue has been forecast at 10% growth for the first 3 years based on an uplift of visitor numbers and then at CPI from year 4 onwards.
- The project budget has been established at \$8m. The Section 48 report should be clear regarding what elements will be excluded should the project exceed budget. It was noted the project would be referred back to Council for further decisions should major budget implications develop during the project.

The modeling of the management fee was discussed. The Committee noted that revenue obtained above the operating costs of the Management Committee would be redistributed to the clubs on a proportionate basis. It was noted this is a different approach to what is currently operating, as each club currently pays its own operational costs such as utilities. The Committee noted an appropriate review over the clubs' financial viability should occur. The Committee also suggested that the report should provide further clarity and definition regarding what is deemed revenue.

**Action: Provide further clarity and definition regarding what is deemed revenue within the report.**

#### Asset Management

The Committee noted the following regarding asset management:

- That the velodrome is the only velodrome in South Australia to the standards used by professional cyclists. It requires resurfacing and new barriers will be installed as part of the project. The Committee queried the life span of the velodrome and it was confirmed that the surface would last between 20 – 25 years.
- Lights are currently being installed and would not require further upgrade as part of the project.
- The site contains no known asbestos and no known contamination. Preliminary testing has occurred and any fill on the site is local to the area.
- It is proposed that the cricket nets located on Towers Terrace and Raglan Avenue will be relocated to the main site. This creates a potential to dispose of the land where the cricket nets currently are, if its use is no longer required. It was noted that a water bore is located at this site.
- Renewable energy is not included within the design due to the budget limitation but the building has been designed to facilitate the installation of solar panels at a later stage.
- The play equipment is out of scope as the playspace has recently been completed in the south western corner of the site.

#### Project Management

The Committee noted the project management plan as outlined on page 147 of the agenda. The Manager, Strategic Projects raised that this structure has been used on the past two major projects at the City of Marion. The Project Control Group that has executive representation and officers involved in managing the project will meet monthly to focus on timing, quality, financial analysis and risk management.

It was noted that management is currently exploring using an internal resource that has appropriate skills, experience and qualifications to manage/superintend the project which will save approximately \$300k. It will also reduce double handling and establish a more thorough understanding of the project issues.

The Committee queried the lessons learned from other projects, noting that management stated that early intervention regarding risks and issues management was critical.

4.19 pm Ms Presser left the meeting

4.21 pm Ms Presser returned to the meeting

### Risk Register

The risk register was noted by the Committee as a sound risk management approach and the Committee made the following observations:

- Risk E02 relating to the success of the NSRF application remained a high risk after controls, due to the unknown likelihood of successfully securing the grant funding.
- Risk E017 relating to tender prices not exceeding cost estimates had the same inherent and residual risk rating. It is proposed that further work may need to occur on the controls to reduce the residual risk.
- The risk treatment plans should be managed and regularly monitored to ensure treatments are implemented.

It was noted that a number of inherent risks were assessed as medium risks and after controls, the residual risk was low.

The Manager, Strategic Projects highlighted that projects are always inherently risky due to the costs and complexities. The high risk relating to this project relates to the ability to secure the grant funding through the NSRF.

The Committee queried the likelihood of the grant application succeeding. It was noted that two rounds of funding had occurred so far with 1 in 5 applications being funded. The vast majority of successful applications occurred outside of capital cities. Council should be notified of the success by June or July 2016.

### Summary

In summary, the Committee noted it is important for Council to consider the overall impact when discussing projects. It was requested that when projects are considered, the Long Term Financial Plan is presented in 2 formats, with the project included and with the project excluded. This is to provide good comparative data for sound financial decision making. As multiple projects develop, it is critical for Council to understand the financial position to ensure that the projects are delivered within the Council financial ratios and parameters.

It was noted that page 53 of the agenda provided the Long Term Financial Plan but the above comments can be included within the report.

To address the points highlighted within the recommendations the Committee noted:

1. The project supports strategic objectives and this is well documented.
2. The project complies with the Development Plan as it is a redevelopment of an existing site. The buildings will require development approval prior to progressing. The Committee requested that further clarity is provided in the summary on page 3 of the Section 48 Report in regards to this.
3. The economic impacts are addressed.
4. Greater community consultation is required and could be achieved through further meetings with the residents and local businesses.

5. The project risks are well documented and have been assessed. It is critical that the treatment plans are regularly monitored.
  6. The financial viability of the project hinges on the grant funding. If the grant funding is unsuccessful Council will need to determine if and how the project will be funded. This may challenge Council's current position of low rates rises if the project progresses. Further work is also required around the management fee structure to ensure the passion of the clubs is not lost.
  7. The financial sustainability targets can be met for this project but Council needs to consider the impact of other projects on these targets and ensure that decision making is not made in isolation of other priorities.
- 8. CONFIDENTIAL ITEMS**  
Nil
- 9. ANY OTHER BUSINESS**  
The Committee agreed to further investigate the opportunity of producing electronic agendas for the Finance and Audit Committee.
- 10. MEETING CLOSURE**  
The meeting was declared closed at 4.42pm.
- 11. NEXT MEETING**  
The next meeting of the Finance and Audit Committee is scheduled to be held on:
- Time: 8 March 2016**  
**Date: 2.00pm – 5.00pm**  
**Venue: Chamber, Administration Building, 245 Sturt Road, Sturt.**

.....  
**CHAIRPERSON**

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## CITY OF MARION

## BUSINESS ARISING FROM FINANCE AND AUDIT COMMITTEE MEETINGS

AS AT 4 MARCH 2016



	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
1.	13 October 2015	Circulate project management review report out-of-session to Audit Committee for their feedback.	F Harvey	December 2015	Consultation is currently occurring with the CEO and the report will be circulated to Committee members in due course	March 2016
2.	15 December 2015	That the Audit Committee be provided with an update by June 2016 regarding the progress of surplus assets (particularly the status of the land at City Services).	J Valentine	June 2016	Council wants to consider the surplus land at City Services in tandem with a consideration of the main Administration building. Members will be considering the matter at the March Forum.	
3.	15 December 2015	The Committee requested that meeting invitations be sent to all Committee Members for the 2016 meeting schedule.	K McKenzie	January 2016	All meeting invitations have been sent out for 2016.	January 2016
4.	15 December 2015	Provide the Committee with the percentage of rate revenue derived from commercial properties for the Cities of Marion and Holdfast Bay.	R Barnwell	March 2016	This information is included in the draft ABP and LTFP report for consideration at the 8 March 2016 FAC Meeting	March 2016
5.	15 December 2015	That the framework for the 2016/17 ABP&B and LTFP be presented to Council for consideration and adoption.	K McKenzie	January 2016	Council considered and adopted the Annual Business Plan framework at its meeting of 19 January 2016	January 2016
6.	15 December 2015	That the Asset Management Plans be presented to Council for consideration and adoption.	F Harvey	January 2016	Council considered and adopted the Asset Management Plans at its meeting of 19 January 2016	January 2016
7.	15 December 2015	That the Risk Management Policy and Framework be presented to Council for consideration and adoption.	S Walzcak	January 2016	Council considered and adopted the Risk Management Framework and Policy at its meeting of 19 January 2016	January 2016
8.	15 December 2015	Provide further detail regarding what is included within the 59% Administration Claims on page 142 of the agenda.	S Walzcak	March 2016	Administration claims can be defined as the "contesting of a decision and/or action made by Council". Claims of this nature are generally low in volume (6%) but can be expensive to defend. The claims which make up the 59% based on cost are primarily associated with 6 large claims over the last 7 years for matters relating to development decisions and a road closure. For claims that are	March 2016

	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
					open and currently being defended, the cost also includes an estimate of the potential cost of claims. Once settled, the value is adjusted to reflect actual costs and one matter that had \$37k of actual costs and \$82k of potential costs attributed to it has now reduced to \$37k and will reduce further once cost recovery is finalised. Adjusted figures will be presented in the next report due to be provided in October 2016.	
9.	22 February 2016	<p>Edwardstown Soldiers Memorial Recreation Ground - Section 48 Prudential Report</p> <ul style="list-style-type: none"> <li>• enhance the economic development information within the Section 48 report regarding the impact on local business.</li> <li>• Acknowledge within the report that consultation with the general public and particularly local residents will occur as the project progresses.</li> <li>• Greater clarity required regarding the nature of the entity to be created (re single management structure) and its relationship to the City of Marion.</li> <li>• Description / outline required how governance arrangements would be resourced (ie Council paid manager), process for attracting and appointing skills based board and their appointment and how status / nature of the board would provide protection for volunteers. Amend the financial summary to clarify funding and display the total capital expenditure of \$8m.</li> <li>• Include all key financial Ratios in the LTFP analysis.</li> </ul>	J Valentine	March 2016	Recommendations have been included within the Section 48 report to be considered at the Special Council Meeting of 8 March 2016.	March 2016

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

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	<b>Date of Meeting</b>	<b>Item</b>	<b>Responsible</b>	<b>Due Date</b>	<b>Status</b>	<b>Completed / Revised Due Date</b>
		<ul style="list-style-type: none"><li>• Assess the best method of funding Council's contribution</li><li>• Provide further clarity and definition regarding what is deemed revenue within the report.</li></ul>				

\* completed items to be removed are shaded

<b>SCHEDULE OF MEETINGS 2016</b>			
<b>Day</b>	<b>Date</b>	<b>Time</b>	<b>Venue</b>
Tuesday	8 March 2016	2.00 – 5.00 pm	Administration Centre
Tuesday	31 May 2016	2.00 – 5.00 pm	Administration Centre
Tuesday	16 August 2016	4.00 – 6.00 pm Followed by 7.00 – 9.00 pm (Joint workshop with Council)	Administration Centre
Tuesday	4 October 2016	2.00 – 5.00 pm	Administration Centre
Tuesday	6 December 2016	2.00 – 5.00 pm	Administration Centre

### **INDICATIVE AUDIT COMMITTEE WORK PROGRAM – 2016**

#### **TUESDAY, 8 March 2016**

<b>Topic</b>	<b>Action</b>
Outcomes and Action Plan for Audit Committee	Review and Feedback
Draft Annual Business Plan and Budget 2015/16 and Draft Long Term Financial Plan	Review and Feedback
Corporate Risk Profile	Review and Feedback
Fraud Policy	Review and Feedback
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback
Program Evaluation (Scopes and Reports)	Review and Note

#### **Tuesday, 31 May 2016**

<b>Topic</b>	<b>Action</b>
Outcomes and Action Plan for Audit Committee	Review and Feedback
Audit Engagement for the Year Ending 30 June 2016	Review and Recommendation to Council
Draft Annual Business Plan and Budget (after public consultation) & Draft Long Term Financial Plan	Review and Feedback
Scope for Audit Committee Bi-Annual Review Process	Review and Feedback
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback
Annual Review of WHS Program	Review and Feedback

**TUESDAY, 16 August 2016**

<b>Topic</b>	<b>Action</b>
Outcomes and Action Plan for Audit Committee	Review and Feedback
Annual Claims and Insurance Renewal Report	Review and Feedback
Valuations of Buildings and Assets	Review and Feedback
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback
Outcome of Audit Committee Bi-Annual Review Process and development of Improvement Plan	Review and Feedback
Meeting with internal auditors in camera	Seeking feedback from Auditors

**TUESDAY, 4 October 2016**

<b>Topic</b>	<b>Action</b>
Outcomes and Action Plan for Audit Committee	Review and Feedback
Audit Committee Annual Report to Council 2015/16	Review and Refer to Council
Independence of Council's Auditor for the year end 30 June 2016	Review and Recommendation to Council
Audited Annual Financial Statements for the year end 30 June 2016	Review and Recommendation to Council
Meeting with external auditors in camera	Seeking feedback from Auditors
LGA MLS Risk Review	Review and Feedback
Internal Audit Program - Scopes, Reviews and Monitoring	Review and Feedback
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback
Investment Performance 2015/16	Noting

**Tuesday, 6 December 2016**

<b>Topic</b>	<b>Action</b>
Outcomes and Action Plan for Audit Committee	Review and Feedback
Internal Audit Program – Scopes, Reviews and Monitoring	Review and Feedback
Service Review Program - Scopes, Reviews and Monitoring	Review and Feedback
Program Evaluation (Scopes and Reports)	Review and Feedback
Work Program and Meeting Schedule 2017	Review and Feedback
Ombudsman SA Annual Report 2015-16	Review and Feedback
Framework and Key Assumptions Annual Business Plan and Budget and Long Term Financial Plan	Review and Feedback





	Identified Improvement Opportunity (Audit Committee Effectiveness Survey)	Identified Improvement Activity	Responsible Officer	Original Due Date	Revised Due Date	Status	Completed

The Committee agreed at its meeting of 29 July 2014 to completed/remove the remaining item from the improvement plan. There are currently no outstanding items on the Audit Committee Improvement Plan.

**CITY OF MARION  
FINANCE AND AUDIT COMMITTEE MEETING  
8 MARCH 2016**

**Originating Officer:** Kate McKenzie, Manager Corporate Governance  
Councillor Raelene Telfer & Councillor Tim Gard

**Subject:** Elected Members Report

**Report Reference:** AC080316R6.1

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**REPORT OBJECTIVE:**

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

**EXECUTIVE SUMMARY:**

Since the last Audit Committee meeting on 15 December 2015, Council has held three (3) General Council meetings being the 19 January 2016, 9 February 2016 and 23 February 2016. At these meetings, the Council made the following decisions that relate to the Audit Committee Terms of Reference:

**19 January 2016**

- Council considered and adopted the finalised Asset Management Plans.
- Council reviewed and adopted the Risk Management Policy and Framework with the inclusion of amendments made by the Finance and Audit Committee.
- Council adopted the framework for setting the Annual Business Plan and Budget 2016/17 and Long Term Financial Plan 2016/17 to 2025/26 subject to any changes identified within the meeting. Council also considered the Key Assumptions to be used in the preparation of the Annual Business Plan and Budget 2016/17 and Long Term Financial Plan, noting the amendments that:
  - “Service delivery levels are maintained at current levels (any changes to current service levels are to be approved separately by Council subject to financial capacity).”
  - “Rates – an increase of 2.50% or 2.75% plus growth which is forecast at 1.0%. This assumption will continue to be monitored in light of global economic forecasts and the financial impact that those circumstances may have on Marion ratepayers and their capacity to pay.”

**9 February 2016**

No items to report

**23 February 2016**

- Council considered the Energy Efficient Council Buildings Project and the Solar options for Marion reports and resolved to fund both projects including allocating \$600,000 in the 2016/2017 budget to fund solar infrastructure for implementation before June 2017.

- Council considered a report of the potential disposal of Toc H Hall at Edwardstown and requested that a further report is prepared regarding site investigation and completed the requirements under Section 194 of the Local Government Act 1999 regarding disposal. Council requested that this be reported at its meeting in June 2016

Council has now implemented its new Committee structure and the following topics are being progressed at a Committee level that may relate to the Finance and Audit Committee's Terms of Reference:

#### **People and Culture**

- Update regarding Enterprise Agreement (EA) Negotiations for Administrative Staff
- Monitoring on key people and culture metrics
- Progress and scheduling of the CEO Performance and Remuneration Review

#### **Infrastructure**

- Review of key policies such as Asset Management Policy and Disposal of Land and Assets Policy
- Major projects and project development (Such as the Edwardstown Oval Redevelopment)

#### **Urban Planning**

No items to report

#### **Strategy**

- Environmental Scan and Global Trends
- Development of Council's Business Plan 2016-2019

#### **RECOMMENDATION (1)**

**DUE DATE**

**The Audit Committee note the report.**

**March 2016**

**CITY OF MARION  
FINANCE & AUDIT COMMITTEE MEETING  
8 March 2016**

**Originating Officer:** David Harman, Financial Accountant & Catrin Johnson, Strategy Partner

**Corporate Manager:** Ray Barnwell, Manager Finance

**General Manager:** Vincent Mifsud, General Manager Corporate Services

**Subject:** Annual Business Plan 2016/17 and Long Term Financial Plan

**Report Reference:** FAC080316R7.1

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**REPORT OBJECTIVES & EXECUTIVE SUMMARY:**

The purpose of this report is to provide the Finance & Audit Committee with an overview of Council's Annual Business Plan (ABP) process for 2016/17 and to provide a coinciding update of the development of the Draft Long Term Financial Plan 2016/17 to 2025/26 (LTFP) and the Draft ABP 2016/17.

Feedback and guidance is sought from the Finance & Audit Committee regarding the:

- Impact of the current operating environment as per the environmental scan (attached as Appendix 1)
- Reporting schedule under which the ABP 2016/17 and the LTFP are prepared (attached as Appendix 2)
- The reasonableness, fairness and equity of the potential rating approaches for 2016/17 (as per rate modelling contained in this report), including in the context of Council's LTFP and on-going financial sustainability.
- Alignment of the rate modelling options provided in this report to Council's Budget and Treasury policies, which are centred on achieving a breakeven funding position or better whilst adopting and maintaining a LTFP which ensures Council operates in a financially sustainable manner.
- Council's Strategic Financial Framework and Assumptions.
- Financial ratios - Council's financial framework includes having "a primary focus being on Cash Flow and Funding". Amongst other things, this is because adequate Operating Surpluses are required to ensure sufficient funding for Council's planned forward capital renewal requirements, in accordance with the current iteration of the Asset Management Plans (AMP's). A positive operating cash flow is vital to support operating requirements, renewal of existing assets over time and maintain community service standards.
- An appropriate approach to the use of draft funding surpluses forecast in the rate modelling included in this report.

Council's Draft Annual Business Plan for 2016/17 is set to follow the same process as the previous year. The timeline for this process is set out in Appendix 2 and meets all legislative requirements.

**RECOMMENDATIONS (3)****DUE DATES**

**That the Finance & Audit Committee:**

- |   |                            |
|---|----------------------------|
| <p><b>1. Provide feedback on the Environmental Scan (Appendix 1) in relation to the Draft ABP 2016/17 and the Draft LTFF.</b></p>   | <p><b>8 March 2016</b></p> |
| <p><b>2. Provide feedback on the approach outlined for the ABP 2016/17 process reporting schedule (Appendix 2)</b></p>  | <p><b>8 March 2016</b></p> |
| <p><b>3. Provide feedback and guidance in regards to the:</b></p> <ul style="list-style-type: none"> <li>• Reasonableness, fairness and equity of the potential rating approaches for 2016/17 (as per rate modelling contained in this report), including in the context of Council's LTFF and on-going financial sustainability</li> <li>• Alignment of the rate modelling options provided in this report to Council's Budget and Treasury policies which, are centred on achieving a breakeven funding position or better whilst adopting and maintaining a LTFF which ensures Council operates in a financially sustainable manner</li> <li>• Council's Strategic Financial Framework and Assumptions</li> <li>• Financial ratios</li> <li>• An appropriate approach to the use of draft funding surpluses forecast in the rate modelling included in this report.</li> </ul> | <p><b>8 March 2016</b></p> |

## **BACKGROUND:**

Council is required by the Local Government Act 1999 to prepare and adopt an ABP each year, and in doing so determine the key strategic priorities for the ensuing 12 months in the context of Council's Strategic Plan. The LTFF and ABP are an integral part of Council's suite of Strategic Management Plans. The city's Strategic Plan is a high-level statement of Community aspiration and vision for their City towards 2040. The draft 3 year business plan provides a medium term, action-oriented plan that identifies the key strategic priorities over the remaining three years of the council term, within the framework of the six aspirations of the Strategic Plan. These plans set the foundation for the development of the LTFF and ABP.

The Draft LTFF and Draft ABP 2016/17 are being developed in accordance with the refined Strategic Financial Framework as adopted at the 19 January 2016 General Council Meeting (GC190116R11). This encompasses maintaining current services and service delivery levels for the community, as well as meeting Council's planned capital renewal programs over the life of the LTFF.

## **Discussion**

The Annual Business Plan is Council's statement of its intended programs and outcomes for the year. It links long-term planning, as set out in Council's Strategic Plan and Asset Management Plans, with the allocation of resources in the budget. It also establishes the basis for review of the Council's performance over the year published in its annual report.

The development of an ABP is required under Section 123 of the Local Government Act. The document should include the following:

- a summary of Council's longer term objectives, as set out in the Strategic Plan;
- significant influences for the year including financial factors, asset renewal needs and progress on continuing projects;
- Council's specific objectives for the next year against which its performance will be measured;
- the activities (services and projects) that Council intends to undertake to achieve its objectives;
- a summary of the proposed sources of revenue for the year;
- Council's proposed approach to rating for the year and what it means for ratepayers.

The ABP is being prepared in accordance with the requirements of the Local Government Act and Local Government (Financial Management) Regulations. It will include appropriate information about the rates and charges that Council intends to levy as well as a range of other information required by the Local Government (Financial Management) Regulations. The budget will include statutory statements being Income Statement, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows. In addition to these statements, a 'Funding Statement' will be provided that details funding sources and a net overall funding position.

In the development of the ABP 2016/17, consideration has been given to Council's strategic management framework, financial parameters and key issues identified through the environmental scanning process, as well as the relevant federal, state and regional strategies and plans.

## Environmental Scanning

Environmental scanning is an ongoing process, keeping us future focussed, aware of the bigger picture and mindful of emerging risks and opportunities. An extensive review of opportunities and challenges from current and emerging internal and external trends and influences is conducted annually with the last scan completed in February 2016. This supports the consideration of strategic priorities and responses in light of emerging priority pressures and opportunities. The criticality of each issue and opportunity was assessed. Responses targeting what council has in place or will do differently have been developed for all critical issues and opportunities.

Several programs and projects have been prioritised recently due to influences and opportunities identified within the environmental scan, including:

- Applications to the National Stronger Regions Fund for the Edwardstown Soldiers' Memorial Oval redevelopment and Mitchell Park Sports and Community Club precinct to address concerning public health demographics through neighbourhoods that are safe, activated and attractive places for people
- Implementation of partnerships to deliver youth programs and services, with the first round of grants offered in March 2016 to address the low percentage of young people involved in arts / cultural activities, student leadership and youth groups
- Developing a 10-year Policy and Program framework for Streetscapes to address individual transport issues including narrow footpaths with limited resting / seating places which limit accessibility for mobility impaired whilst improving public domain asset infrastructure and increasing place making and neighbourhood identity opportunities
- Council adoption of an energy efficiency program across council facilities to address the impacts of a changing climate. These opportunities primarily relate to lighting upgrades and improvements to HVAC (heating, ventilation and air conditioning) systems
- Council's allocation of up to \$600,000 to progress installation of solar panels on Council buildings across the City, also to address the impacts of a changing climate
- Completion of a Regional Ageing Strategy in February 2016, in partnership with the Cities of Mitcham and Holdfast Bay, to address access and inclusion, limited housing choice and services for our growing ageing population

As a result, the ABP 2016/17 focuses on maximising public value and opportunities in the lead up to the next federal election whilst delivering effective efficient services in the current economic climate which affects the ability of the community to pay increased rates. An emphasis on enabling the economic growth of our city through growing visitation, small business support, and greater access to technology, data and information includes development of the Tonsley site. Urban development priorities focus on increasing housing choice for our changing population and addressing concerning public health demographics through reconsideration of place based urban design and other Council services, access to open space, community sporting facilities and improved streetscapes to encourage active living, healthy lifestyles and social connectivity for all age profiles. Opportunities to improve our transport network include the Darlington and South Road interchange upgrades. Climate change impact mitigation will continue through water management, including the continued expansion of the Oaklands wetland distribution network and our Resilient South regional partnership. Our service delivery models must meet the changing needs of our population including an ageing population which has a desire to remain independent, as well as increasing numbers of young families and changing ethnicity.

A summary of the critical outputs of the environmental scan is provided in the table below. The full environmental scan including targeted council responses is attached as Appendix 1. Marion specific items (as opposed to general societal trends) have been highlighted in **bold text**.

<b>Critical external issues and opportunities:</b>	
<p><b>Political</b></p> <ul style="list-style-type: none"> <li>• Maximising public value</li> <li>• Maximise opportunities in the lead up to the next Federal election</li> <li>• Ongoing changes to Federal, State and Local Government policies and funding programs</li> </ul>	<p><b>Economic</b></p> <ul style="list-style-type: none"> <li>• Compromised financial capacity of ratepayers in economic climate</li> <li>• <b>The number of GST registered businesses in Marion is falling</b></li> <li>• <b>The number of jobs in Marion remains static although our population is increasing</b></li> <li>• Maximising opportunities to support small business</li> <li>• <b>Development of the Tonsley site</b></li> </ul>
<p><b>Technological</b></p> <ul style="list-style-type: none"> <li>• Rapid technological change, <b>specifically the rollout of NBN in some City of Marion areas</b></li> <li>• Digital divide</li> <li>• Access to data and information</li> </ul>	<p><b>Social and Cultural</b></p> <ul style="list-style-type: none"> <li>• <b>Concerning public health demographics</b></li> <li>• HACC transitioning to national and regional customer led wellbeing and home support programs</li> <li>• <b>Population growth and changing demographics</b></li> <li>• Increasing community interest in volunteerism is providing a varied skill base</li> <li>• Potential health issues around noise and air pollution around major traffic routes &amp; building work</li> </ul>
<p><b>Natural environment</b></p> <ul style="list-style-type: none"> <li>• Impacts of climate change</li> <li>• Growth of localism</li> <li>• Emergence of Nature Play</li> </ul>	<p><b>Urban environment</b></p> <ul style="list-style-type: none"> <li>• <b>Limited housing choice to meet the needs of everyone in the community</b></li> <li>• <b>Population growth and urban infill cause increased traffic and limited on-street parking with increasing demands on public places and spaces and public services</b></li> <li>• Opportunities in biophilia, WSUD, energy efficiency and green infrastructure</li> </ul>
<p><b>Transport &amp; Connectivity</b></p> <ul style="list-style-type: none"> <li>• <b>South Road &amp; Darlington Interchange upgrades</b></li> <li>• <b>Poor transport linkages to public places and spaces, goods and services, local business and industry</b></li> <li>• <b>Potential risk of isolation to residents that are ageing and mobility impaired</b></li> <li>• <b>Insufficient and poorly integrated walking &amp; cycling networks</b></li> </ul>	



<b>Critical internal pressures and opportunities:</b>	
<p><b>Service provision</b></p> <ul style="list-style-type: none"> <li>Limited funding capacity for competing strategic projects or incremental service improvements given current rates assumptions and funding position</li> </ul>	<p><b>Risk and strategic alignment</b></p> <ul style="list-style-type: none"> <li>Alignment of the organisation to deliver the aspirations of the Strategic and Council/Business Plans</li> <li>Transition to an agile &amp; responsive delivery model whilst maintaining prudent financial management</li> <li>Alignment of risk management throughout the organisation</li> <li>Changes to regional emergency management planning</li> </ul>
<p><b>Long Term Financial sustainability</b></p> <ul style="list-style-type: none"> <li>Need for greater collaboration, partnering and innovative funding solutions to achieve community outcomes in a challenging fiscal environment</li> </ul>	<p><b>Asset reliability and sustainability</b></p> <ul style="list-style-type: none"> <li>Reviewing our existing asset base: <ul style="list-style-type: none"> <li>In light of increasing costs and customer service requests to maintain and renew our existing asset base</li> <li>Understanding which assets could be repurposed, reused or disposed of in order to enhance other assets to better meet community needs</li> <li>Investigating innovative asset management models e.g. share community use, public private partnerships and related business and retail opportunities</li> </ul> </li> </ul>
<p><b>Employer of Choice</b></p> <ul style="list-style-type: none"> <li>Embedding Work Health &amp; Safety system improvements throughout the organisation</li> <li>Need to provide the appropriate technology tools and information resources for staff to connect, collaborate and do their jobs efficiently and effectively</li> <li>Continued building of leadership and workforce capability and skills, particularly in the areas of project management, partnership models and industry experience</li> <li>Sustaining positive culture and a focus on delivery of outcomes during the period of change while the restructure takes effect</li> </ul>	

The Finance & Audit Committee's feedback is sought in regards to whether there are any key issues or considerations they believe are missing from the Environmental Scan as it currently stands. As the LTFP and ABP 2016/17 continue to be developed, further work will be undertaken in analysing these external and internal influences, and determining Council's response to them.

This work is also feeding into a range of areas including reviews of policies and strategies and operational plans, the review of Council's strategic risk register and the SWOT analysis of Council's new committee structure to better support aligned planning and prioritisation in the future.

### **Public consultation**

Public consultation of the Draft Annual Business Plan is due to commence on Wednesday 4 May, closing on Tuesday 24 May 2016, with the Draft ABP 2016/17 being made available from the Making Marion website ([www.makingmarion.com.au](http://www.makingmarion.com.au)).

An 'inform' approach will be taken for consultation on the Draft ABP 2016/17, encompassing a 'pre-release' notice in the Guardian Messenger Press on 28 April 2016 informing of the preparation of the Draft ABP and providing the timeframes for the consultation period. The notice will also specify the council meeting on 24 May 2016 as the meeting where interested parties can attend to ask questions and make submissions in relation to the Draft ABP for at least one hour. This approach is in accordance with the requirements of the Local Government Act 1999.

### **Basis of Preparation of Draft LTFP and Draft ABP 2016/17:**

The Draft LTFP and Draft ABP 2016/17 have been prepared in accordance with Council's Framework and Assumptions with some proposed minor amendments to ensure alignment with Council's Budget and Treasury Policies. The adopted Asset Management Plans are currently being integrated with the LTFP to ensure alignment and identify any potential funding gaps.

The framework and assumptions are listed below with any proposed amendments highlighted.

### **Framework and Assumptions**

The Draft LTFP and Draft ABP 2016/17 are being prepared under the framework adopted by Council at the 19 January 2016 General Council Meeting (GC190116R11). The LTFP is an on-going iterative process and the framework and assumptions are updated annually based upon the most current data and information prevailing at the time.

#### **Framework:**

- Supports the achievement of the City of Marion's Strategic Directions.  
*Comments: No change proposed*
- Addresses issues arising and opportunities identified from internal audit reviews, service reviews and business excellence assessments.  
*Comments: No change proposed*
- Maintain an Operating Surplus ratio of between 0 – 5% over any five consecutive years, with a primary focus being on Cash Flow and Funding.  
*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: This prioritisation has been embedded in Council's Asset Management Policy, which in turn has informed the development of Councils recently adopted AMP's (GC190116R06). The funding requirements in the adopted AMPS' are in the process of being integrated into the next iteration of the LTFP to ensure alignment of both the LTFP and AMP's .*
- Reviews existing services and assets to ensure they meet prioritised community needs.  
*Comments: Processes for delivering further efficiency and effectiveness savings to ensure that maximising public value for ratepayers are continuing. This process of continual improvement incorporates undertaking a series of Business Service reviews with the objective of delivering future on-going operational savings.*

- Council only approve new Major Projects where it has the identified funding capacity to do so  
*Comments: No change proposed*
- Maintain Council's position for an average residential rate which remains among the lower rating metropolitan councils  
*Comments: No change proposed*
- Implements responses for progressing liveable cities strategies and funding opportunities within Marion.  
*Comments: No change proposed.*

### **Assumptions**

In developing the Draft LTFP and Draft ABP 2016/17, the following key assumptions and variables have been applied:

- Service delivery levels are maintained at current levels (any changes to current service levels are to be approved separately by Council subject to financial capacity).
- A 2.5% increase per annum is applied to operating expenditures/income to allow for inflation and growth, based on the current Reserve Bank inflation forecast of 2.0-3.0%, with the following exceptions:
  - A 2.0% increase per annum is applied to Employee operating costs.
  - Interest expenses are directly related to Council borrowings and cash flows.
  - Rates – an increase of 2.50% or 2.75% plus growth which is forecast at 1.0%. Growth for 2015/16 as at 8 February 2016 is currently at 0.717% (excluding non-rateable properties). This assumption will continue to be monitored in light of global economic forecasts and the financial impact that those circumstances may have on Marion ratepayers and their capacity to pay.
  - Interest revenue is directly related to Council investments and cash flows and in light of recent global economic forecasts will be carefully monitored in line with interest rate movements.
  - An adjustments schedule has been developed to account for any future variations in operating activities (e.g. an adjustment is made for election expenses to reflect that they only occur once every 4 years).
  - Contributed assets from developers of \$1.5m have been forecast for 2016/17 – 2025/26 (includes roads, footpaths, drains etc. provided by developer or new subdivisions occurring in the Council area). This figure does not include any contributed assets from the Tonsley development – governance arrangements for this are currently being worked through with the Government of South Australia.
  - Capital Grants, subsidies and monetary contributions reflect tied monies received in relation to the purchase/construction of new assets and are budgeted in accordance with information known at the time of preparing this document.

## Potential Risks associated with the Framework and Key Assumptions

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

1. In the recent past there has been discussion about the possibility of rate capping being introduced, which may impact on the assumption of an annual 2.75% average rate increase over the life of the LTFP. This assumption, should rate capping be introduced, may prove to be unsustainable in the long term. Council will need to continue to investigate and develop strategies to reduce the reliance on such rate increases, balancing this with the real cost of service provision and service demand from the community.

2. Employee Costs - Dependent on the outcome of future Enterprise Agreements:

- The inside workforce agreement will expire on 30 June 2016 and is currently being renegotiated. The existing agreement includes maintaining 6<sup>th</sup> ranking amongst other metropolitan councils which resulted in a 3.4% increase in 2015/16.
- The outside workforce agreement will expire on 30 June 2017. The existing agreement again includes maintaining 6<sup>th</sup> ranking amongst other metropolitan councils with a minimum 3% increase for 2016/17.

Capping employee costs at 2.0% may not provide enough funding if sufficient efficiency gains in staffing levels cannot be realised. This increase may also not be sustainable should service levels increase and associated increases in staffing levels be required. As any increases over 2.0% in the early years of the LTFP have a compounding effect which could have a significant impact – as an example, an extra 1.0% increase for the first three years would have an impact of \$0.3m in year one, and a total compounding impact over the 10 year term of the LTFP of \$9.6m.

When considering employee cost increases, consideration also needs to be given to the revised timetable relating to the change in the Superannuation Guarantee. These increases recommence on 1 July 2021 - halfway through the LTFP - with five annual increases of 0.5% each, which will effectively account for one quarter of the projected 2.0% increase.

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

4. Following a period of community consultation Council has now adopted a new suite of Asset Management Plans (GC190116R06) . The funding requirements identified in the now adopted AMP's for the renewal of Councils existing assets is in the process of being integrated and aligned with the funding currently set aside for capital renewal in the LTFP. A potential funding shortfall in the order of \$10.2m over the life of the 10 year LTFP has been identified. This potential shortfall may be managed through a range of measures including increasing revenue where required (rates and/or grant funding), asset disposal, realignment of funding in the LTFP or reducing costs elsewhere.

5. There are increasing levels of community housing transfers across the City resulting in increasing levels of rate rebates. Recently we have had the transfer of 608 Mitchell Park homes from Housing SA to the management of community housing provider Junction Australia. Whilst this transfer, through agreement between State Government and Junction Australia, does not require the legislated rate rebate, there have also been an increasing number of transfers in addition to this agreement since the start of the financial year.

Excluding the properties mentioned above the following are the transfers over the past 3 years:

Properties Transferred from SAHT to Housing Associations		
2013/14	2014/15	2015/16
7	6	59
Amount Rebated In Transferred Year		
\$4,620	\$7,547	\$41,846

Marion currently has 3,236 properties owned by SAHT and AHA and if all were to transfer to housing associations this could impact rates revenue by approximately \$2.5m through rebates.

### Targeted Savings

Following the adoption of the 2014/15 budget there has been a concerted effort and strong focus on achieving efficiency and effectiveness savings across the organisation, with the intention that identified on-going savings can be passed onto rate payers to reduce their financial burden. Forecasted gross savings of \$2,646k have been identified to date in on-going operational expenditure and have now been incorporated into the Draft ABP 2016/17.

All rate models presented in this report result in a forecast funding surplus for 2016/17 which can be seen in Table C of Appendix 3, with the incorporation of the savings identified. Feedback is sought from the Audit Committee as to appropriate uses for the funding surplus. In this regard potential uses may include:

1. Reducing the requirement for future new borrowings in regards to approved major strategic projects.
2. Quarantining the surplus in the Asset Sustainability Reserve pending the outcome of the further development of the AMP's.

The next iteration of Council's AMP's for buildings will be completed over the next 2 years and will present Council with updated information with regard to future funding requirements necessary to renew and maintain its existing buildings over the long term.

3. Reduce the level of rates levied on our ratepayers over the coming years.

Processes for delivering further efficiency and effectiveness savings to ensure we are maximising public value for our ratepayers are continuing. This process of continual improvement will incorporate undertaking a series of Business Service reviews with the objective of delivering future on-going savings beyond 2015/16.

### Rate Modelling and Comparative Rating Data

Discussion took place at the December Audit Committee meeting (AC151215R7.3) around an appropriate benchmark when comparing the City of Marion's rating data against other neighbouring councils. One of the key elements of Councils ABP and LTFP framework is that the City of Marion maintains its position for an average residential rate which remains among the lower rating metropolitan councils. For 2015/16 the City of Marion had the 5<sup>th</sup> lowest average residential rate of the 18 metropolitan councils (Appendix 4, Table 1). It is forecast that the currently proposed rate increase is likely to keep the City of Marion's position among the lower rating councils.

The comparative residential 'rate in the dollar' was also discussed at the December meeting noting that the City of Marion had a higher residential rate in the dollar (RID) than their surrounding councils. It was briefly explained at that meeting that budgeted rate revenue is calculated through a formula which considers two key variables being:

- (1) the required total rate revenue; and
- (2) property values provided by the Valuer General.

The rate in the dollar is the resultant figure derived from this process and therefore these two key variables and the various differing factors that exist from one council to the next need to be considered in this process. In response to the Committee's request to provide a greater level of clarity and understanding in this area a worked example was prepared and provided to the Elected Members. A copy of which is provided to the Finance and Audit Committee in Appendix 4 (Table 2).

In response to the Committee's request to provide the percentage of rate revenue derived from commercial properties within the City of Marion and Holdfast Bay a comparative table showing the percentage of revenue from all land use codes including data from all our neighbouring councils is provided in Appendix 4 (Table 3). As proposed by the Committee as part of the ABP process a number of scenarios will be considered looking at the differential rates that apply to different land use codes (ie. commercial, residential, industrial, etc).

A number of rating scenarios have been modelled as detailed in the table below. The current draft ABP and LTFP have been modelled off of an on-going average rate increase of 2.75% per annum (shown as Model A), however based on the current framework and assumptions, there is sufficient room for Council to consider a lower rate rise, either as a one-off or over ten years.

A copy of the funding statement for the ABP and LTFP can be found in Appendix 3 (Table A) with the funding impacts of the four different options are modelled in the below table:

Model	Rate Increase	2016/17 increase per average residential ratepayer \$'s	2016/17 Rate Revenue \$000's	LTFP 10 Year Total Rate Revenue \$000's	2016/17 Funding Variance to Model A \$000's	LTFP 10 Year Total Funding Variance to Model A \$000's
A	2.75% ongoing	46.75	71,001	843,702	0	0
B	2.50% ongoing	42.50	70,828	831,875	(173)	(11,827)
C	2% ongoing	34.00	70,483	808,750	(518)	(34,952)
D	0% in first year, revert to 2.75%	-	69,101	811,585	(1,900)	(32,117)

At this stage, Council have indicated an appetite to quarantine any budgeted funding surplus figure in the Community Facility Partnership Reserve. Based on these rate models, Council has sufficient cash to consider this for 2016/17, however if it were to do this in each year of the LTFP for the 2.75% ongoing scenario, this would result in reserves totalling \$82,918 after 10 years, which would exceed its cash balance.

### **Financial Ratios**

A positive operating cash flow is vital to support operating requirements in addition to providing funding for the renewal of existing assets over time to maintain community service standards.

Tables B and C shown in Appendix 3 illustrate the key financial indicators for the proposed rating models against the targets established by Council to monitor performance over the term of the financial plan.

The Operating Surplus Ratio is forecast to exceed the currently adopted target of 0–5%. This is primarily due to substantial on-going savings in excess of \$2.4m now embedded in the LTFP. In addition, the forecasted rate revenue is set to increase at a higher rate than the inflation indexation applied to Council's operating expenses. It should be noted that funding surpluses over and above the level required to support operating requirements will provide funding for the renewal of existing assets over time to maintain community service standards.

All other ratios are within their targeted ranges with the exception of the Asset Sustainability ratio which is marginally above the established benchmark. Meeting these targeted ranges is consistent with Council meeting its objective of long-term financial sustainability.

In regards to the cash balance, over the 10 years, Council's CFPP reserve fund will build up by \$33,975k, bringing Council's projected total reserve balance up to \$43,078 (assuming none of the projected funding surpluses are allocated to these reserves). The LTFP does not assume this gets spent and as a result, to keep these reserves fully funded, a similar increase in cash is required. In the above scenarios only the 2% ongoing model does not allow a sufficient closing cash balance to fully cash back Council's reserves, while also maintaining sufficient cash flows for Council to continue to operate without the possibility of its bank account being overdrawn.

### **Impact of the Edwardstown Oval Redevelopment**

In developing the draft ABP and LTFP consideration needs to be given to the current proposal to redevelop the Edwardstown Soldiers Memorial Recreation Oval – a project with a capital cost of up to \$8.0m

Based upon a successful grant application, council would be required to fund \$4.0m of this, with the Section 48 report previously brought to the Finance and Audit Committee (SFAC220216R7.1) proposing this be funded from borrowings of up to \$4.0m.

This scenario gives Council an expected worse-case scenario requiring funding of up to \$6.1m over the 10 years of the LTFP including loan principal and interest. The modelling done for this project (based upon an ongoing rate increase of 2.75%) indicates that the only Financial Indicator Ratio to move outside of its target range is the Debt Servicing Ratio (peaking at 5.6%). The effect on the other rate modelling scenarios is expected to be similar.

Based upon its Key Financial Indicator ratios and cash flow, this project could proceed under either funding Model A (2.75% ongoing), Model B (2.5% ongoing), or Model D (0% in 2016/17, reverting back to 2.75% for the remainder of the LTFP). It should be noted that if Model A is selected, then Council would also have the capacity to fund another project of a similar level to Edwardstown (noting that this means a capital project of up to \$8.0m, where half is funded externally). If the proposed rating scenario in Model A were selected then Council would likely not have sufficient cash flow to proceed with any other significant major projects.

### **Debt Tolerance Levels**

While Council has targets for its Interest Cover Ratio and Net Financial Liabilities Ratio, it has not formally indicated what level of debt it would be willing to tolerate.

A report produced by Access Economics (*A Review of the Financial Sustainability of Local Government in Tasmania*) for the Local Government Association of Tasmania indicated that a reasonable benchmark for debt levels is a 60% debt-to-total revenue ratio, which is based on a normalised operating revenue to total revenue ratio of about 90% and a normalised interest-to-debt ratio of about 6%. Prior to this in January 2005 the Tasmanian Treasury, in its *Local Government Loan Council Allocation Process Discussion Paper* established as its benchmark a ratio of 40% for Net-Debt-to-Revenue.

Discounting for grant revenue on the basis that it should be allocated for specific purposes and cannot be used to repay debt, Council's adjusted revenue for the draft budget in 2016/17 is \$77.1m.

For 2016/17, using the Access Economics ratio this would give Council a targeted benchmark of up to \$41.7m, and the Tasmanian Treasury ratio would give \$30.9m.

With Council's debt currently projected to peak at \$22.6m at the end of 2015/16, if Council were to borrow an extra \$8.3m its debt levels would be sitting below both of these ratios. If the Access Economics benchmark were to be considered Council could borrow up to an extra \$19.1m, however servicing this level of debt would have a significant impact on its Debt Servicing ratio, and this would not be recommended.

Council should consider utilising funds available in its Asset Sustainability Reserve and progress those projects that meet the Reserve's purpose before looking to borrow, as this would be prudent and in line with Council's Treasury Management policy.

### **CONCLUSION:**

While the draft ABP 2016/17 and draft LTFP have been prepared on the basis of an ongoing rate rise of 2.75%, the financial modelling indicates that Council could propose either a 2.5% ongoing rate rise, or a 0% rate rise for 2016/17 reverting back to 2.75% for the remainder of the LTFP without moving any of its Key Financial Indicators outside of target and maintaining sufficient cash to cover its reserve funds, assuming it only proceeds with the Edwardstown Soldiers Memorial Recreation Oval redevelopment.

Feedback from the Audit Committee in regards to the inputs and assumptions used in the preparation of the draft ABP 2016/17 and draft LTFP will be incorporated into the on-going development of these documents prior to their presentation to Council on 26 April 2016. The LTFP and the Annual Business Plan 2016/17 are scheduled to be adopted by Council on 28 June 2016.

**Appendix 1** – Environmental Scan

**Appendix 2** – Reporting Schedule for ABP 2016/17 and the LTFP

**Appendix 3** – Summarised Draft LTFP (including Draft ABP 2016/17 in year 1)

**Appendix 4** – Rate Modelling and Comparative Rating Data



Current or emerging issues and opportunities		Criticality for action				CoM targeted response
		Short term: In next 12 months	Medium term: In next 2-4 years	Long term: In next 5-10 years	Watching brief/ Ongoing	
Political environment	Ongoing changes to Federal, State and Local Government policies and funding programs	✓				Maximise opportunities in the lead up to the next Federal election
	Community governance – growing expectation and desire to be effectively engaged in decision making requiring more active stakeholder management				✓	Increase the number of community led initiatives using the Community Capacity Building approach  Develop a program of support and assistance to organisations that have a lease or licence with CoM to develop their capacity
	Participating in the ‘Council of the future’ review regarding the potential future direction, structure and amalgamation of local government, regional approaches and the ongoing debate regarding constitutional recognition for local government				✓	Provide Council with a feasibility analysis of boundary realignment opportunities between the City of Marion and adjoining Councils and commence implementation
Economic environment	<b>Economic Demographics:</b> - <b>Marion’s economic contribution to the State is well below our population % with a fall in the number of GST registered businesses in Marion</b> - <b>More Marion residents work in Adelaide than in Marion. Our working population’s level of education is generally higher than that required by the jobs available in Marion so we have many more working residents employed in higher level jobs than are available in Marion.</b> - <b>Real pressures on the sustainability of local jobs. The number of jobs in Marion remains static although our population is increasing. There is only one job in the City of Marion for every two working residents.</b> - <b>SA has the highest unemployment rate in the country. The Marion unemployment rate (6.7% in June 2015) is now significantly higher than the State average whereas for the past few years it has been lower.</b>	✓				Work regionally to maximise employment and workforce development funding for the southern region  Facilitate development of priority mixed use nodes/precincts identified in 30 Year Plan for Greater Adelaide  Commence the Industry/Commerce (Edwardstown) DPA  Opportunities to grow visitation and increase spend in the region to secure additional economic benefit and increased jobs through Visitation Working Group  Opportunities to support small business through NBN rollout, Cove Civic Centre, improving the attractiveness of retail precincts and strips and through urban planning policy setting  Establish a City of Marion presence at Tonsley in partnership with the New Venture Institute and Co-HaB. Agree with partners to short and long term governance arrangements for Tonsley  Advocacy role for positive local economic impact, employment, training and local business opportunities from the Darlington upgrade and DPAs  Tonsley small business advisory service offering support to start-up & grow local businesses  Targeted key growth areas are clean technology, advanced manufacturing and innovative technologies  Recreation/Sport Hubs DPA to review the zoning of key sporting areas/hubs  Commence the Racecourse (Morphettville) DPA
	Compromised financial capacity of ratepayers in economic climate due to rising utility costs and declining interest rates.	✓				Lower rate increase of 2.75% forecast for next 9 years of LTFF+G14
	National & international trends include: - Retail everywhere – e-commerce and pop-up shops - Shop local - Collaborative consumption, co-working spaces and sharing economy - Greening supply chains				✓	
Technological environment	Rapid technological change and wide application of social media, mobile devices and wireless and broadband networks	✓				Extend the use of CoM Web site to deliver on the multi-channel communications and engagement strategy including social media
	Increased access to data and information	✓				Free Wi-Fi at Council sites and libraries. Free power, e-reference, learning and low cost printing facilities at libraries.
	The increasing “Digital divide” within our community given varied levels of digital literacy to access services, employment opportunities, social and cultural networks, lifelong learning, teleworking and information.	✓				Deliver digital economy education programs for businesses to capitalise on the NBN roll-out  Digital literacy training and assistance at Libraries and neighbourhood centres
	The joy of missing out - trend in de-digitising to reconnect with people in person				✓	
	Opportunities in location aware service information and tourism apps for smart devices				✓	
	Increased use of video technology for 'how-to' information and video calls				✓	
	Opportunities to automate back office functions e.g. order & print out your own dog licence online				✓	
Changing digital economic conditions and global employment opportunities				✓		

Current or emerging issues and opportunities		Criticality for action				CoM targeted response
		Short term: In next 12 months	Medium term: In next 2-4 years	Long term: In next 5-10 years	Watching brief/ Ongoing	
Social & cultural environment	<p><b>Public health demographics for Marion:</b></p> <ul style="list-style-type: none"> <li>- <b>Higher than metropolitan average proportion of people with physically chronic conditions, mental health problems and psychological distress particularly in central and northern Marion</b></li> <li>- <b>High % self-reporting health as fair/poor</b></li> <li>- <b>High % of adults overweight/obese, high cholesterol, high blood pressure, asthma, arthritis</b></li> <li>- <b>High proportion of premature mortality due to circulatory system, heart disease, cancers and self-inflicted injury</b></li> <li>- <b>High proportion of hospital admissions due to mental health conditions</b></li> <li>- <b>Higher proportion than metropolitan average of children not achieving recommended amount of physical activity (SAMSS data</b></li> <li>- <b>High proportion of children with insufficient fruit and vegetable consumption</b></li> <li>- <b>High proportion of females with osteoporosis</b></li> <li>- <b>High % of adults with psychological distress</b></li> <li>- <b>High % of people with multiple chronic health conditions</b></li> <li>- <b>High % of older people not participating in sufficient physical activity</b></li> <li>- <b>High % of community not involved in social, recreational or community activities</b></li> <li>- <b>Low % of young people involved in arts/ cultural activities, student leadership, and youth groups</b></li> <li>- <b>Low % of community on decision- making board or committees</b></li> </ul>	✓				<p>Commence implementation of an approved marketing plan for all neighbourhood centres</p> <p>Embed the four priority areas of Public Health legislation (South Australia a Better Place to live):</p> <ul style="list-style-type: none"> <li>- Increasing Opportunities for Healthy Living, Healthy Eating and Being Active</li> <li>- Preparing for Climate Change</li> <li>- Sustaining and Improving Public and Environmental Health Protection</li> <li>- Stronger and Healthier Communities and Neighbourhoods for All Generations</li> </ul> <p>Reconsideration of place based urban design and other Council services to encourage active living, healthy lifestyles and social connectivity for all age profiles. Place-making opportunities in Tonsley, Mitchell Park Sports &amp; Community Club precinct, Edwardstown Oval redevelopment, potential site for new regional soccer facility, new BMX complex, Marion Outdoor Pool Masterplan, transport hubs, Hallett Cove Foreshore redevelopment, local and main streets also linked with community governance approaches</p> <p>Maximise connectivity in and around major projects (Tonsley Park, Flinders, Westfield, Seacliff Redevelopment, Castle Plaza/Edwardstown, Hallett Cove, Oaklands Wetland, regional sport and community facilities) to address physical activity; isolation and disadvantage; poor health outcomes; access to education, training and employment; access to open space with walking distance of homes and businesses; access to arts and culture and public safety</p> <p>Develop a strategy for the future provision of tennis and netball courts across the City</p> <p>Consideration of healthy eating habits, food security and ready access to fresh food within our City</p> <p>Alignment with PERMA + Positive Emotion, Engagement, Relationships, Meaning and Accomplishment PLUS Optimism, Resilience, Physical Activity, Nutrition and Sleep messages</p> <p>Federal and state Arts and Cultural policy changes could provide opportunities to strengthen creativity, engagement and connectedness</p> <p>Investigate the potential to structure, resource and grow volunteers</p> <p>Implementation of partnerships to deliver youth programs and services</p> <p>Implementation of the Reconciliation Action Plan</p> <p>Appoint operator for the Marion Leisure and Fitness Centre G19</p>
	Increasing community interest in volunteerism is providing a varied skill base but higher expectations. Longer working hours reducing the capacity for long-term volunteering and increasing the desire for more flexible periodic and short-term volunteering opportunities	✓				Appropriate work health and safety, development and deployment of volunteers and friends groups
	National and international trends on people remaining independent as they age – opportunity to focus more on individual wellbeing:	✓				HACC transitioning to national and regional customer led wellbeing and reablement home support programs offering more choice of suppliers – impact on our services yet to be determined
	Potential health issues around noise and air pollution around major traffic routes & building work	✓				
	<p><b>Population growth and changing demographics:</b></p> <ul style="list-style-type: none"> <li>- <b>High proportion of lone person households</b></li> <li>- <b>Increase in 85+ year olds and pensioners</b></li> <li>- <b>High % of households on low incomes and Housing SA rentals</b></li> <li>- <b>Growth in education attainment levels</b></li> <li>- <b>Increase in young families</b></li> <li>- <b>Increase in new arrivals with lower disposable income</b></li> <li>- <b>Changing ethnicity</b></li> </ul>	✓				<p>Reconsideration of place based urban design and other Council services to encourage active living, healthy lifestyles and social connectivity for all age profiles</p> <p>Continue and expand Crime Prevention Through Environmental Design</p>
	Vision 2030 Smart Libraries... Smart Communities - Our libraries are valued as institutions of civil democracy and community engagement. They are hubs of knowledge, creativity and innovation, bringing together the physical and digital worlds and providing opportunities for learning and leisure, linking the people of South Australia to each other and the world. ( 'Tomorrow's Libraries' by Libraries SA)				✓	Analysis of Library 'One Card' borrowing and collection data - potential for shared and specialised collection management across all formats

Current or emerging issues and opportunities		Criticality for action				CoM targeted response
		Short term: In next 12 months	Medium term: In next 2-4 years	Long term: In next 5-10 years	Watching brief/ Ongoing	
Natural environment	<p>Impacts of a changing climate (increasing temperatures and longer heatwaves, reduced rainfall but increased rainfall intensity, increased fire danger days and increased sea levels) on:</p> <ul style="list-style-type: none"> <li>- natural resources and ecosystems (including coastal and marine environments and water resources)</li> <li>- natural resources and ecosystems (including coastal and marine environments and water resources)</li> <li>- infrastructure and built environment (urban heat islands)</li> <li>- service level expectations for the public realm</li> <li>- essential services</li> <li>- manufacturing and business (business continuity support)</li> <li>- community health and wellbeing</li> </ul>	✓				<p>Undertake a study on the potential for the installation of a solar farm or solar panel network in the City</p> <p>Participation in SA climate change strategy consultation which has a renewed emphasis and focus on abatement and adaptation.</p> <p>Alignment with Carbon Neutral Adelaide and opportunities to align with the 'Low Carbon Investment Plan for South Australia' aimed at stimulating discussion about strategies to achieve a \$10 billion investment target in low carbon generation investments by 2025.</p> <p>Implement priorities (once considered by Council) from the Resilient South Regional Climate Change Adaptation Implementation Plan</p> <p>Develop a regional coastal management plan. Regional focus on coastal protection from metro seaside councils and addressing rising sea levels at Hallett Cove through residential general DPA</p> <p>Develop a plan to increase energy efficiency of council facilities and commence roll out of priority initiatives</p> <p>Develop a business case to transition to safe and sustainable street and public lighting</p> <p>Increase the number of sites connected to Oaklands water distribution network and increase use of treated stormwater on these sites for irrigation. G27 Investigate the potential to establish a water supply business utilising the Oaklands Wetlands water distribution network</p> <p>Implement the two adopted Regional Stormwater Management Plans; Hallett Cove Creeks, and the Coastal Catchment between Glenelg and Marino. Complete draft Stormwater Management Plans for the catchments of 'East of Sturt River' and 'Urban area abutting Field River' for Council consideration and public consultation. Commence the Stormwater Masterplan DPA in 2017 with Completion in 2018.</p>
	Growth of localism - links to community gardening, urban bee keeping, verge gardening, food forager movement, etc.	✓				<p>Citizen Science, Bio Blitz and Common Thread events - move to more community led events</p> <p>Increased promotion of related Neighbourhood Centre and Library resources</p>
	Emergence of Nature Play	✓				Bio Blitz Nature Play activities, design of reserves and playspaces
	Adverse impacts of pest plants and animals on natural ecosystems		✓			<p>Develop a plan for the protection of remnant native vegetation in our reserves</p> <p>Plan the final stages of the Oaklands Reserve redevelopment including the biodiversity corridor</p>
	SA retailer energy efficiency scheme for the commercial and residential sectors		✓			
	SA Government 50% renewables commitment by 2025 & net zero emissions by 2050			✓		

Current or emerging issues and opportunities		Criticality for action				CoM targeted response
		Short term: In next 12 months	Medium term: In next 2-4 years	Long term: In next 5-10 years	Watching brief/ Ongoing	
Urban environment	<p><b>Urban demographics:</b></p> <ul style="list-style-type: none"> <li>- <b>Limited housing choice to meet the needs of everyone in the community</b></li> <li>- <b>Population growth and urban infill cause increased traffic and limited on-street parking with increasing demands on public places and spaces and public services</b></li> </ul>	✓				<p>Develop an age friendly City Strategy that incorporates access and inclusion in partnership with the Cities of Mitcham and Holdfast Bay</p> <p>Housing Diversity DPA will reflect the unique topography of Marion requiring different urban solutions:</p> <ul style="list-style-type: none"> <li>- create more choice in southern Marion due to increased density</li> <li>- decrease density in the north to protect character and heritage areas, open space and trees whilst meeting 30 Year Plan for Greater Adelaide and review of Southern Growth Corridor population targets</li> </ul> <p>Collaborate on Main South Road / Darlington DPA - higher Tonsley density, Sturt Triangle and Lot 707</p> <p>Develop a 10 year Policy and Program framework for Open Space and Playspaces and commence implementation. Deliver local and neighbourhood playspaces as prioritised through Playspace Strategy review</p> <p>Procure &amp; construct the Jervois Street Reserve redevelopment</p> <p>Progress the Inclusive Playspace at Hendrie St in partnership with the Touched by Olivia Foundation</p> <p>Progress the Marion Historic Village Streetscape program</p> <p>Construct the Trott Park Dog Park</p>
	<p>Opportunities in biophilia, WSUD, energy efficiency and green infrastructure including whole-of-government green infrastructure strategy (SA) and the Living Adelaide initiative to mitigate the adverse impacts of urban planning and infill development on biodiversity/natural environments/ecosystems/water resources management/renewable energy and stormwater infrastructure requirements</p>	✓				<p>Target an allocation of 5% of drainage and traffic capital works budgets to Water Sensitive Urban Design outcomes</p> <p>Complete stage 1A (access road, Gross Pollutant Traps, sedimentation basin and high flow bypass) - complete December 2016 and 1B (wetland cells, overflow weirs, additional drainage the planting and landscaping) construction works package at Glade Crescent Wetlands scheme</p> <p>Influence DPTI to include biophilia and green infrastructure in projects within CoM</p> <p>Resilient South partnership projects such as Urban heat Island mapping project &amp; the Developing a business case for urban trees project</p> <p>CoM contribution to the Water Sensitive SA project that delivers WSUD capacity building initiatives for Council staff, etc</p> <p>Commence implementation of an approved streetscaping plan for the whole of the city</p> <p>Strenuous effort to obtain commitment from the University of Adelaide or State Government that Glenthorne Farm will be opened up for community benefit</p>

Current or emerging issues and opportunities		Criticality for action				CoM targeted response
		Short term: In next 12 months	Medium term: In next 2-4 years	Long term: In next 5-10 years	Watching brief/ Ongoing	
Transport and connectivity	<b>Marion's road/rail/freight network:</b> - Poor east-west connectivity - Competing/overlapping transport systems - Multiple arterial roads carrying high volume of through traffic - Transit corridors dividing communities - Rail corridor, Lonsdale Road, South Road, Sturt drain - Unique terrain of the South combined with current transport services poses potential risk of isolation to residents that are ageing and mobility impaired increasing demand on community bus, neighbourhood centres and mobile library	✓				Advocate for east-west connectivity and development adjacent to the North-South Corridor  South Road and Darlington interchange upgrades  Wider South Road project  Advocate for grade separation at the Oaklands Rail crossing  Deliver traffic treatment works for George and Finnis Street
	<b>Individual transport in Marion:</b> - Narrow footpaths with limited resting/seating places – poor accessibility for mobility impaired Inefficient public transport services and long commute to work times - Poor transport linkages to public places and spaces, goods and services, local business and industry - Insufficient and poorly integrated walking & cycling networks - Inadequate car parking for public transport commuters - Dominance of cars causing congestion on roads and increased on-street parking demands	✓				Implement high priority projects identified in the Walking and Cycling Strategy including the Tonsley Greenway, Sturt River Linear Park Greenway and other local cycling connections between Tonsley and the Marion Central precinct  Reconstruct the next section(s) of Railway Terrace to extend the off road shared use path along the Adelaide to Marion Rocks Greenway  Glandore Laneways in public ownership by December 2016  Commence implementation of an approved streetscaping plan for the whole of the city  Partnership opportunities to promote healthier, active transport alternatives and to improve integration of transport options – walk, park & ride (leverage DPTI process)
	Increased walking, cycling and public transport usage with fewer young drivers		✓			
	Technological transport trends: - Lightweight vehicles developed - Driverless cars - SA legislation reform underway (Motor Vehicles Act, Road Traffic Act) - Smart parking systems – greater use of technology- Car and bike sharing e.g. GoGet (Sydney) and Flexicar (Melbourne) - Big data, smarter transport for trucking and freight etc.				✓	

Current or emerging issues and opportunities		Criticality for action				CoM targeted response
		Short term: In next 12 months	Medium term: In next 2-4 years	Long term: In next 5-10 years	Watching brief/ Ongoing	
Service provision	<b>Opportunity to develop more insightful understanding of customer value and service needs, including customer perspective in the development of service range and required service levels:</b>	✓				Restructure, Service Review programme, roll-out of values, Resident satisfaction survey, KPI framework
	<b>Accurate assessment of customer satisfaction levels</b>	✓				Develop and implement a community feedback program, including an annual community satisfaction survey Deliver an annual Stakeholder survey on satisfaction with Council facilities
	<b>Greater effective use of evidence for decision making</b>	✓				Resident satisfaction survey, KPI framework, service reviews
	<b>Continued focus on driving innovation and continuous improvement in a constrained budgetary environment</b>	✓				Undertake service reviews on: 1. Hard Rubbish and Illegal Dumping - expected completion March 2016 2. LKCC - expected completion May 2016 3. Land and Property Services - expected completion October 2016 4. Libraries - Commence 2016  Service reviews, implement recommendations from Auditor General, optimisation of fleet lifecycle, regional waste services review and SA waste strategy 2015-2020  Review Leasing and Licensing Policy. Focused program to ensure 80% of facility leases are up to date (subject to negotiations with major lease holders) by June 2016
	<b>Funding and social and cultural impetus to adopt more collaborative service delivery models and better empower the community to participate and engage in place making and social enterprise</b>		✓			Opportunity to work more collaboratively with regional Councils in cost sharing
Governance, risk and strategic alignment	<b>Alignment of the organisation to deliver the aspirations of the Community and Council Plans</b>	✓				Endorsement of Council Plan and roll-out of integrated Work Area Planning
	<b>Transition to an agile &amp; responsive delivery model whilst maintaining prudent financial management</b>	✓				Review of frameworks and procedures to support delivery
	<b>Alignment of risk management throughout the organisation</b>	✓				Monitoring of risk registers, reformed Risk Working Group
	Changes to regional emergency management planning	✓				Reformed Risk Working Group  Update of emergency management procedures
Long term financial sustainability	<b>Limited funding capacity for competing strategic projects or incremental service improvements given current rates assumptions and funding position - need for greater collaboration, partnering and innovative funding solutions to achieve community outcomes in a challenging fiscal environment</b>	✓				Ongoing review of the Long Term Financial Plan to ensure council remains in a sound and sustainable financial position. Rate of 2.75% modelled for next 9 years  Further models of collaborative procurement, public private partnership, cost sharing and funding streams investigated
	Uncertainty of future interest rates and its impact on our future loan portfolio.				✓	
	Increases in State Government fees and levies impact on the cost of delivering services				✓	
	Increasing maintenance and utility costs impact on the cost of delivering services				✓	New electricity contract will increase costs - mitigations investigated include streetlighting efficiency review
Asset reliability and sustainability	Reviewing our existing asset base: - In light of increasing costs and customer service requests to maintain and renew our existing asset base - Understanding which assets could be repurposed, reused or disposed of in order to enhance other assets to better meet community needs - Investigating innovative asset management models e.g. share community use, public private partnerships and related business and retail opportunities	✓				Embedding the Asset Sustainability matrix into prioritisation of customer service request resolution actions  Undertake a building/facilities condition audit  Develop a building renewal plan  Develop an asset disposal / consolidation program and commence implementation
Employer of choice	Embedding Work Health & Safety system improvements throughout the organisation	✓				Pursue Council's adopted target of "Zero Harm with Improved Wellbeing" by ensuring Hazard Registers and underpinning SWMS/SWPs/SOPs, are in place and maintained for each Business Unit with improvement actions monitored and reported to WHS Committee bi-monthly.
	Need to provide the appropriate technology tools and information resources for staff to connect, collaborate and do their jobs efficiently and effectively	✓				Replacement of Lotus Notes within 12 months - Invest in new technology to modernise City of Marion's technology platform including retiring ageing Lotus Notes systems as a priority in 2016  Improved contract management under wider review of procurement management
	Continued building of leadership and workforce capability and skills, particularly in the areas of project management, partnership models and industry experience	✓				Develop and deliver a Workforce Plan  E3 learning & 70/20/10 T&D program, PMG training sessions, integrated work area planning, knowledge transfer from contractors
	Sustaining positive culture and a focus on delivery of outcomes during the period of change while the restructure takes effect	✓				GMs recruitment underway, Roll-out of values



## 2016/17 Annual Business Plan (incorporating Annual Budget), and Long Term Financial Plan Reporting Schedule

Report	Purpose	To	Date
1. <b>Priority Setting</b>	Begin development of strategic priorities	Elected Member Workshop	16 Jan
2. <b>Framework</b>	ABP framework, assumptions and timeframes for the preparation of the 2016/17 ABP and LTFP	General Council	19 Jan
3. <b>Priority Setting</b>	Review of unfunded initiatives	Elected Member Forum	16 Feb
4. <b>Framework</b>	Endorsement of integrated planning framework including the Council Plan, Long Term Financial Plan (LTFP) and ABP 2016/17, environmental scan, assumptions, schedule and key outcomes	Finance & Audit Committee	8 March
5. <b>Rating Strategy and Analysis</b>	Valuer General Presentation and Workshop to consider 16/17 rating strategy and budget and scenario planning/modeling	Elected Member Workshop	8 March
6. <b>Preparation of 2016/17 ABP</b>	Workshop to bring together ABP key elements; strategic priorities, objectives, key performance indicators, final position on savings, rating strategy for 2016/17, grants and subsidies, fees and charges	Elected Member Forum	29 March
7. <b>Adopt draft ABP for consultation</b>	Endorsement of the Draft ABP 2016/17 for public consultation	General Council	26 April
8. <b>Community Consultation</b>	Minimum of 21 day public consultation period (notification in "What's on in Marion column" in Guardian Messenger Press 28 April)		4 – 24 May
9. <b>Framework</b>	Discussion on the 3-year 2016-2019 business plan	Elected Member Forum	10 May
10. <b>Rating Report 2016/17 Update</b>	Consideration of an update of the valuation data applicable in setting the 2016/17 rates. This information will assist Council in reviewing its Rating strategy.	General Council	24 May
11. <b>Community feedback on ABP</b>	Opportunity for community representation & outcomes of community consultation on ABP	General Council	24 May
12. <b>Final Draft ABP &amp; LTFP</b>	Consideration of the final Draft ABP&B 2016/17 (including fees and charges schedule) and LTFP	Finance & Audit Committee	31 May
13. <b>Draft LTFP, Council Plan &amp; ABP</b>	Endorsement of the LTFP, Council Plan and ABP&B 2016/17 for final adoption at the General Council Meeting on the 28 June Consideration of the summary of the City of Marion Annual Business Plan and Budget 2016/17	General Council	14 June
14. <b>Financial Policies</b>	Approval for Council's Financial Governance Policies	General Council	28 June
15. <b>Adopt LTFP, Council Plan &amp; ABP</b>	Adoption of the LTFP, Council Plan and ABP&B 2016/17	General Council	28 June
16. <b>Summary ABP for communication</b>	Endorsement of the of the summary of the City of Marion Annual Business Plan and Budget 2016/17	General Council	28 June
17. <b>Valuation</b>	Adoption of the valuation for 2016/17	General Council	28 June
18. <b>Rates Declaration</b>	To declare the rates for the financial year 2016/17	General Council	28 June
19. <b>Rate Rebates</b>	Adoption of the applicable rebates 2016/17	General Council	28 June

Please note: These timeframes may be subject to minor alteration through the planning process.

## Appendix 3 – Long Term Financial Plan excerpts

Table A – Funding Statement – based upon a 2.75% rate increase per annum

	Draft ABP&B	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
	2016/2017	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
<b>(a) Operating Revenue</b>										
Rates										
General	71,001	73,683	76,466	79,355	82,353	85,464	88,692	92,042	95,519	99,127
Other	1,628	1,669	1,711	1,754	1,798	1,843	1,889	1,936	1,984	2,034
Statutory Charges	1,704	1,747	1,791	1,836	1,882	1,929	1,977	2,026	2,077	2,129
User Charges	1,594	1,634	1,675	1,717	1,760	1,804	1,849	1,895	1,942	1,991
Operating Grants and Subsidies	7,211	5,766	5,893	6,023	6,157	6,294	6,434	6,578	6,725	6,876
Investment Income	265	260	260	260	260	260	260	260	260	260
Reimbursements	619	634	650	666	683	700	718	736	754	773
Other	379	389	398	408	418	428	439	450	461	473
	<b>84,401</b>	<b>85,782</b>	<b>88,844</b>	<b>92,019</b>	<b>95,311</b>	<b>98,722</b>	<b>102,258</b>	<b>105,923</b>	<b>109,722</b>	<b>113,663</b>
<b>(b) Operating Expenses</b>										
Employee Costs	32,779	33,252	33,917	34,595	35,287	35,993	36,713	37,447	38,196	38,960
Contractual Services	15,834	15,604	16,569	17,074	17,391	17,764	18,370	18,647	19,163	19,692
Materials	5,211	5,336	5,470	5,607	5,748	5,892	6,040	6,192	6,347	6,506
Finance Charges	948	1,364	1,421	1,296	1,164	1,033	919	799	486	155
Depreciation	14,020	14,580	15,163	15,769	16,400	17,056	17,738	18,448	19,185	19,952
Other	6,145	6,219	6,712	6,541	6,705	6,873	7,414	7,230	7,411	7,596
<i>Less</i>	<b>74,937</b>	<b>76,355</b>	<b>79,252</b>	<b>80,882</b>	<b>82,695</b>	<b>84,611</b>	<b>87,194</b>	<b>88,763</b>	<b>90,788</b>	<b>92,861</b>
<b>Operating Surplus/(Deficit) before Capital Revenues</b>	<b>9,464</b>	<b>9,427</b>	<b>9,592</b>	<b>11,137</b>	<b>12,616</b>	<b>14,111</b>	<b>15,064</b>	<b>17,160</b>	<b>18,934</b>	<b>20,802</b>
<i>Add</i> <b>Capital Revenue</b>	1,824	1,834	1,844	1,854	1,865	1,876	1,887	1,898	1,910	1,923
<i>Equals</i> <b>Net Surplus/(Deficit) resulting from operations</b>	<b>11,288</b>	<b>11,260</b>	<b>11,436</b>	<b>12,991</b>	<b>14,480</b>	<b>15,987</b>	<b>16,951</b>	<b>19,058</b>	<b>20,844</b>	<b>22,725</b>
<b>Adjust for non-cash items</b>										
<i>Add</i> Depreciation	14,020	14,580	15,163	15,769	16,400	17,056	17,738	18,448	19,185	19,952
<i>Less</i> Share of Profit SRWRA (excl div)	324	334	344	354	365	376	387	398	410	423
<i>Equals</i> <b>Funding available for Capital Investment expenditure</b>	<b>24,984</b>	<b>25,507</b>	<b>26,255</b>	<b>28,406</b>	<b>30,516</b>	<b>32,667</b>	<b>34,302</b>	<b>37,108</b>	<b>39,619</b>	<b>42,254</b>
<b>Capital</b>										
<i>Less</i> Capital Expenditure - Renewal	12,942	17,642	15,590	17,089	17,595	17,756	20,658	19,495	19,214	19,501
<i>Less</i> Capital Expenditure - New	3,930	3,477	3,315	3,421	4,275	4,373	4,481	4,591	3,707	3,794
<i>Less</i> Capital - contributed assets	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
<i>Equals</i> <b>Net Overall funding Surplus/(Deficit)</b>	<b>6,612</b>	<b>2,888</b>	<b>5,850</b>	<b>6,396</b>	<b>7,146</b>	<b>9,038</b>	<b>7,663</b>	<b>11,522</b>	<b>15,198</b>	<b>17,459</b>



Table A (continued)

Funding transactions associated with accommodating the above net overall funding deficit (or applying the net overall funding surplus) are as follows:

	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
<b>Loans</b>										
	Loan Principal Receipts (Net)	-	2,960	-	-	-	-	-	-	-
Less	Loan Principal Payments	1,400	1,986	2,059	2,184	2,315	1,958	2,071	2,192	1,738
	<b>Loans - Increase/(Decrease)</b>	<b>(1,400)</b>	<b>974</b>	<b>(2,059)</b>	<b>(2,184)</b>	<b>(2,315)</b>	<b>(1,958)</b>	<b>(2,071)</b>	<b>(2,192)</b>	<b>(1,738)</b>
<b>Movement in level of cash, investments &amp; accruals</b>										
	Cash Surplus/(Deficit) funding requirements	-	-	-	-	-	-	-	-	-
	Movement in inventories									
Less	Reserves Transfer from/(Transfer to)	(2,118)	(2,070)	(2,613)	(3,458)	(3,564)	(3,673)	(3,785)	(3,901)	(4,143)
	<b>Funding Surplus/(Deficit)</b>	<b>3,094</b>	<b>1,792</b>	<b>1,178</b>	<b>754</b>	<b>1,267</b>	<b>3,407</b>	<b>1,807</b>	<b>5,429</b>	<b>11,578</b>
	<b>Cash/Investments/Accruals Funding</b>	<b>5,212</b>	<b>3,862</b>	<b>3,791</b>	<b>4,212</b>	<b>4,831</b>	<b>7,080</b>	<b>5,592</b>	<b>9,330</b>	<b>15,721</b>
<i>Equals</i>	<b>Funding Transactions</b>	<b>(6,612)</b>	<b>(2,888)</b>	<b>(5,850)</b>	<b>(6,396)</b>	<b>(7,146)</b>	<b>(9,038)</b>	<b>(7,663)</b>	<b>(11,522)</b>	<b>(17,459)</b>

**Table B – Key Financial Indicators**

Ratio	Rate Modelling Scenario	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Operating Surplus Ratio (Averaged over 5 years) Target 0%-5%	2.75% ongoing	8.9%	9.8%	11.2%	12.7%	14.1%	14.7%	15.5%	16.7%	17.9%	19.0%
	2.50% ongoing	8.9%	9.6%	10.9%	12.3%	13.4%	13.9%	14.5%	15.5%	16.5%	17.4%
	2% ongoing	8.8%	9.4%	10.4%	11.5%	12.1%	12.2%	12.4%	13.0%	13.6%	14.1%
	0% in first year, revert to 2.75%	8.4%	8.8%	9.7%	10.8%	11.7%	12.3%	13.2%	14.4%	15.6%	16.8%
Net Financial Liabilities* Target 0%-50%	2.75% ongoing	25.9%	22.1%	14.8%	7.3%	-0.4%	-9.6%	-16.7%	-27.0%	-40.0%	-53.9%
	2.50% ongoing	26.2%	22.8%	16.1%	9.4%	2.6%	-5.5%	-11.4%	-20.4%	-32.0%	-44.5%
	2% ongoing	26.7%	24.3%	18.8%	13.7%	8.8%	2.9%	-0.5%	-6.7%	-15.3%	-24.7%
	0% in first year, revert to 2.75%	28.8%	27.3%	21.9%	16.4%	10.6%	3.2%	-2.2%	-10.9%	-22.3%	-34.9%
Debt Servicing Target 0%-5%	2.75% ongoing	3.4%	4.6%	4.6%	4.4%	4.3%	3.5%	3.4%	3.2%	2.4%	2.3%
	2.50% ongoing	3.4%	4.6%	4.6%	4.4%	4.3%	3.5%	3.4%	3.3%	2.5%	2.4%
	2% ongoing	3.4%	4.6%	4.6%	4.4%	4.3%	3.5%	3.5%	3.4%	2.6%	2.5%
	0% in first year, revert to 2.75%	3.4%	4.6%	4.6%	4.4%	4.3%	3.5%	3.5%	3.3%	2.5%	2.4%
Asset Sustainability** Target 95%-100%	2.75% ongoing										
	2.50% ongoing	91.3%	118.8%	100.0%	104.9%	103.8%	100.7%	113.1%	102.3%	96.8%	94.4%
	2% ongoing										
	0% in first year, revert to 2.75%										
Asset Consumption** Target 80%-100%	2.75% ongoing										
	2.50% ongoing	89.6%	89.2%	88.5%	87.8%	87.2%	86.4%	86.0%	85.2%	84.2%	82.8%
	2% ongoing										
	0% in first year, revert to 2.75%										

\*A negative Net Financial Liabilities Ratio indicates that Council's non-equity financial assets are greater than its total liabilities.

\*\*Please note that the Asset Sustainability and Asset Consumption ratios are not impacted by changes in the rate modelling

**Table C - Funding Forecasts**

Indicator	Rate Modelling Scenario	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Funding Surplus/(Deficit) (\$000's)	2.75% ongoing	3,094	1,792	1,178	754	1,267	3,407	1,807	5,429	9,535	11,578
	2.50% ongoing	2,921	1,434	622	(15)	270	2,167	308	3,654	7,465	9,194
	2% ongoing	2,576	721	(483)	(1,537)	(1,695)	(268)	(2,626)	191	3,441	4,577
	0% in first year, revert to 2.75%	1,194	(180)	(868)	(1,370)	(938)	1,119	(567)	2,966	6,979	8,926
Closing Cash Balance (\$000's)	2.75% ongoing	11,569	15,429	19,220	23,433	28,263	35,343	40,936	50,267	63,821	79,542
	2.50% ongoing	11,396	14,898	18,133	21,577	25,410	31,250	35,344	42,900	54,384	67,721
	2% ongoing	11,051	13,840	15,970	17,892	19,760	23,165	24,325	28,418	35,878	44,598
	0% in first year, revert to 2.75%	9,669	11,557	13,302	15,391	18,016	22,808	26,027	32,895	43,893	56,962

## Appendix 4 – Rate Modelling and Comparative Rating Data

Table 1 – Average Residential Rate 2015/16

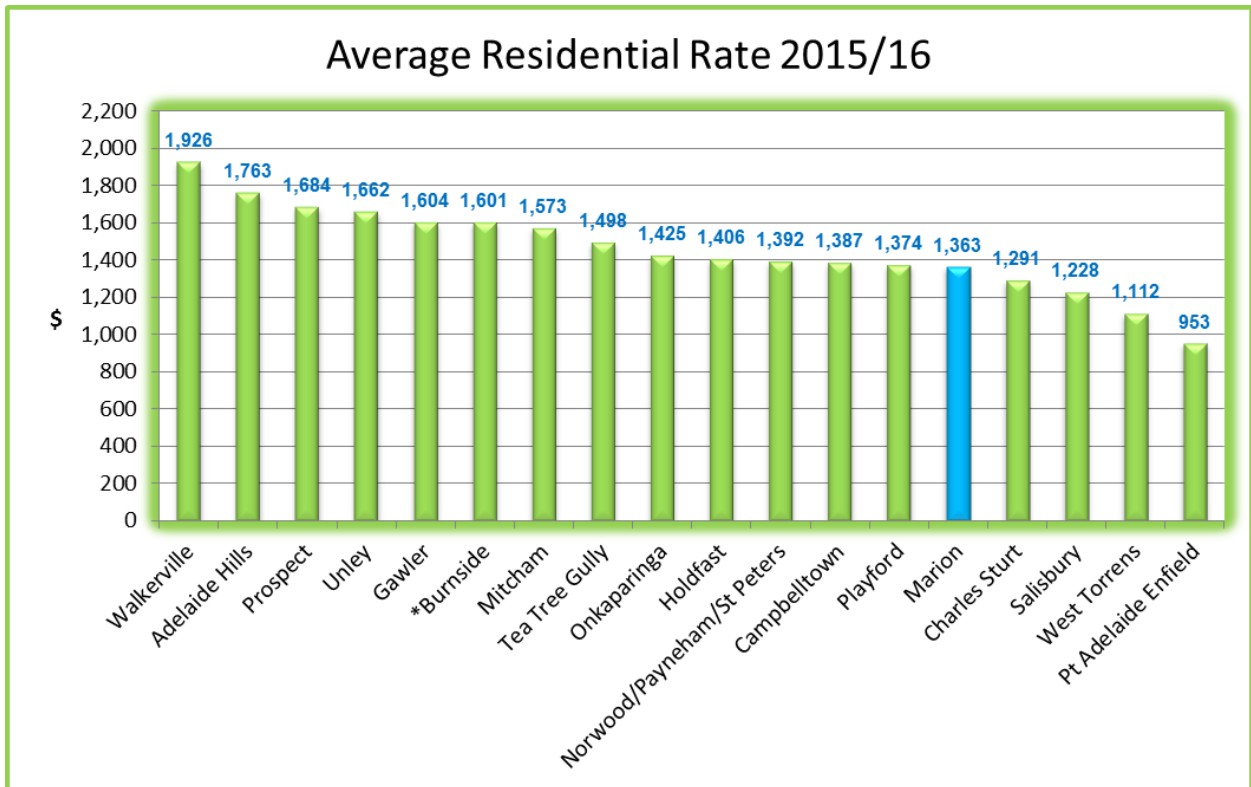


Table 2 – Rate Revenue and Capital Valuations – Worked Example

<b>Rate Revenue and Capital Valuations - Worked Example</b>					
		<u>Marion</u>	<u>Holdfast</u>	<u>Mitcham</u>	<u>West Torrens</u>
Rate Revenue Required from Ratepayers	<b>A</b>	\$ 70,000,000	\$ 70,000,000	\$ 70,000,000	\$ 70,000,000
Number of Residential Properties	<b>B</b>	40,000	40,000	40,000	40,000
Average Residential Rates Per Property	<b>A</b> <b>B</b>	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750
Average Residential Property Value in each Council (Actual)	<b>C</b>	\$ 377,383	\$ 528,397	\$ 508,342	\$ 419,544
Total Property Valuation	<b>D = B x C</b>	\$ 15,095,320,428	\$ 21,135,876,968	\$ 20,333,664,065	\$ 16,781,750,436
<u>Rate in Dollar</u>					
Rate in Dollar -	<b>A</b> <b>D</b>	\$ 0.004637199	\$ 0.003311904	\$ 0.003442567	\$ 0.004171198
Check average rates using rate in dollar	<b>C x R.I.D</b>	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750
Revenue received By Each Council Total Property Value x their calculated Rate in Dollar		\$ 70,000,000	\$ 70,000,000	\$ 70,000,000	\$ 70,000,000
Revenue received By Each Council using the <u>lowest</u> Rate in Dollar ( i.e Holdfast Bay )		\$ 49,994,255	\$ 70,000,000	\$ 67,343,148	\$ 55,579,550
Shortfall in Required Revenue by each Council using the <u>same and lowest</u> Rate In Dollar		-\$ 20,005,745	\$ -	-\$ 2,656,852	-\$ 14,420,450
Number of Rateable Residential Properties In Each Council (Actual)		39,243	18,375	26,558	26,833
Total Budgeted 2015/16 Operational Expenditure		72,600,000	58,500,000	55,600,000	59,000,000
Operational Expenditure Per Household (Total Operational Exp Divided by Number of Residential		\$ 1,850	\$ 3,184	\$ 2,094	\$ 2,199

**Table 3 – Neighbouring Councils Rate Revenue Comparative**

<b>Neighbouring Councils Rate Revenue % by Land Use</b>					
	<b>Holdfast Bay</b>	<b>Mitcham</b>	<b>Onkaparinga</b>	<b>West Torrens</b>	<b>Marion</b>
Land Use	% of Revenue	% of Revenue	% of Revenue	% of Revenue	% of Revenue
Residential	85%	85%	84%	65%	79%
Commercial	12%	10%	6%	25%	16%
Industrial	1%	1%	2%	6%	2%
Primary Production	0%	0%	4%	0%	0%
Vacant Land	1%	2%	3%	1%	2%
Other	0%	2%	1%	3%	1%
Marina Berths	1%	0%	0%	0%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**CITY OF MARION  
FINANCE AND AUDIT COMMITTEE MEETING  
8 MARCH 2016**

**Originating Officer:** Sherie Walczak, Unit Manager Risk

**Corporate Manager:** Kate McKenzie, Manager Corporate Governance

**General Manager:** Vincent Mifsud, General Manager Corporate Services

**Subject:** Corporate Risk Profile

**Report Reference:** AC080316R7.2

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**EXECUTIVE SUMMARY:**

The City of Marion Strategic Risk Profile is reported to the Finance and Audit Committee on an annual basis to respond to their obligation to Council and the community, outlined in the terms of reference, to facilitate the '*effective management of risk and the protection of Council assets*'.

The purpose of this report is to seek assurance and input from the Finance and Audit Committee regarding:

- The process for identifying and managing risks;
- The management of high level risks, their control environment and further treatments.

**BACKGROUND**

The Strategic Risk Register was last reported to the Finance and Audit Committee at its meeting on 15 June 2015. The review aligned the Strategic Risks with the Community Plan and the six community themes of Liveable, Prosperous, Biophilic, Innovative, Engaged and Connected. A seventh risk of 'Optimising Organisational Excellence' had also been identified which is an internally focused risk. The combination of these seven risks contribute to the overarching aspirational goal of 'Wellbeing' for the City of Marion.

The biennial review of the organisational Risk Management Policy and Framework was subsequently undertaken during 2015 and the revised Risk Management Policy and Framework was adopted by Council at its meeting on the 19 January 2016.

The next stage was to undertake a comprehensive review of the Operational Risk Register and current controls in order to inform an updated operational risk profile and the result form the basis for this report.

**RECOMMENDATION (1)**

**That the Audit Committee note the progress reported to date and provide feedback on the outlined high level operational risks**

**DUE DATES  
8 March 2016**

## PROCESS UNDERTAKEN

This report provides an overview of the approach undertaken to undertake the comprehensive review of operational risks and the outcomes achieved. It offers greater understanding of the City of Marion's highest level Operational Risks, associated controls and proposed treatments to further mitigate the risk and reduce the current risk rating.

The annual risk review process started with two risk training sessions offered at both the Administration Building and at City Services, which were well attended and provided a contextual understanding of the Risk Management Policy and Framework for those without implicit knowledge.

The next stage was to facilitate 25 risk workshops held with individual business units in order to undertake a comprehensive review of operational risks and current controls to inform an updated Operational Risk Profile.

This risk register was then filtered to identify only the risks that sit outside Council's tolerance level (ie those that have a current rating of High or Extreme), which were submitted to the Risk Working Group for review and validation offline. As a result of feedback, the Strategic Risk Register and the Operational Risk Register have been consolidated into one Corporate Risk Register therefore containing the Strategic Risks together with the full suite of Operational Risks.

The resulting Corporate Risk Register will be tracked and reported to the Risk Working Group on a bi-monthly basis to monitor the associated controls and progression of proposed treatments to mitigate the risk and lower the current risk rating.

## DISCUSSION

The Corporate Risk Register resulted in 142 operational risks being identified. Using the 'current rating' (i.e. rated with existing controls in place) to analyse the results, there were no risks rated as extreme, 53 risks rated as high, 79 risks rated as medium and 10 rated as low. It should be noted that within the current risks rated as high, there were primarily six common risk issues that were recurring. These were identified across multiple business units and therefore resulted in an increased overall number of high risks.

Listed below, in no particular order, are the high risk issues identified through the Corporate Risk Register:

1. asset management
2. strategic planning
3. workforce planning
4. contractor & volunteer management
5. project management
6. compliance with legislative and regulatory requirements.

These high risk issues are provided in an extract from the Corporate Risk Register as Appendix 1 and will be the focus of the Executive Leadership Team and the Risk Working Group during 2016.

The Risk Working Group will monitor and review progress against identified 'further actions' as well as aiming for consistent strategic alignment across business units. This will be an on-going piece of work, resulting in the eventual outcome of reducing risk ratings and the subsequent risk exposure of the City of Marion. It is forecasted to achieve no risks rated as extreme, no risks rated as high, 100 risks rated as medium and 42 rated as low. The results of progress to date will be reported through to the Finance and Audit Committee in the next annual Corporate Risk Report scheduled for early 2017.

As risk has a dynamic context resulting from the constantly changing external and internal environments of Council, any emerging high level risks will be reported to the Risk Working Group to be included into the Corporate Risk Register for monitoring by General Managers as outlined in the Risk Management Policy and Framework.



## HIGH PRIMARY RISKS

RISK	CURRENT CONTROLS	FURTHER ACTIONS
<p><b>1.</b> Failure to appropriately maximise the use and life of CoM assets ie asset management planning to ensure appropriate maintenance and renewal of existing assets as a priority.</p>	<ul style="list-style-type: none"> <li>• Asset Management Policy &amp; Asset Management Plan</li> <li>• Community Plan</li> <li>• Capital working group meetings</li> <li>• Valuations and Long Term Financial Plan (LTFP)</li> <li>• Asset management schedules</li> <li>• Meeting of compliance obligations</li> <li>• Building checks</li> <li>• Continual improvement in understanding of lifecycle and whole of life costs by decision maker</li> <li>• Lease agreements &amp; inspections</li> </ul>	<ul style="list-style-type: none"> <li>• Further implementation of the Asset Management Plan into 2016/17 budgets and LTFP</li> <li>• Further Implementation of the Community Plan</li> <li>• Improve links between asset information, asset management plans, Strategic Directions Report and the LTFP including operational budgets. (Including but not limited to Service Levels, audits, predictive modelling, proactive replacement programs, proactive asset improvement plans - not replacing like for like)</li> <li>• Review implementation of process for centralised data storage and recovery. (Authority)</li> <li>• Ensure IIMM (International Infrastructure Management Manual) Continuous Improvement Matrix roll out is completed, regularly monitored and reviewed.</li> <li>• Review valuation schedules to ensure asset register data is kept pertinent</li> <li>• Training in &amp; implementation of project management procedures</li> <li>• Completion and adoption of asset wide costed service standards.</li> <li>• Update related policies, procedures and processes</li> <li>• Implementation of structural engineer audit program</li> <li>• Implementation of Contractor Management procedures including new structure handover procedure</li> <li>• Lease management process/system improvements</li> <li>• Building Facility Plans</li> </ul>
<p><b>2.</b> Failure of strategic direction and strategic management to deliver key strategic outcomes, drive operational business planning, manage emerging issues and pursue new opportunities</p>	<ul style="list-style-type: none"> <li>• Regular meeting of Strategy Committee including Manager Innovation &amp; Strategy</li> <li>• Regular meetings with Executive Leadership Team/Risk Working Group to identify emerging issues and related actions</li> <li>• Strategy Committee work plan integrates into appropriate WAPs, coordinated by Innovation and Strategy</li> <li>• Suite of Strategic Plans in place</li> <li>• Comprehensive database of community health and wellbeing data to inform planning and decision making</li> <li>• Formalised environmental scanning process</li> <li>• Business focus in Work Area Planning framework to support all business units to identify data and trends</li> </ul>	<ul style="list-style-type: none"> <li>• Continued development of the strategic planning and review process to integrate key organisational plans</li> <li>• Development and implementation of the governance structure and process for regular review of the strategic plans, in line with regular review of the LTFP and workforce plans</li> <li>• Continue to build database of most accurate and recent data/info/trends</li> <li>• Embed understanding of data and its input into planning and decision making</li> <li>• Continue to build knowledge sharing systems</li> <li>• Finalisation of Work Area Planning in alignment with Council's three year Business Plan</li> </ul>
<p><b>3.</b> Ineffective strategic work force planning</p>	<ul style="list-style-type: none"> <li>• Strong change management processes whilst embedding of new organisational structure</li> <li>• Maintaining Employer of Choice status as an organisation</li> <li>• Policies, procedures and processes to endorse the</li> </ul>	<ul style="list-style-type: none"> <li>• Draft a Workforce Planning Framework to support all workforce related HR policies, procedures &amp; processes</li> <li>• Devise strategic objectives of work force planning at CoM and incorporate them in the framework</li> <li>• Review all related policies, procedures and processes eg: succession planning, vacancy</li> </ul>

## HIGH PRIMARY RISKS

RISK	CURRENT CONTROLS	FURTHER ACTIONS
	importance of culture/values to service delivery	management, emerging leaders, retirement planning, Return to Work, injury management, special leave (maternity, paternity) etc.
<b>4.</b> Failure to appropriately manage Contractors and Volunteers	<ul style="list-style-type: none"> <li>• Procurement &amp; Contractor Management policy &amp; procedures</li> <li>• Tender evaluation process</li> <li>• Contractor Induction</li> <li>• Site inspections</li> <li>• Volunteer Management policy &amp; procedures</li> </ul>	<ul style="list-style-type: none"> <li>• Participate in consultation re Procurement &amp; Contractor Management policy review &amp; procedure (when requested in April) and provide feedback as necessary</li> <li>• Relevant team members to attend training in new Contractor Management Procedures (when offered in May/June) and follow new processes/use new templates moving forward</li> <li>• Current project underway to revert all 'friends groups' to Volunteers</li> </ul>
<b>5.</b> Failure to deliver projects, as promised/specified, on time and on budget	<ul style="list-style-type: none"> <li>• Use of project management methodology including consultation methodology</li> <li>• Full scoping of project to create accurate/relevant project initiation document (PID)</li> <li>• Clearly identified roles &amp; responsibilities within project team</li> <li>• Regular team/partnership meetings</li> <li>• Regular monitoring and review and reporting processes</li> <li>• ICT Project Manager recruited</li> <li>• Use of ICT project management methodology and templates</li> <li>• Qualified &amp; experienced staff</li> <li>• Extensive consultation and research</li> <li>• Public engagement</li> <li>• Project management skills well embedded</li> <li>• Outsource work in specialised areas</li> </ul>	<ul style="list-style-type: none"> <li>• Review current project documentation to ensure accurate and relevant</li> <li>• Use reviewed project documentation to collaborate with Innovation &amp; Strategy in establishing a corporate Project Management Framework</li> <li>• Implement Project Management Framework processes across work areas</li> <li>• Ensure asset related projects align with Asset Management Policy and Plan, Council Plan</li> <li>• Ensure staffing 'FTE' matches with projects for Council Plan and 3 year program</li> <li>• Work with Council to ensure alignment and adequate resourcing for projects that receive external funding or any 'new' projects</li> <li>• Collaborate with Innovation &amp; Strategy in establishing a corporate Project Management Framework including defined process for Safety in Design/WHS building handovers</li> <li>• Investigate options for service improvement via Project Management software</li> <li>• Ensure consolidation of project management documentation with a mechanism for project closure/lessons learnt information to be disseminated to project staff across the organisation.</li> <li>• Training in &amp; implementation of project management procedures</li> </ul>
<b>6.</b> Absent, out dated and/or ineffective policies, procedures & processes to ensure compliance with legislative and regulatory requirements	<ul style="list-style-type: none"> <li>• Professionally qualified and experienced staff</li> <li>• Individual units managing relative policies</li> <li>• Internal control framework</li> </ul>	<ul style="list-style-type: none"> <li>• Implement Compliance framework</li> <li>• Review resources, post restructure, to ensure appropriate resources of staff in Governance Unit to deliver an effective Compliance framework including support to staff and monitoring identified requirements</li> </ul>

**CITY OF MARION  
FINANCE AND AUDIT COMMITTEE MEETING  
8 MARCH 2016**

**Originating Officer:** Sherie Walczak, Unit Manager Risk

**Corporate Manager:** Kate McKenzie, Manager Corporate Governance

**General Manager:** Vincent Mifsud, General Manager Corporate Services

**Subject:** Fraud and Corruption Management Policy

**Report Reference:** FAC080316R7.3

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**EXECUTIVE SUMMARY:**

The Finance and Audit Committee has been established to assist Council managed and facilitate its governance obligations. Section 2.2.3 states that the Committee will assist Council facilitate the *'effective management of risk and the protection of Council assets'*.

In line with the Committee's obligations, a draft Fraud and Corruption Management Policy has been developed to support the City of Marion's Risk Management Policy and Framework. The purpose of this report is to seek the Committee's input regarding the policy prior to being presented to Council for consideration and adoption.

**BACKGROUND**

In 2014, amendments to the Local Government Act were enacted regarding the obligation of Councils external auditors to report on the internal controls exercised by the Council during the financial year. The City of Marion implemented the control track software to document, assess and track internal controls across the City of Marion. Through this process, it was identified that the City of Marion did not have a Fraud and Corruption Policy and recommended that one be implemented.

A Fraud and Corruption Management Policy (**Appendix 1**) has been drafted for consideration and input by the Committee. The Policy is aligned to Councils internal control obligations and will contribute to the protection of public funds and assets as well as the integrity, security and reputation of the Council. It is designed to formalise the City of Marion's commitment to good governance practices by providing a policy position for the management of fraud and corruption.

**DISCUSSION**

The policy is drafted in Council's standard format and addresses how fraud and corruption will be managed, mitigated and implemented across the organisation.

Following feedback from the Committee, supporting documentation will be developed and implemented including a Fraud and Corruption Management Framework and an annual Fraud and Corruption Management Reporting Tool. The practical element, being the annual Fraud and Corruption Management Reporting Tool, will be aligned with the Work Area Plan process and will assist teams to provide assurance that Fraud and Corruption is being appropriately managed within their area of responsibility.

**RECOMMENDATIONS (1)**

**DUE DATES**

**That the Finance and Audit Committee:**

- 1. Review and endorse the Fraud and Corruption Management Policy subject to the following amendments.**

**8 March 2016**

## 1. Policy Statement

The City of Marion (“the Council”) is committed to excellence in governance. The Council is committed to acting in the best interest of the community and to upholding the principles of honesty, integrity and transparency, which are all key components of good governance. It is recognised that Fraud and Corruption in Public Administration have the potential to cause significant financial and non-financial harm and, therefore, the prevention and control of Fraud and Corruption should be covered within the Council’s Risk Management systems and procedures.

This Policy is design to protect public funds and assets as well as the integrity, security and reputation of the Council. It outlines the Council’s approach to the prevention or minimisation, identification and control of fraudulent and/or corrupt activity and summarises the associated responsibilities.

The Council is committed to protecting its revenue, expenditure and assets and therefore has implemented appropriate Fraud and Corruption prevention and will:

- Comply with the requirements of the Independent Commission Against Corruption (ICAC) Act 2012
- Foster an ethical environment in which dishonest and fraudulent behaviour is actively discouraged.
- Adopt a risk management approach to Fraud and Corruption, including pro-active assessment of risks establishing and maintaining an effective system of controls and enforcing compliance with those controls.
- Ensure all of the Council’s employees and elected members are aware of their obligations through the induction process, ongoing training and the evaluation of practices relevant to the control of Fraud and Corruption.
- Take appropriate action in response to allegations of fraudulent and/or corrupt activity including reporting in accordance with the ICAC Act and taking the appropriate disciplinary action in accordance with the Council’s Code of Conduct.

The purpose of this Policy is to formalise the Council’s commitment to managing Fraud and Corruption risks and to establish responsibilities for the application of Fraud and Corruption mitigation strategies and Internal Controls within the Council’s operations.

## 2. Policy Scope

This Fraud and Corruption Management Policy applies to all operations and functions of the Council.

## 3. Definitions

**Corruption** in public administration, as defined in the ICAC Act, includes:

- bribery or corruption of public officers
- threats or reprisals against public officers and
- certain offences committed by public officers including:
  - abuse of public office
  - demanding or requiring a benefit on the basis of public office
  - an offence, or an attempt to commit an offence against the Public Sector (Honesty and Accountability) Act 1995 or the Public Corporations Act 1993 and
  - any other offence committed by a public officer whilst acting in his or her capacity as a public officer.

**Fraud**, as defined in the AS 8001:2008 Fraud and Corruption Control, is Dishonest activity causing actual or potential financial loss to any person or entity including theft of moneys or other property by employees or persons external to the entity and where deception is used at the time, immediately before or immediately following the activity. This also includes the deliberate falsification, concealment, destruction or use of falsified documentation used or intended for use for a normal business purpose or the improper use of information or position for personal financial benefit.

#### 4. Objectives

The following objectives underpin the City of Marion's approach to addressing Fraud and Corruption Management:

- Introduce and embed an ethical culture and high level of Fraud and Corruption awareness throughout all levels of CoM to support the prevention, assessment, reporting, action and investigation of Fraud and Corruption.
- Implement consistent Fraud and Corruption management processes to manage Fraud and Corruption throughout CoM's organisational systems and functions in line with Fraud and Corruption standards including AS 8001:2008 Fraud and Corruption Control.
- To clarify the responsibilities within the Fraud and Corruption Control Framework to enable the consistent and systematic application of our Fraud and Corruption management approach within all of the Council's operations.
- To guide a risk management approach to Fraud and Corruption control to ensure proactive management strategies are implemented to mitigate against events occurring and ensure robust contingency plans to lessen the impact of events if they were to materialise.
- To continually align the Fraud and Corruption management program with the Business Excellence Framework.

To achieve the Council's objectives, the City of Marion Fraud and Corruption Control Framework ("the Framework") has been established and refined in accordance with the Australian Standard 8001:2008 Fraud and Corruption Control. The aim of the Framework is to provide guidance on the most effective way to prevent and manage Fraud and Corruption activities to minimise the associated risks that may impact on achievement of the Council's strategic objectives as outlined in the Community Plan.

#### 5. Roles and Responsibilities

As the decision making body of the Council, Elected Members are responsible for ensuring that the Council promotes community awareness of the Council's commitment to the prevention of Fraud and Corruption, providing adequate resources and security for the prevention of Fraud and Corruption, providing mechanisms for receiving allegations of Fraud and Corruption and appoints a Responsible Officer to manage the prevention and control of Fraud and Corruption.

To assist the Council in discharging its responsibility in relation to Fraud and Corruption control, the Council will seek the views of its Finance & Audit Committee. The responsibilities of the Committee are contained in the Committee's Policy and Terms of Reference.

Council has also delegated various powers and functions to the Responsible Officer (Chief Executive Officer) to enable the setting of the policy and procedures to assist with the management of the City of Marion Fraud and Corruption profile and therefore has overall accountability for an effective Fraud and Corruption management program.

Note: The Framework provides further information on the Fraud and Corruption management roles and responsibilities.

## 6. Compliance Obligations

[Local Government Act 1999](#)

[Independent Commissioner Against Corruption Act 2012](#)

[Public Sector \(Honesty and Accountability\) Act 1995](#)

[Public Corporations Act 1993](#)

## 7. References

City of Marion Fraud and Corruption Control Framework

City of Marion Code of Conduct

City of Marion Risk Management Policy and Framework

City of Marion Finance & Audit Committee Policy and Terms of Reference

AS/NZS ISO 31000:2009 Risk Management Principles and Guidelines

AS 8001:2008 Fraud and Corruption Control

**CITY OF MARION  
FINANCE AND AUDIT COMMITTEE MEETING  
8 MARCH 2016**

**Originating Officer:** Kate McKenzie, Manager Corporate Governance  
**General Manager:** Vincent Mifsud, General Manager, Corporate Services  
**Subject:** Internal Audit Program  
**Report Reference:** FAC080316R7.4

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**REPORT OBJECTIVES & EXECUTIVE SUMMARY:**

The Finance and Audit Committee endorsed the Internal Audit Program (IAP) 2015-2017 at its meeting of 15 December 2015.

The delivery of the program is on track with:

- Two (2) of the 6 projects now complete (The IAP 2015-17 and Capital Works)
- One (1) project 90% complete (Payroll)
- Two (2) projects scoped (Cash Handling and Purchase Cards)
- One (1) remaining project to be scoped and commenced (People, Leadership and Cultural Management)

The purpose of this report is to provide the Finance and Audit Committee with the following reports and seek feedback:

1. The final report for the Capital Works (Carryovers) review (**Appendix 1**)
2. A draft scope for the Cash Handling Internal Audit (**Appendix 2**)

**RECOMMENDATIONS (2)**

**DUE DATES**

**That the Finance and Audit Committee review and provided feedback on:**

- |  |                   |
|--|-------------------|
| 1. The Capital Works (Carryovers) review (Appendix 1)                | <b>March 2016</b> |
| 2. The draft scope for the Cash Handling Internal Audit (Appendix 2) | <b>March 2016</b> |

## BACKGROUND:

The Internal Audit Program is a key element of the City of Marion Risk Management Framework with the objective to provide independent, objective assurance regarding the operations of Council. The Internal Audit Program brings a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal controls and governance process.

KPMG have been appointed as the City of Marion's internal auditor for a two year period concluding on 30 June 2017 (with the option for an additional 2 years on the contract).

In consultation with the Executive Leadership Team (ELT) and key Senior Managers, KPMG developed the Internal Audit Plan 2015 – 2017, that was considered and endorsed by the Finance and Audit Committee at its meeting of 15 December 2015.

### Internal Audit Plan Status

The Plan identified six (6) projects to be completed for the 2015/16 financial year. Two (2) projects have now been completed being:

- The Development of a two-year Internal Audit Plan,
- Capital Works (Carryovers).

The Payroll Review is 90% complete. A final draft is being prepared and considered by management and will be presented at the next Finance and Audit Committee meeting in May 2016.

The Purchase Card Review and Cash Handling Review are both scheduled to commence in March (depending on availability from the Finance Department based on the impact of the Annual Business Plan process).

The final project to be completed this financial year is "People, Leadership and Culture Management". A draft scope will be prepared and presented to the 31 May 2016 Finance and Audit Committee meeting for review and comment.

To date, all reviews have been delivered within the agreed scope and within budget.

The table below provides a summary of the program to date.

Project	Timing	Scope	In progress	1 <sup>st</sup> Draft	Final Draft	FAC
Internal Audit Plan 2015-2017	Nov 15	✓	✓	✓	✓	✓
Capital Works Program Delivery	Jan 16	✓	✓	✓	✓	✓
Payroll	Jan 16	✓	✓	✓		
Purchase Cards	March 16	✓				
Cash Handling	March	✓				
People, Leadership and Culture Management	TBC	✓				



### Capital Works (Carryovers) (Appendix 1)

The aim of the Capital Works Internal Audit review was:

- To support the development of options to manage/resolve the current capital works carry-overs issues.
- Co-develop recommendations and actions aimed at strengthening the capital works function (with a primary objective of helping to avoid carry overs in the future).

The Audit focused on:

- the overall governance arrangements,
- leadership, accountability and roles/responsibilities
- project planning and prioritisation process (including linking to financial planning and budgeting progress)
- project management
- oversight, monitoring and reporting

A total of eight (8) findings were made with five (5) considered to be rated low and three (3) rated as moderate. The findings relate to improvement opportunities in governance arrangements, planning/resourcing and monitoring/reporting. These have been considered and agreed by the relevant Senior Manager as reflected within the report.

### Cash Handling Scope (Appendix 2)

The scope for the Cash Handling review outlined that the review will consider the adequacy and effectiveness of cash handling controls and procedures to ensure completeness and accuracy of collections/receipting/recording, control over reconciliation functions, cash deposits/banking, control over reversal and cancellation of receipt and physical security of cash.

### Monitoring of Implementation of Recommendations

A monitoring report will be produced for consideration by the Committee at its meeting of 31 May 2016. This report will provide an overview of any outstanding recommendations from the previous Program Evaluation Program and also include the new recommendations from the current Internal Audit Plan.

### **CONCLUSION:**

The Internal Audit Program provides assurance to the Council (via the Finance and Audit Committee) that operations, internal controls and processes are operating in an efficient and effective manner.

## Objective

This internal audit project will consider the adequacy and effectiveness of cash handling controls and procedures to ensure completeness and accuracy of collections/receipting/recording, control over reconciliation functions, cash deposit/banking, control over reversal and cancellation of receipts and physical security of cash.

## Scope

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

- Cash collection from customers
- Petty cash

Cash collection from staff will also be reviewed in line with materiality and as applicable.

A selection of locations where cash handling occurs throughout the City of Marion's jurisdiction will be selected and agreed for testing of key controls in line with materiality and risk. These focus areas will include the following:

- Administration Centre (Customer Service Centre)
- Marion Outdoor Swimming Centre
- Cooina Neighbourhood Centre
- Marion Cultural Centre
- City Services (petty cash only)

Please note that the effectiveness of key cash handling controls and procedures relating to City of Marion's internal control framework will be assessed as part of this project.

## Approach

The approach for the cash handling internal audit project will include the following key phases/activities:

- Consult with relevant CoM management and key personnel in relation to cash handling activities.
- Understanding of relevant policies and operating guidelines (and other relevant documentation) in place in relation to cash handling processes and their consistent application across the organisation.
- Document key steps in relation to cash handling processes, including identification and assessment of key controls and risks.
- Understanding of recent practices and processes in relation to CoM's management and administration of cash including "walk-throughs" of relevant processes.

- Sample testing of compliance against operating guidelines, procedures and key controls in relation to cash handling.
- Consideration of the efficiency and effectiveness of cash handling processes.
- Internal audit reporting, including identification of any performance improvement opportunities.

### Timing and reporting

The internal audit project focusing on cash handling is proposed to be initiated in mid-March 2016, with the review of relevant documentation, stakeholder consultation and draft reporting expected to be completed by end of May 2016. The draft report will be discussed with relevant members of CoM's Management team in terms of the factual accuracy of the findings and to obtain agreement of management responses and agreed action plans to address the internal audit findings and recommendations.

The final report, incorporating management responses and agreed action plans, together with responsibilities and target dates for actions, is to be issued to the CoM Risk Working Group and, subsequently, to the CoM Council Audit Committee.

### Budget

The proposed budget for this internal audit project is \$12,545 excluding GST (based on 10 days effort). Please note that any out-of-pocket expenses will be on-charged at cost (e.g. staff travel).

Personnel	Hourly Rate (excl. GST)	Estimated Hours	Sub-total (excl. GST)
Justin Jamieson	\$350	2	\$700
Jared Lawrence	\$255	5	\$1,275
Emma Cavaggion	\$239	30	\$7,170
Ben Carter	\$85	40	\$3,400
<b>Total</b>		<b>77</b>	<b>\$12,545</b>

We are in agreement with the scope document for the internal audit project focusing on CoM's cash handling processes.

### CoM Internal Audit Sponsor – Kate McKenzie (Manager Governance)

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

### KPMG Internal Audit Partner – Justin Jamieson

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

**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 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 for 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 Management, 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.



*cutting through complexity*

KPMG RISK CONSULTING

City of Marion

# Capital Works Internal Audit Report

4 March 2016



**Inherent Limitations**

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

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**Objective**

The overall objective of the capital works internal audit project included the following:

- To support the development of options to manage/resolve the current capital works carry overs issues
- Co-develop recommendations and actions aimed at strengthening the capital works function (to help mitigate carry overs in the future).

**Scope**

The scope of the capital works internal audit project included consideration of the following:

- Overall governance arrangements for the City of Marion's capital works program
- Leadership, accountabilities and roles and responsibilities in relation to capital works
- Project planning and prioritisation processes, including linkages to financial planning and budgeting processes
- Capital works project management processes and how they impact delivery
- Oversight, monitoring and reporting of the capital works program and projects

In addition, high-level consideration of service delivery options was discussed in the broader context of managing the current carry overs as well as future delivery of the capital works program, including consideration of existing workforce capacity to deliver the capital works

program.

Please note that the scope excluded broader consideration of asset management or maintenance activities across the City of Marion, and focused primarily on planning and delivery of capital projects.



# Executive summary: High-level maturity assessment

The following table provides a high-level maturity assessment for the City of Marion’s capital works function and operations, across core elements including governance and leadership, strategic alignment, asset management, financial management, organisation, project planning, approval, resourcing and reporting and monitoring. It is noted that the City of Marion has the fundamental structures in place but further work is required on the maturity of the systems and processes.

Element		Maturity level					Summary observations
1	<b>Governance &amp; Leadership</b>						<ul style="list-style-type: none"> <li>Governance and leadership for capital works requires strengthening. There is good governance for major projects through the Project Control Group which could be leveraged for the capital works program.</li> </ul>
2	<b>Strategic Alignment</b>						<ul style="list-style-type: none"> <li>CoM has the Towards 2040 Community Plan</li> <li>Gaps in strategic planning and objectives (e.g. Council Plan).</li> <li>Strategic plan for open spaces is currently in development impacting capital works planning</li> <li>From a capital works perspective – Are we doing the right projects? As compared to are we doing projects right?</li> <li>Adopted Asset Management Plans</li> </ul>
3	<b>Asset Management</b>						<ul style="list-style-type: none"> <li>CoM has recently reviewed and updated their asset management plans</li> <li>Asset management plans are foundational in terms of input data and forecasting asset liabilities.</li> <li>The asset management plans for property assets are still being developed.</li> <li>Asset management plans do not provide for new/upgraded assets</li> </ul>
4	<b>Financial Management</b>						<ul style="list-style-type: none"> <li>Currently, funds allocated in the Long Term Financial Plan (which is based on the asset management plans data) is used to allocate funds by asset class. Funding then flows through to the Annual Business Plan process. The updated Asset management plans will inform the 2016/17 iteration of the Long-term financial plan.</li> </ul>
5	<b>Organisation structure, roles &amp; responsibilities</b>						<ul style="list-style-type: none"> <li>Capital projects are conducted by individual business units or groups across the City of Marion, however there is opportunity to improve coordination or integration between different parts of the organisation (some areas are operating with limited consultation and engagement with others from a capital works perspective, whilst there are example such as the walking trial where the consultation and engagement is working well). Roles and responsibilities could be further defined, particularly in relation to accountabilities for project delivery.</li> </ul>
6	<b>Project planning and prioritisation processes</b>						<ul style="list-style-type: none"> <li>Majority of capital works planning and delivery is currently completed in a 12 month cycle</li> <li>Prioritisation approaches/process could be better defined across the business (Drainage matrix provides a good example)</li> <li>No consistent organisation wide project management framework is used (Infrastructure’s S-Guide good example)</li> </ul>
7	<b>Resource management</b>						<ul style="list-style-type: none"> <li>It appears that budgets have increased regarding capital works but limited consideration has occurred regarding matching resourcing levels in relation to planning capital works programs / Relatively consistent carry overs (\$) each year –fundamental lack of matching between works and resources</li> <li>Asset management plans forecast works volumes vary significantly year to year – opportunity to smooth/make more consistent</li> <li>No consistent philosophy for outsourcing works / Lack of flexibility/agility for short-term resourcing (e.g. bringing in contractors to deliver ad-hoc or short term requirements)</li> </ul>
8	<b>Oversight, reporting and monitoring</b>						<ul style="list-style-type: none"> <li>Oversight, reporting and monitoring occurs at the monthly capital works meeting.</li> <li>Consistency of Executive Leadership Team involvement in the monthly capital works reporting meeting</li> <li>Quarterly reports to Council.</li> </ul>
		1	2	3	4	5	

1 – Beginner	Basic requirements still being developed or are missing
2 – Foundation	Have the basic requirements in place, but may not be functioning effectively, is not fully complete and/or linkages may not exist across the organisation
3 – Qualified	Have a good understanding of key requirements, which are complete and implemented across the organisation
4 – Leading	All key requirements are in place and these are embedded and functioning effectively across the organisation
5 – Advanced	All key requirements are in place, functioning effectively and there is continuous improvement embedded in the process

The City of Marion seeks to 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).

Strategic Plan – Towards 2040

The City of Marion's **Strategic Plan – Towards 2040** sets out the six key objectives for the organisation over the next 25 years: Liveable, Biophilic, Innovative, Prosperous, Engaged and Connected. There is limited connection between the Strategic Plan and capital works based on current practices. However, re-freshed asset management plans will support cascading strategic objectives through to capital works programs.

Council Plan/Strategic Objectives

The **Business Plan** is currently being developed but not yet implemented or endorsed. Based on the City of Marion's Strategic Planning Framework, the Business Plan will be over a 4 year (with the exception of this council term where it will be a 3 year plan) time horizon. There are also various sub-strategies in existence, for example, the Open Space strategy which is currently being reviewed and updated.

Asset Management Policy

The **Asset Management Policy** describes how the Council manages the assets it owns and manages, to provide services to the Community for current and future generations. The Policy states "asset management will follow an approach based on maintenance before renewal and renewal before new/upgrade (where it is cost effective to do so)".

Long Term Financial Plan

The **Long Term Financial Plan** outlines expenditure of \$208 million on the renewal and upgrading of community assets, over the next 10 years, including renewal and replacement of existing assets totalling \$162 million and new and upgraded assets expenditure of \$46 million. In practice, the Long Term Financial Plan is driving budget allocations for capital programs in a top down approach.

Annual Business Plan

The **Annual Business Plan** provides the annual plan, resources and budget for capital works, detailing the budgets for renewal and new/upgraded assets.

Asset Management Plans

The **Asset Management Plans** detail the service levels required, lifecycle management and financial forecasts for each asset class. They cover renewals only and all categories of assets except property. The revised Asset Management Plans were adopted by Council at its meeting on 19<sup>th</sup> January 2016. The drainage plan provides a good example of prioritised works. Property asset management plans in development.

Drainage Matrix

The **Drainage Matrix** is a spreadsheet which lists and prioritises drainage projects based on a detailed matrix covering social/political, economic, environmental and technical parameters. It covers approximately 50 projects over the coming years (i.e. provides for strong forward planning and prioritisation).

Capital Works monthly meeting & reports

The **Capital Works monthly meeting (reports)** aims to determine how each capital works project (excluding major projects) is tracking against budget. Carry overs are now also specifically discussed. Attendees at this meeting include representatives from the ELT, infrastructure and asset teams and Finance.

### Analysis of current carry overs

A key issue that the City of Marion faces in relation to managing carry overs is defining and quantifying the issue. In particular, this includes understanding what represents a “true” carry over versus what may more appropriately be considered as an “accounting” carry over.

The full carry over value for the 2014/15 year was reported as \$15.1 million, which includes projects categorised as capital, grants, new initiatives and operating, as shown in the following table.

Category	Total (\$)
Capital	\$6,943,056
Grants	\$6,384,911
New Initiatives	\$1,384,128
Operating	\$443,793
<b>Total</b>	<b>\$15,155,888</b>

funding programs as well as projects/line items which relate to purchase of plant and equipment (e.g. whiteboards) which were excluded from capital works carry overs.

### “True” capital works carry overs

We worked through this reported list of carry overs with City of Marion stakeholders (finance stakeholders) and re-classified projects as “true” carry overs based on a broad definition as follows:

*“a capital works carry over is a capital project which was planned to be delivered in the financial year, but was not completed”*

It should be noted that this definition includes capital works projects which were planned to be delivered but which were only partially delivered or, in some cases, may not have been commenced in the financial year.

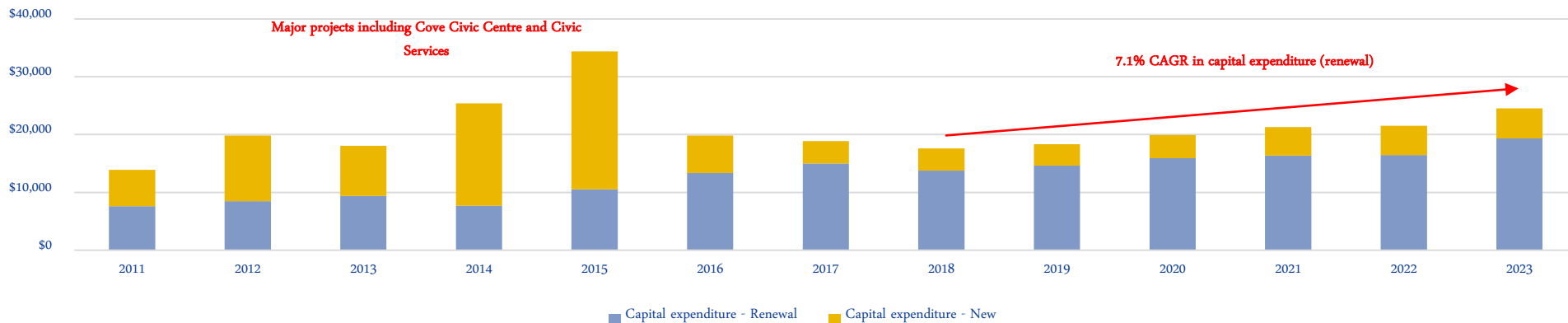
“True” capital works carry overs			
Category	Capital	Grant	Total
Drainage	\$1,754,206		\$1,754,206
Footpath	\$242,660		\$242,660
Open Space	\$758,195	\$938,394	\$1,696,589
Other Infrastructure	\$150,000	\$138,488	\$288,488
Roads	\$36,080		\$36,080
<b>Total</b>	<b>\$2,941,141</b>	<b>\$1,076,882</b>	<b>\$4,018,023</b>

The above table highlights the mix of capital works carry overs includes both projects classified as capital projects and projects where grant funding has been received. Grant funded carry overs include funding received prior to 14/15 as well as ad-hoc grants during the year.

The City of Marion's Long Term Financial Plan outlines the capital expenditure over the 10-year period to 2025, as shown in the following table, covering both capital expenditure on renewal of assets and new assets.

('000)	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Capital expenditure - Renewal	\$7,629	\$8,492	\$9,405	\$7,702	\$10,547	\$13,357	\$15,013	\$13,759	\$14,629	\$15,898	\$16,362	\$16,480	\$19,343
Capital expenditure - New	\$6,288	\$11,365	\$8,655	\$17,676	\$23,828	\$6,504	\$3,882	\$3,840	\$3,705	\$4,036	\$4,924	\$5,056	\$5,193
<b>Capital expenditure - Total</b>	<b>\$13,917</b>	<b>\$19,857</b>	<b>\$18,060</b>	<b>\$25,378</b>	<b>\$34,375</b>	<b>\$19,861</b>	<b>\$18,895</b>	<b>\$17,599</b>	<b>\$18,334</b>	<b>\$19,934</b>	<b>\$21,286</b>	<b>\$21,536</b>	<b>\$24,536</b>
Depreciation	\$9,084	\$11,700	\$11,239	\$12,556	\$12,974	\$13,821	\$14,374	\$14,949	\$15,546	\$16,168	\$16,815	\$17,488	\$18,189
Asset Sustainability Ratio	73%	64%	80%	57%	80%	94%	104%	92%	94%	98%	97%	94%	106%

Capital expenditure (5-year historic and 8-year forecast ('000s))



Ideally, the capital renewal works should be relatively consistent year-on-year to provide a smooth flow of work matched to resourcing/capacity. Based on the capital renewal spend data in Marion's Long Term Financial Plan, there is a 40% increase over the five year period between 2018 (\$13.75 million) and 2023 (\$19.34 million), which is a 7.1% compound annual growth rate. How does the City of Marion plan to match this growth rate – Based on a singular in-house service delivery model, it either needs to be through increasing resourcing (in-house or contractors) or increasing productivity (or a combination of both).

Ref #	Description of internal audit findings	Rating of internal audit findings				Target date
		Critical	High	Moderate	Low	
1	Opportunity to strengthen governance and leadership arrangements for capital works				✓	September 2016
2	Strategic planning in relation to capital works programs is still maturing				✓	September 2016
3	Capital projects prioritisation processes should be clarified and consistent				✓	September 2016
4	Capital Projects planning cycle could be improved by moving to a rolling two-year or three-year cycle			✓		September 2016
5	Opportunity to standardise and implement an organisation-wide project management framework				✓	September 2016
6	There is a need to better match resources to the capital program			✓		TBC
7	Contestability / outsourcing options should be assessed			✓		September 2016
8	Consider options/opportunities to streamline procurement (as well as achieve improved specifications and costing outcomes)				✓	September 2016

**Finding 1 – Opportunity to strengthen governance and leadership arrangements for capital works**

**Risk rating: Low**

Finding(s) and Impact	Recommendation(s)	Agreed Management action(s)
<p><b>Governance and leadership</b></p> <p>Governance and leadership in relation to both asset management and capital works appears to be varied across the organisation. The following arrangements are currently in place:</p> <ul style="list-style-type: none"> <li> <b>Monthly capital works meeting:</b> It is noted that this meeting may not be sufficiently robust with limited escalation of issues, or actions being driven out of this governance activity. Its membership includes executive representation, management and staff level personnel. This is primarily a reporting and monitoring function (and not planning or prioritisation). It was noted that executive representation did not occur at every meeting.         </li> <li> <b>Major Projects Project Control Group (PCG):</b> Marion has a Major Projects function which oversees significant capital projects undertaken by Marion (e.g. &gt;\$4 million), including the recent developments of the Cove Civic Centre and City Services building. Governance for Major Projects includes the PCG group which meets regularly and provides oversight. The PCG’s membership includes the CEO and General Manager level personnel. It does not consider capital works programs outside of major projects.         </li> <li> <b>Infrastructure Committee:</b> Marion is currently establishing a formal Infrastructure Committee comprising both Elected Members as well as an independent advisor.         </li> </ul>	<p><b>Governance and leadership</b></p> <p>1.1 It is recommended that Marion review and improve the governance over its capital works program both from a program planning, prioritisation and approval perspective as well as from an ongoing monitoring and reporting perspective.</p> <p>In particular, Marion should consider whether the capital works program in its entirety constitutes a “major project” (or by individual asset classes) and therefore should be included as part of the Project Control Group governance meetings.</p> <p>1.2 Marion should consider whether executive management should be present at each meeting, whom then reports to the PCG. Marion should consider formally appointing an executive sponsor to this meeting.</p> <p>1.3 With the establishment of the Infrastructure Committee, it is recommended that the City of Marion considers the mechanisms and linkages between the Infrastructure Committee and the Administration, within the broader overall context of governance and leadership of asset management and capital works.</p> <p>1.4 Strengthened governance and leadership should support the City of Marion bringing management focus to resolve the current carry overs and manage carry overs in the future (in particular, identify delays early and respond/action accordingly).</p>	<p><b>Fiona Harvey, Manager Innovation and Strategy</b></p> <p>Agree with recommendation and will work in conjunction with other departments to progress investigations.</p> <p><b>Vincent Mifsud, General Manager Corporate Services</b></p> <p>Agree with recommendation to formally appoint a General Manager as an executive sponsor to monthly Capital Works meetings.</p> <p><b>Fiona Harvey, Manager Innovation and Strategy</b></p> <p>Agree with recommendation and will work with the Infrastructure Committee to consider their oversight and input into asset management.</p> <p><b>Mathew Allen, Manager Infrastructure</b></p> <p>Agree with recommendation and will work in conjunction with other departments to progress investigations.</p>

Finding 1 – Opportunity to strengthen governance and leadership arrangements for capital works (cont.)		Risk rating: Low
Finding(s) and Impact	Recommendation(s)	Agreed Management action(s)
<p>It was observed that there is limited overall oversight and governance for non-major project based capital works. Without this oversight there is a risk that there is insufficient program planning, prioritisation and approval along with a lack of robust ongoing monitoring and reporting. It was noted that current capital works reporting lacked clarity and was overly complex.</p> <p><b><i>Overarching capital works guidelines</i></b></p> <p>It was noted that there is a lack of a documented organisation-wide methodology or approach which describes how the City of Marion undertakes capital works projects. A consequence of this is that processes may not be consistent and/or standardised across the organisation and there is increased key person risk. It is noted that another local government organisation has developed an operations manual for capital works which brings together all aspects of delivering capital works and provides overarching direction and governance across the organisation.</p>	<p><b><i>Overarching capital works guidelines</i></b></p> <p>It is recommended that the City of Marion considers developing a capital works “operations manual” which describes the City of Marion’s approach to capital works. This operations manual would bring together and document the City of Marion’s desired approach for capital works covering:</p> <ul style="list-style-type: none"> <li>• Governance and leadership</li> <li>• Context – alignment with strategy, asset plans, LTFP, etc.</li> <li>• Project initiation and evaluation</li> <li>• Program and project development</li> <li>• Project delivery</li> <li>• Service delivery options/resourcing)</li> <li>• Handover to asset owners/maintenance</li> <li>• Monitoring and reporting</li> </ul>	<p><b>Fiona Harvey, Manager Innovation and Strategy</b></p> <p>Agree with recommendation and will work in conjunction with other departments to develop an appropriate manual.</p>
<b>Responsibility</b>	As detailed “above”.	
<b>Target date</b>	September 2016	



**Finding 2 – Strategic planning in relation to capital works programs is still maturing** **Risk rating: Low**

Finding(s) and Impact	Recommendation(s)	Agreed Management action(s)
<p><i>Asset management plans are recently reviewed and updated and will improve/mature over time (LTFP has been the core driver of capital works funding allocations in recent years)</i></p> <p>Marion’s capital works program is currently not strongly linked to robust asset management plans (noting that revised and updated Asset Management Plans have recently been developed for adoption by Council in early 2016).</p> <p>Interestingly, the asset management plans have removed all new or upgraded asset related projects and reference capital renewal projects only (with the exclusion of drainage). The impact of this is that capital projects may not be prioritised effectively in relation to new and renewal projects. All new capital works are appropriately approved by Council.</p> <p>The budget allocation for the capital works program in recent years has been driven by budget allocations within the Long Term Financial Plan. However, it was reported that the budgets in the Long Term Financial Plan are not based on robust asset management data.</p> <p>It is acknowledged that the development of the new Asset Management Plans will provide an improved baseline for developing capital works programs moving forward, as opposed to the program being driven to a degree by the Long Term Financial Plan. Importantly, it was reported that some asset classes such as drainage have strong forward plans for new and renewed assets (drainage matrix) which are prioritised and delivered in an orderly manner.</p>	<p>It is recommended that the asset management plans are the core document in relation to driving capital works programs taking into account new and ad-hoc projects. It is recommended that the City of Marion continues to improve the asset management plans based on service level requirements, condition assessments, useful lives, etc. and that the planned works are smoothed across years (please refer to finding 6 in relation to matching resources to capital works programs).</p>	<p><b>Fiona Harvey, Manager Innovation and Strategy</b></p> <p>Agree with recommendation and will work in conjunction with other departments to review the asset management plans encompassing the areas identified in the recommendation.</p>
<p><b>Responsibility</b></p>	<p><b>Fiona Harvey, Manager Innovation and Strategy</b></p>	
<p><b>Target date</b></p>	<p>September 2016</p>	

**Finding 3 – Capital projects prioritisation processes should be clarified and consistent**

**Risk rating: Low**

Finding(s) and Impact	Recommendation(s)	Agreed Management action(s)
<p>It was advised that capital works budgets are currently driven by Marion’s Long Term Financial Plan. Broadly, “pools” of funding are allocated to asset categories, at the category level. It was reported that the individual business unit areas are then responsible for prioritisation of the funding to projects.</p> <p>It was reported by stakeholders responsible for capital works programs (at the officer level), that the Annual Business Planning process is condensed in a short period over a few weeks which constrains a robust prioritisation or planning of capital programs. It is noted that the Annual Business Planning process is an on-going iterative process over 7-8 months and the detail of the Annual Business Plan is confirmed as the process continues over this period. It was also advised that there is a separate process for approval of capital renewal processes compared to new capital projects.</p>	<p>It is recommended that Marion reviews and improves its capital projects prioritisation processes, including:</p> <ul style="list-style-type: none"> <li>• This should include a full list of all capital projects and individual project budgets, which is considered by Council as part of the overall approval of the Annual Business Plan (for both new/upgraded assets and asset renewal projects). This approved list should then form the baseline for monitoring and reporting through the year, and should be updated as part of the Annual Business Plan and Budget review cycles.</li> <li>• Improved clarity in relation to how projects are prioritised, including how both (i) capital renewal and (ii) new capital projects come onto the list (e.g. ad-hoc projects) as well as how projects are pushed backed (and therefore are not considered carry overs).</li> </ul>	<p><b>Ray Barnwell, Manager Finance</b></p> <p>A detailed Capital Works Program is already included as part of Council's approved Annual Business Plan. (ABP)</p> <p>Management is currently in the process of updating the capital renewal funding requirements in the next iteration of the LTFP through the integration of the funding requirements identified in Councils recently adopted AMP's. This integration will ensure alignment of the funding allocations in the LTFP with those identified in the AMP's.</p> <p>This information is provided to responsible officers to ensure they are equipped with accurate funding availability to formulate their proposed capital works programs well in advance of the annual budgeting process. This enables budget officers to developed their detailed capital works program, having matched funding availability with available resources. This list is incorporated in the ABP for Council approval and forms the baseline as recommended for monitoring and reporting throughout the year through the quarterly budget review process.</p> <p>Any significant modifications to the approved capital works program, either through additions or re-timings , will be reported as part of the quarterly budget review process.</p>

**Responsibility**

**Ray Barnwell, Manager Finance**

**Target date**

September 2016

**Finding 4 – Capital Projects planning cycle could be improved by moving to a rolling two-year cycle**

**Risk rating: Moderate**

Finding(s) and Impact	Recommendation(s)	Agreed Management action(s)
<p>The current capital works cycle is based on a 12 month cycle. This timeframe often does not allow sufficient time to deliver the capital works projects which include planning, design, engineering, public consultation, procurement, construction activities, etc. It is noted that limited areas are managing capital works on a two-year program, for example the road reseal program and the kerb and watertable program.</p> <p>Often this means that construction does not get started until the third or fourth quarter of the financial year, and can lead to delays due to weather (e.g. coming into winter), stakeholder management/public consultation and other contributing factors. This consequently contributes to carry over of projects into the following financial year.</p>	<p>It is recommended that Marion considers transitioning to a rolling two-year or three-year capital works cycle where key planning, designing and costing activities are completed in one year, with procurement and construction activities completed in the following year, or similar.</p> <p>It is important that as part of this process each year, the required funding for each project is re-forecast, and an assessment of whether the project is still delivering on the intended benefits is performed to assess whether the project is still meeting its objectives.</p> <p>This should provide for a more practical approach for planning and prioritisation of projects and also reduce unnecessary pressures associated with trying to complete projects from start to finish in a twelve-month cycle. This will, in turn, reduce the amount of carry overs recorded for the Council.</p> <p>It should also improve budgeting processes with more accurate construction phase costs being submitted as part of the annual business plan and budget process for the subsequent year.</p> <p>These actions should substantially support the reduction and minimisation of carry overs.</p>	<p><b>Fiona Harvey, Manager Innovation and Strategy and Mathew Allen, Manager Infrastructure</b></p> <p>Agree with recommendation and will work in conjunction with all responsible areas to assess the benefits and elements of a rolling multi-year program as well as transition arrangements to a new programming model.</p>
<b>Responsibility</b>	<p><b>Fiona Harvey, Manager Innovation and Strategy</b>  <b>Mathew Allen, Manager Infrastructure</b></p>	
<b>Target date</b>	<p>September 2016</p>	

Finding 5 – Opportunity to standardise and implement an organisation-wide project management framework		Risk rating: Low
Finding(s) and Impact	Recommendation(s)	Agreed Management action(s)
<p>Currently, there is no organisation-wide project management framework adopted by the City of Marion in relation to capital works projects, with individual departments utilising their own project management approach. For example, the Infrastructure team has adopted its own project management framework (referred to as the S-Guide) and utilises a suite of project management tools and templates. Similarly, the open space area utilises its own approach to delivering projects, often utilising a principle contractor approach.</p> <p>Impacts associated with not having a consistent approach to project management includes lack of shared understanding and visibility of how projects are progressing, increased reliance on individuals, and reduced ability to identify and correct project delays or issues from a program perspective, which in turn, is considered to be a contributing factor to the City of Marion’s carry overs.</p>	<p>It is recommended that Marion implements a simple, standardised project management framework which describes key phases that a project must go through. For example purposes only:</p> <ul style="list-style-type: none"> <li>• Project initiation (asset management plan/ad-hoc)</li> <li>• Project evaluation (concept, feasibility/business case)</li> <li>• Program development (budgeting, prioritisation, programming)</li> <li>• Program/project delivery (procurement, design, construct)</li> <li>• Project completion and handover</li> </ul> <p>The project management framework should be designed to accommodate the proposed two-year capital works program, with two key phases including an initial phase where projects are initiated, evaluated and estimated in year one, and procured/built in year two (for example).</p> <p>This recommendation may include leveraging the existing City of Marion S-Guide project management framework, and tailoring and/or implementing across the City of Marion to achieve better consistency and approach to project management.</p> <p>Improved consistency in project management should provide the City of Marion with sustained benefits including reduction and minimisation in carry overs.</p>	<p><b>Fiona Harvey, Manager Innovation &amp; Strategy</b></p> <p>This work is currently underway with a project management system being developed including tools, templates, training, governance arrangements, monitoring and reporting.</p>
<p><b>Responsibility</b></p>	<p><b>Fiona Harvey, Manager Innovation &amp; Strategy</b></p>	
<p><b>Target date</b></p>	<p>September 2016</p>	

**Finding 6 – There is a need to better match resources to the capital program** **Risk rating: Moderate**

Finding(s) and Impact	Recommendation(s)	Agreed Management action(s)
<p><b><i>Asset management plans work flow varies substantially year-to-year</i></b></p> <p>Theoretically, the capital works program should be based on the service levels agreed with the community and the current condition/life expectancy of assets (as well as any new projects which are prioritised by Council) as captured in the overall asset management plans, with funding raised to deliver on the agreed services levels. This is the purpose of various financial ratios prescribed by the Local Government Association in relation to asset sustainability, asset consumption, etc.</p> <p>Currently, the City of Marion’s revised asset management plans provides for capital works which varies substantially from year-to-year. Consequently, there are challenges in matching resources (particularly internal) to the workload in a sensible, smoothed manner.</p> <p>Marion has consistently under-delivered on its capital works program, in the order of several million dollars per annum (or by ~20-30% approximately) mainly due to the prior years carry overs and the compounding effect, including the review of matching resources to deliver the additional works.</p>	<p>It is recommended that the City of Marion better matches resources to the capital program, including:</p> <ul style="list-style-type: none"> <li>• Use of external contractors to a greater degree (see contestability finding 7). This needs to be considered in the context of the arrangements within the Employee Agreements.</li> <li>• Re-considers the timing of works outlined in the asset management plans to better smooth the work levels from year-to-year where it makes sense to do so. The smoothing of asset-related capital works should then allow for more consistent budget allocations and better resource planning both from an internal perspective and via external contractors.</li> <li>• Resourcing options to take into account ad-hoc projects, such as:               <ul style="list-style-type: none"> <li>○ Planning for a minimum level of ad-hoc projects per year (based on an historic level of ad-hoc projects, as applicable)</li> <li>○ Via an overall understanding that ad-hoc projects should be delivered by external contractors, or similarly, that external contractors should be used to “back fill” existing, planned projects (noting that some internal resources would still be required to engagement and manage the contractors).</li> </ul> </li> </ul>	<p><b>Fiona Harvey, Manager Innovation and Strategy and Mathew Allen, Manager Engineering and Field Services</b></p> <p>Agree with recommendation and will work in conjunction with other departments to progress investigations.</p>

Finding 6 – There is a need to better match resources to the capital program (cont.)		Risk rating: Moderate
Finding(s) and Impact	Recommendation(s)	Agreed Management action(s)
<p><b><i>Ad-hoc projects contribute to delay and carry over of other projects</i></b></p> <p>It was also reported that carry overs often stem from ad-hoc projects which come into the program through the course of the year, such as projects associated with grant funding which typically have a time limit associated with them for expenditure/completion of the project. As a consequence, planned projects get pushed back and are considered carry overs.</p>	<ul style="list-style-type: none"> <li>○ Push back planned projects to future years (e.g. through the quarterly review process) without contributing to carry overs per se.</li> </ul>	
<b>Responsibility</b>	<p><b>Fiona Harvey, Manager Innovation and Strategy</b>  <b>Mathew Allen, Manager Engineering and Field Services</b></p>	
<b>Target date</b>	TBC	

Finding 7 - Contestability / outsourcing options should be assessed		
Finding(s) and Impact	Recommendation(s)	Risk rating: Moderate
<p>Marion currently outsources a portion of its capital program to third-party contractors, including the road reseal program (through the Council Solutions contract), play space construction, footpaths (e.g. grinding) and drainage works above the capacity of the internal team.</p> <p>Conversely, Marion maintains in-house delivery teams for various minor capital works activities, including, for example, the concreting/kerbing team.</p> <p>At a high-level, there was no real justification between service delivery options other than historic reasons, and there may be an opportunity to consider service delivery options moving forward (e.g. what services may be contestable, what is Marion's overall philosophy, cost/benefit/risk analysis, as well as what other considerations and/or constraints that should be considered). It is noted that this must be considered in conjunction with the appropriate employee agreements.</p> <p>It was reported across various stakeholders that the issue of capital works carry overs could be resolved using contractors, which is likely to be an appropriate option, subject to resourcing including both funding and internal resources in relation to planning, procurement, supervision, etc.</p>	<p>It is recommended that the City of Marion considers the following:</p> <ul style="list-style-type: none"> <li>• Outsourcing as a solution to manage existing carry overs, but recognising that outsourcing has an internal resource implication in relation to planning, procurement and supervision/contract management.</li> <li>• Overall outsourcing service delivery options, based on cost/benefit/risk considerations and contested against current internal resourcing. In particular, this could include consideration of having external contractors available to deliver on projects above the current in-house capacity (e.g. as per drainage team).</li> <li>• In particular, we recommend that the City of Marion, investigate/considers the merits and risks associated with tendering the road reseal in your own right based on the reported benefits associated with another Council who has recently implemented this strategy (it is acknowledged that Council Solutions is planning to tender road reseal services during 2016).</li> </ul>	<p><b>Agreed Management action(s)</b></p> <p><b>Mathew Allen, Manager Infrastructure</b></p> <p>Agree with recommendation and will work in conjunction with other departments to progress investigations.</p>

Finding 7 - Contestability and outsourcing options should be assessed		Risk rating: Moderate
Finding(s) and Impact	Recommendation(s)	Agreed Management action(s)
<p><b><i>Road Reseal Program</i></b></p> <p>It should be noted that one of the Council Solutions member councils has recently elected to procure road reseal services outside of the existing Council Solutions contract obtaining a markedly improved rate (estimated savings of 15-20%). Part of the rationale for the member Council electing to tender in their own right was delays in Council Solutions processes, administrative fee percentage paid to Council Solutions, market conditions (many major State Government road projects have been completed and there was capacity in the market at the particular time) as well as greater control and oversight.</p>		
<b>Responsibility</b>	<b>Mathew Allen, Manager Infrastructure</b>	
<b>Target date</b>	September 2016	



Finding 8 – Consider options/opportunities to streamline procurement (as well as achieve improved specifications and costing outcomes)		Risk rating: Low
Finding(s) and Impact	Recommendation(s)	Agreed Management action(s)
<p>Broadly, it was advised by Marion representatives that Marion’s procurement processes are robust and follow good practices in relation to traditional tender processes, providing strong probity, transparency and value for money for Council. However, the following was also reported (from different internal stakeholders):</p> <ul style="list-style-type: none"> <li>• Business unit stakeholders (e.g. non-procurement personnel) reported that the time required for procurement activities can pose a challenge and lead to delays. Pressure associated with procurement timeframes are compounded by the fact that Marion’s current capital cycle is 12 months.</li> <li>• Consultation with procurement personnel identified that there can be challenges associated with specifications and cost expectations – noting that a proportion of carry overs result from quotations exceeding project budgets, leading to de-scoping of the project and re-tendering (and therefore delays)</li> </ul>	<p>It is recommended that Marion considers options in relation to streamlining procurement. Currently, Infrastructure utilises DPTI pre-qualified suppliers, however, there may be further opportunities to streamline procurement such as setting up panels, agreeing standard rates, etc.</p> <p>This recommendation should be considered as part of the overall recommendation to shift to a two-year capital planning cycle, which should reduce overall time pressures for procurement activities, as well as provide better opportunities for forward planning and programming for procurement.</p> <p>Shifting to a two-year cycle should also support improved design, specification and estimation processes, which should minimise the current challenges associated with quotations exceeding budgets, which in turn, should reduce carry overs.</p>	<p><b>Colin Heath, Manager Contracts and Operational Support</b> <b>Mathew Allen, Manager Infrastructure</b></p> <p>Agree with recommendation and will investigate the options highlighted with the recommendations</p>
<p><b>Responsibility</b></p>	<p><b>Colin Heath, Manager Contracts and Operational Support</b> <b>Mathew Allen, Manager Infrastructure</b></p>	
<p><b>Target date</b></p>	<p>September 2016</p>	

The following stakeholders were interviewed as part of the capital works internal audit project:

- Vincent Mifsud, General Manager Corporate Services
- John Valentine, Manager Strategic Projects
- Fiona Harvey - Manager Innovation & Strategy
- Ray Barnwell – Manager Finance
- Matt Allen – Manager Infrastructure
- David Harman – Financial Accountant
- Heath Harding – Management Accountant
- Carol Hampton – Property
- Brett Grimm - Open Space
- Brenton Mitsos – Assets
- Colin Heath - Manager Contracts and Operational Support

The following framework for internal audit ratings has been developed for prioritising internal audit findings according to their relative significance depending on their impact to the process. The individual internal audit findings contained in reports will be discussed and rated with City of Marion Management.

Rating	Definition	Examples of business impact	Action required
<b>Extreme/Critical</b>	Issue represents a control weakness, which could cause or is causing severe disruption of the process or severe adverse effect on the ability to achieve process objectives.	<ul style="list-style-type: none"> <li>• Detrimental impact on operations or functions.</li> <li>• Sustained, serious loss in reputation.</li> <li>• Going concern of the business becomes an issue.</li> <li>• Decrease in the public’s confidence in the Council.</li> <li>• Serious decline in service/product delivery, value and/or quality recognised by stakeholders.</li> <li>• Contractual non-compliance or breach of legislation or regulation with litigation or prosecution and/or penalty.</li> <li>• Life threatening.</li> </ul>	<ul style="list-style-type: none"> <li>• Requires immediate notification to the Council Audit Committee via the Presiding Member</li> <li>• Requires immediate notification to the Chief Executive Officer.</li> <li>• Requires immediate action planning/remediation actions</li> </ul>
<b>High</b>	Issue represents a control weakness, which could have or is having major adverse effect on the ability to achieve process objectives.	<ul style="list-style-type: none"> <li>• Major impact on operations or functions.</li> <li>• Serious diminution in reputation.</li> <li>• Probable decrease in the public’s confidence in the Council.</li> <li>• Major decline in service/product delivery, value and/or quality recognised by stakeholders</li> <li>• Contractual non-compliance or breach of legislation or regulation with probable litigation or prosecution and/or penalty.</li> <li>• Extensive injuries.</li> </ul>	<ul style="list-style-type: none"> <li>• Requires immediate General Manager notification.</li> <li>• Requires prompt management action planning/remediation actions (e.g. within 30 days)</li> </ul>

Rating	Definition	Examples of business impact	Action required
<p><b>Moderate</b></p>	<p>Issue represents a control weakness, which could have or is having moderate adverse effect on the ability to achieve process objectives.</p>	<ul style="list-style-type: none"> <li>• Moderate impact on operations or functions.</li> <li>• Reputation will be affected in the short-term.</li> <li>• Possible decrease in the public’s confidence in the Council.</li> <li>• Moderate decline in service/product delivery, value and/or quality recognised by stakeholders.</li> <li>• Contractual non-compliance or breach of legislation or regulation with threat of litigation or prosecution and/or penalty.</li> <li>• Medical treatment required.</li> </ul>	<ul style="list-style-type: none"> <li>• Requires General Manager and/or Manager attention.</li> <li>• Requires short-term management action (e.g. with 3-6 months)</li> </ul>
<p><b>Low</b></p>	<p>Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve process objectives.</p>	<ul style="list-style-type: none"> <li>• Minor impact on internal business only.</li> <li>• Minor potential impact on reputation.</li> <li>• Should not decrease the public’s confidence in the Council.</li> <li>• Minimal decline in service/product delivery, value and/or quality recognised by stakeholders.</li> <li>• Contractual non-compliance or breach of legislation or regulation with unlikely litigation or prosecution and/or penalty.</li> <li>• First aid treatment.</li> </ul>	<ul style="list-style-type: none"> <li>• Requires Manager attention.</li> <li>• Timeframe for action is subject to competing priorities and cost/benefit.</li> </ul>



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**CITY OF MARION  
FINANCE AND AUDIT COMMITTEE MEETING  
8 MARCH 2016**

**Originating Officer:** Colin Heath, Manager Contracts and Operations Support  
**General Manager:** Vincent Mifsud, General Manager, Corporate Services  
**Subject:** Service Review - Hard Waste Service and Management of Dumped Rubbish  
**Report Reference:** FAC080316F8.1

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If the Finance and Audit Committee so determines, this matter may be considered in confidence under Section 90(2) and (3)(b)(d) of the *Local Government Act 1999* on the grounds that the report contains information relating to commercial information of a commercial nature (not being a trade secret) the disclosure of which (i) could reasonably be expected to prejudice the commercial position of a person who supplied the information, or to confer a commercial advantage on a third party; and (ii) would, on balance, be contrary to the public interest.



**Adrian Skull**  
Chief Executive Officer

**RECOMMENDATION:**

1. That pursuant to Section 90 (2) and (3)(b)(d) of the *Local Government Act 1999*, the Finance and Audit Committee orders that all persons present, with the exception of the following persons: Adrian Skull, Tony Lines, Vincent Mifsud, Abby Dickson, Colin Heath, Roger Belding, Kate McKenzie, Deborah Horton, Michelle Stewart and Melissa Nottle-Justice be excluded from the meeting as the Finance and Audit Committee receives and considers information relating to the Service Review - Hard Waste Service and Management of Dumped Rubbish report, upon the basis that the Finance and Audit Committee is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential given the information relates to commercial information.