AUDIT & GOVERNANCE COMMITTEE

<u>AGENDA</u>

Meeting to be held on Tuesday, 2 June 2015, at 7:00pm in the Unley Council Chambers, Civic Centre 181 Unley Road Unley

MEMBERS:

Mr John Rawson (Presiding Member)
Mr Sean Tu (Independent Member)
Mr Ed Parker (Independent Member)
Councillor Michael Rabbitt
Councillor Rob Sangster

REPORT TO COUNCIL:

22 June 2015

COMMITTEE MEETING - ORDER OF BUSINESS

APOLOGIES

CONFLICT OF INTEREST

CONFIRMATION OF MINUTES

MOVED: SECONDED:

That the minutes of the Audit and Governance Committee meeting, as amended, (with the change of the heading on page 2 to 'Item 1 - 2015-16 Long Term Financial Plan') held on Tuesday 24 February 2015, as printed and circulated be taken as read and signed as a correct record.

BUSINESS ADJOURNED

Nil

DEPUTATIONS / PRESENTATIONS

Nil

REPORTS OF OFFICERS

NO.		NO.
6	Service Review Update	1-10
7	Risk Framework Update – verbal report	
8	Business Continuity Plan – verbal report	
9	Internal Audit - Contract Management Attachment 1	11-12
10	<u>Draft Annual Business Plan 2015-16 and Budget</u> <u>Attachment 1</u>	13-18
11	Savings Identified	19-22
12	Correspondence	23
MOTIONS O	F WHICH NOTICE HAS BEEN GIVEN	
13	Motion on Notice from Mr J Rawson re Service Review	24-25

PROPOSED AGENDA ITEMS FOR NEXT MEETING

As per Work Plan Item 102/14

NEXT MEETING

Tuesday, 1 September 2015 Tuesday, 13 October 2015

INFORMATION REPORT

REPORT TITLE: SERVICE IMPROVEMENT PROGRAM 2014-15

ITEM NUMBER: 6

DATE OF MEETING: 2 JUNE 2015

AUTHOR: NICOLA TINNING **RESPONSIBLE OFFICER:** PETER TSOKAS

JOB TITLE: CHIEF EXECUTIVE OFFICER

REPRESENTOR/S: NIL ATTACHMENTS: NIL

PURPOSE

The purpose of this report is to inform the Audit and Governance Committee of the progress and outcomes of the 2014-15 reviews that have formed part of Council's Service Improvement Program.

RECOMMENDATION

MOVED: SECONDED:

That:

1. The report be received.

BACKGROUND

The Local Government Act 1999 places an obligation on both the Council and Chief Executive Officer (CEO) to continuously review the efficiency and effectiveness of its service delivery and operations.

In June 2013, as part of the 2013-14 Annual Business Plan and Budget, the Council approved a three year funding allocation to deliver a Service Improvement Program. A Manager Business Improvement has been engaged to deliver the program and reports directly to the CEO.

The Service Improvement Program has been divided into three levels of review commensurate with the effort, impact and benefit to be expected. The three levels are:

- Service Reviews,
- Business Process Reviews,
- Activity Reviews,

The objective of the reviews is to identify process improvements, financial savings and/ or improved customer service.

It is intended that recommendations from the Service Improvement Program be presented in a manner which reflects the roles and responsibilities of the Council, CEO and Business Unit Manager. In particular:

- The Council should decide on changes to the level/ offering of a service.
 (i.e. Service Reviews).
- The CEO should decide on changes that may have an impact across the business rather than just the reviewed services or where there may be financial implications (i.e. Business Process Reviews).
- The specific Work Area should decide on process improvements that can be implemented within the normal day to day operations of the service with no funding implications (i.e. Activity Reviews).

The Service Improvement Program for 2014-15 financial included the following:

Level of Review	Service	Review Status
Service Review	Unley Library Service	Completed
Service Review	Swimming Centre	Completed
Business Process	Payroll and HR Systems Review	Completed
Activity Review	Signage	Completed
Activity Review	Street Cleansing	Completed
Activity Review	Workshop	Commenced

The Swimming Centre Service Review is complete and the draft report has been prepared for the CEO's consideration. The report and recommendations are to be presented to the next Audit and Governance Committee and the Council for consideration.

This report summarises outcomes and recommendations from the following reviews: Unley Library Service Review, Payroll and HR Systems Review, Signage and Street Cleansing.

DISCUSSION

Councils provide a diverse range of services. Many of these have evolved historically; some reflect choices made by a council itself and others are required by legislation. In general terms, councils make choices about the range and level of services they provide by balancing the needs and expectations of their communities, and the resources available to meet those needs and expectations.

Each review undertaken was supported by a project brief that clearly outlined the objectives of the review, the project team responsibilities and key milestones to completion date.

The reviews followed a basic and simple process:

- 1. Documentation and analysis of the current service profile or situation.
- 2. Assessment of performance against suitable benchmark partners.
- 3. Review of data to identify improvement opportunities.
- 4. Preparation of a report containing an overview of the first three steps and recommendations for consideration.

Business Process and Activity Reviews

The following table summarises the outcomes of the Business Process and Activity reviews.

Service and review objective	Key findings	Key Outcomes
Payroll and HR Systems Review To identify process efficiencies and identify opportunities where technology (the CHRIS 21 system) can improve customer service through the use of on-line access and reporting	- Employees and managers expect appropriate access to the latest employee information 24 hours a day, 7 days per week. Information is not readily available to make informed decisions for optimal customer service. Reliance is placed on either the Payroll or HR Officers to provide information at all levels of the business.	- The CHRIS 21 employee self-management portal has been procured for implementation over the next few months. The portal will improve internal customer service by providing appropriate access to information for both individuals and managers. (e.g. leave balances, scheduled leave, pay levels, increment dates, contract end dates, personal deduction information and other personal details)
	- Employee information currently resides in several locations. There is no	- The employee self- management portal will provide an opportunity to
	single data source and	link employee information

Service and review objective	Key findings	Key Outcomes
•	none of the systems are linked. Time is wasted sourcing the correct information and this has also resulted in duplication of data.	across the systems and remove the duplication of data where appropriate. This will also ensure that the correct data is used by limiting the versions.
	- The current management of employee information is heavily paper based. This has resulted in the end-to-end processes being quite slow and antiquated. Duplication of forms exists and progress tracking of the process is difficult. Council has not optimised the use of available technology to increase efficiency in end to end business processes and regular management reporting.	- The majority of paper based forms will become electronically initiated within the employee self-management portal. The end to end business process will be automated with the use of system managed workflows and email notifications, and progress of the process can also be monitored by the workflow in the system. The efficiency gains of this outcome are significant. - Standard and scheduled reports will also be available through the employee self-management portal. This will allow individuals and managers to have immediate access to reports at their convenience.
	- Access to management reporting is limited and produced inefficiently. Manual configuration and formatting of extracted data generally occurs in each instance.	- The roles and relationships aspect of the system has already been implemented, this will remove manual configuration of data for standard and regular reports. Further standard reports will be created for exceptions, FTE analysis and organisation structure reporting. The reports will be available through the proposed self-management portal at the convenience of users.
	- Council has a standalone application for the performance review of its	- The Performance Review Module will be implemented over the next

Service and review objective	Key findings	Key Outcomes
	employees (Cambron). The system is due for a major upgrade and requires further financial investment. A similar module, with additional features is available within the current Payroll and HR System that meets the business need of Council at a more favourable cost.	- 9 Months and the savings will be realised next year. The additional features will improve the end to end business process for staff as they can access the module through the employee self-management portal, the process will also benefit from the automated workflows and email notifications, and all information will be automatically linked to Council's records management system.
	- The current hosting arrangement with Adelaide City Council (ACC) works well for both parties. ACC has application experts that provide helpdesk support to Council and professional advice on product updates.	- Further investigation will occur to assess how this service model could be extended to other system applications where appropriate.
	- The cost to implement the employee self-management portal and the performance review module is \$33,000.	- Council will realise annual savings of \$39,500. No additional funding has been requested for the implementation of these outcomes.
Signage To understand the current level of activity, review current work practices and to define a preferred future delivery model.	- There was no available data to indicate the number of signs installed and their location throughout the City.	- A condition and compliance audit on regulatory signage will be considered as part of the 2016-17 Budget preparation process.
	- The replacement of damaged, vandalised and old signs (regulatory and advisory) is undertaken using a reactive approach. Up to 50% of the work undertaken by the Signage Team comes from Council's Traffic Management Area.	- The audit information will be maintained with on- going data; condition assessment and location that will assist in the planning of maintenance and future replacement of signs.
	- The end to end business process of sign procurement to installation could be improved. Stock	- The end to end process of procurement to installation has been improved by tracking stock movement.

Service and review objective	Key findings	Key Outcomes
	movement is not recorded and therefore the performance and effectiveness of the service was difficult to measure.	This includes recording the quantities of stock purchased, installed and replenished. The information collected will assist in the measurement of efficiency through work plans and the effectiveness by monitoring customer requests.
	- Sign installation at major events is generally undertaken at the expense of other work, or by overtime hours.	- A comparative analysis with external traffic control providers has commenced. External contractors were used at the recent Royal Adelaide Show and the Variety on King William Road events at a comparable price.
	- The benchmark information obtained from neighbouring Councils did not assist in the assessment of an appropriate service level for replacement or whether a reactive approach was in deed a sufficient way to meet service expectations.	
	- A review of stock indicated that a large quantity of stock was kept in storage, (over 3,000 individual items at a value of about \$95,000).	- The stock review has been completed. The appropriate level of stock to be held at this time is 1.790. This will result in a reduction of \$48,000 worth of stock holding. - An annual stocktake will be undertaken to test the appropriate level of stock to be held on the movement
Street Cleansing To understand the current level of activity, review current work practices and to define a preferred future delivery model.	- A level of service for street cleansing had not previously been endorsed by Council.	of individual stock items. - The Council has now adopted an asset management approach to the maintenance of the City's streetscape. Benefits include; an increased level of service for identified strategic locations and higher use areas, a

Service and review objective	Key findings	Key Outcomes
		coordinated approach to maintenance that will result in a more efficient use of Council resources. This will provide Council with an annual operating saving of \$100,000 over time.
	- The Council provided a higher level of service than its benchmark partners and that which is suggested by the Environment Act.	- The adopted level service considers industry guidelines, customer expectations and good asset management principles.
	- The Council under-utilises its two large road sweepers compared to industry standards.	- One of the road sweepers is due for replacement and will be sold and not be replaced. The Council can deliver the adopted level of service with one road sweeper. This will provide Council with a one-off capital investment saving of \$300,000 and an annual operating saving of about \$50,000.
	- The footway sweeper is not fit for purpose. Council should investigate an alternative type of mechanical footway sweeper.	- Investigations into the replacement of the footway sweeper have commenced. Alternative options are being trialled.

The Unley Library Service Review

The Council allocates approximately \$1.7 million per annum in funding for the delivery of its Library Service.

The City of Unley Library Service currently provides service points at the Unley Civic Centre, Goodwood and at the Fullarton Park Community Centre. It also offers a Toy Library, Home Library Service, Family History Service and a 24 hour/ 7 days a week online presence.

The Service attracts over 300,000 visits per year, which is over eight times the size of the City's population.

The review findings indicate that the City of Unley provides a similar library service to its eight benchmark partners when comparing the following key library elements: membership; visits; collections and loans; resources.

The following table provides an overview of the Service in 2013-14 and compares it to the benchmark average.

Variable	City of Unley Library Service	Benchmark Average
Number of active members	21,431	26,759
% of members residing in the council area	64%	75%
Number of annual visits	316,201	280,677
Average number of visits per week	6,081	5,398
Total number of annual loans	545,683	590,462
Average number of loans per member	25	22
Council financial contribution per active member	\$83	\$83
Number of FTE's (not including the Toy Library)	16.96	18.35

Note: The benchmark average was obtained from eight local government public libraries

The review proposed sixteen (16) recommendations, there were four (4) recommendations which required Council endorsement. These recommendations would likely result in a change to the level of service and the way in which the service will be delivered.

Council endorsed the following recommendations:

- 1. The Fullarton Park Library continue as a service point whereby library members can order resources on-line, and collect and return borrowed library materials from 1 July 2015. The Fullarton Park Library service point will no longer offer the small library collection for customer perusal.
- 2. Council supports the shift from "Community Computing" to a "Knowledge Hub" that includes the education in smart and specialist technologies that encourages sharing, creation and learning.
- 3. An investigation be undertaken to determine the feasibility and benefits of one service point for a Toy Library Service within the City of Unley, and discussions occur with the Goodwood Community Centre Board to explore potential efficiency gains and cost savings by September 2015.
- 4. Administration investigate a number of alternative service delivery models to the current Library Service. This could include (but not be limited) to the provision of a new purpose built library at an appropriate location within the city, modifications to the existing library in the town hall, the provision of small library outlets in partnership with other organisations and the provision of additional pick up/ drop off facilities at locations across the city. As part of

the investigation process, consultation occur with the community regarding the options investigated. A report of findings be presented to Council for consideration in January 2016.

An extract from the Council Report (Item 82, 23rd March 2015) has been provided for committee members' information in Appendix One of this report.

The remaining twelve (12) recommendations were presented to the Chief Executive Officer (CEO) for consideration. The recommendations have been linked to short, medium and longer term targets are grouped under the following outcomes:

- Building and Spaces
- Customer Service
- Technology
- Performance Monitoring

The financial implications of these recommendations will result in approximately \$2.2 million in savings over a 10 year period (today's dollars) while maintaining the current level of service, improving customer service through the implementation of RFID technology, shifting ICT financial investment to smart and mobile technologies, and the implementation of operational budget savings associated with collection management and operational arrangements.

The identified savings of \$2.2 million do not include any savings that may result in the rationalisation in the number of libraries. Further savings could be achieved through the reduction of duplication that exists in supporting multiple service points. These include utility, cleaning and security costs, the number of staff required to support multiple customer service desks, the reduction in management overhead, the duplication of collection costs and the cost of supporting technologies in more than one location.

A full list of the CEO recommendations has been provided for committee members' information in Appendix Two of this report.

CONCLUSION

The reviews completed during 201-14-15 will result in a number of benefits to the Council and the community.

In the case of Payroll and HR Systems business process review, there will be efficiency improvements in the management of employee information and the use of electronic forms and automated systems processes. It is estimated that there will be annual savings of \$39,500.

In the case of Signage, there will also be efficiency improvements through the improved management of stock and the implementation of an asset management approach to replacement. The recommendations identify a saving in stock holding in the order of \$48,000.

In the case of the Street Cleansing, the Council has adopted an asset management approach to the maintenance of the City's streetscape. Benefits include; an increased level of service for identified strategic locations and higher use areas, a coordinated approach to maintenance that will result in a more efficient use of Council resources. The implementation of the service level will result in annual operating savings of \$150,000 over time.

The Unley Library Service review has recommended \$2.2 million in savings over a 10 year period (today's dollars) while improving customer service. Benefits for customers include maintaining the level of service that currently exists, the implementation of RFID technology in 2015-16, shifting planned ICT financial investment to smart and mobile technologies, and the implementation of future operational budget savings that are associated with collection management and operational arrangements.

Council is committed to the implementation of the Service Improvement Plans and all financial implications pertaining to the Service Review Program will form part of Council Long Term Financial Plan which is due to be reviewed towards the end of this calendar year.

Recommendation One:

The Fullarton Park Library continue as a service point whereby library members can order resources on-line, and collect and return borrowed library materials from 1 July 2015. The Fullarton Park Library service point will no longer offer the small library collection for customer perusal.

Currently the Fullarton Park Library has a small collection of materials, is open 7.5 hours per week and attracts about 2,497 visits over the course of the year. Most users make library requests or order materials from other branches, and use Fullarton Park as a pick-up or drop-off location. As this service already offers a minimal service, it is proposed that the collection be removed. This will result in savings of \$10,700 per annum.

Library customers will still be able to order materials on-line and use the location for collection and return of borrowed materials. The removal of the small collection will also provide an opportunity for the Council to derive some additional hire income at the Fullarton Park Community Centre by making the space available to other users.

<u>Financial implications</u>: this recommendation will result in savings of \$10,700, and an opportunity to increase hire income by making the space available to other users. This saving has been included in the 2015-16 Draft Budget.

Recommendation Two:

Council supports the shift from "Community Computing" to a "Knowledge Hub" that includes the education in smart and specialist technologies that encourages sharing, creation and learning.

By 2020, it is expected that the average person will have up to 10 devices connected to the internet. The digital universe will be 44 times bigger than it is now and 34% of this universe will be in the 'cloud'.

To keep pace with this changing environment and the demands of our current customers, it is recommended to transform the existing Community Computing room into a multi-purpose, flexible "Knowledge Hub". Customers will be able to have access to and learn basic skills in a greater variety of software, social media and new technologies.

<u>Financial implications</u>: this recommendation is at no additional expense to the Council. It is proposed that when existing equipment is due for replacement, it is replaced with various mobile technologies.

Recommendation Three:

An investigation be undertaken to determine the feasibility and benefits of one service point for a Toy Library Service within the City of Unley, and discussions occur with the Goodwood Community Centre Board to explore potential efficiency gains and cost savings by September 2015.

There are currently two Toy Libraries within the City of Unley area. One is managed and maintained by the Council while the other is an independent service offered by the Goodwood Community Centre Board at the Goodwood Library.

Both are well used services and currently no collaboration exists between the two. An opportunity exists to provide an improved service through one location that considers better customer service, level of service offered, access to members, cost of service and the reduction of duplicate business processes.

At the completion of the investigation the findings will be brought back to Council for consideration.

<u>Financial implications</u>: this recommendation should result in further savings of approximately \$21,000 and deliver efficiencies through the increased collaboration and management of staff and collection materials.

Recommendation Four:

Administration investigate a number of alternative service delivery models to the current Library Service. This could include (but not be limited) to the provision of a new purpose built library at an appropriate location within the city, modifications to the existing library in the town hall, the provision of small library outlets in partnership with other organisations and the provision of additional pick up/ drop off facilities at locations across the city. As part of the investigation process, consultation occur with the community regarding the options investigated. A report of findings be presented to Council for consideration in January 2016.

The City of Unley has 3 Library Service locations in a relatively small area compared to other local government catchment areas.

The State Library of NSW has developed planning documents to assist councils in the design, location and size of libraries. These guidelines consider effective location criteria which closely align to an effective retail site and appropriate size for population numbers.

The City of Unley has two main service points that collectively are about 2,256sqm. The guidelines described above recommend a base size of between 2,200sqm and 2,750sqm. The current footprint over two locations does not

present an opportunity to reduce to one location without a significant change to the level of service provided.

The Unley Central initiative offers Council an opportunity to consider whether one library service location within the City in a newly developed retail precinct would be feasible. The opportunity should consider a co-located site that includes a purpose built library that will assist Council to meet the four key industry trends identified in the review (refer previous page of this report) and the current expectations of Library Members.

At the completion of the investigation the findings will be brought back to Council for consideration. This is expected to be within the next 12 months.

<u>Financial implications</u>: this recommendation should result in further savings and efficiencies through the reduction of duplication that exists in supporting multiple service points. These include utility, cleaning and security costs, the number of staff required to support multiple customer service desks, the reduction in management overhead, the duplication of collection costs and the cost of supporting technologies in more than one location. Potential savings have not been quantified at this stage.

Appendix Two

CEO Recommendations - overview

Short Term: 1-2 years; Medium Term: 3-5 years; Long Term: 6-10 years

Green: Council recommendations; Blue: Chief Executive Officer (CEO) recommendations

Building and Spaces

CEO recommendations - short term

- Investigate the necessary building works to separate out a portion at the front of the Goodwood Library to create a space for leasing by June 2015.
- 2. Investigate and review the footprint of the Unley Library to create flexible library spaces by December 2015.
- 3. Progressively replace existing shelving with mobile shelving to create multifunctional library spaces in the medium term.

Customer Service

CEO recommendations – short term and medium

- Relaunch the revised Community Computing program to support the "Knowledge Hub" by June 2015.
- 2. The Library Community be consulted on the proposed redistribution of library opening hours at the Unley Library and Goodwood Library service points by June 2015.
- 3. Implement the identified savings in the operational budget.
- 4. Implement the revised Home Library Service customer delivery model to improve customer service and achieve identified operational efficiencies.
- Identify and implement changes to collection management and collection size in the medium term after replacement of the centralised procurement system at Public Library Services.

Technology

CEO recommendations – short term

- 1. The investment in technology shift from standard replacement to investment in smart and mobile technologies and a consideration of combination solutions.
- 2. The implementation of RFID technology in the 2015-16 financial year in accordance with Council's ICT Asset Replacement Plan.

Performance Monitoring

CEO recommendations – short term

- 1. Implement the infographical reporting format to advise Council and its community on the performance of the Unley Library Service.
- 2. A summary of statistical information be provided to the responsible General Manager every two years, to monitor and respond to shifts in service and customer behaviour.

INFORMATION REPORT

REPORT TITLE: INTERNAL AUDIT - CONTRACT MANAGEMENT

ITEM NUMBER:

DATE OF MEETING: 2 JUNE 2015

AUTHOR: REBECCA WILSON

RESPONSIBLE OFFICER: STEPHEN FAULKNER

JOB TITLE: GENERAL MANAGER PEOPLE AND

GOVERNANCE

ATTACHMENTS: 1. CONTRACT MANAGEMENT AUDIT

REPORT

PURPOSE

To provide the Audit and Governance Committee with the internal audit report on Contract Management undertaken by Bentley's.

RECOMMENDATION

MOVED:

SECONDED:

That:

1. The report and attachments be received.

BACKGROUND

As per the Internal Audit Project Plan presented to the Audit and Governance Committee at the meeting of 24 February 2015, one of the areas identified to be reviewed as part of the internal audit was Contract Management.

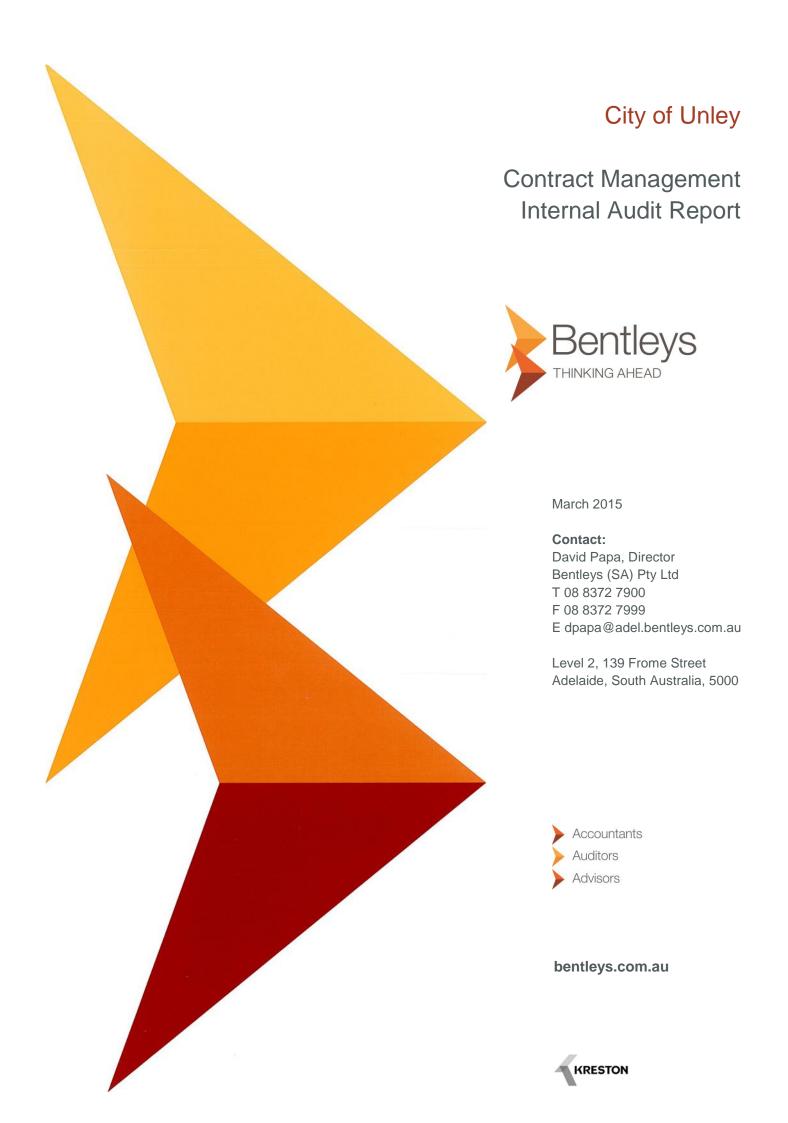
DISCUSSION

The Contract Management internal audit commenced on 9 February and was concluded on 18 February. The overall objective was to review the system of internal controls and that management processes complied with the *Local Government Act 1999* Section 49 and Council's internal policies and procedures. Further details of the objectives and audit scope and approach are outlined in the attached report.

There were key findings that management has noted and responded and which are captured in the Agreed Action Plan contained at Attachment 1 of the report. However, overall Bentleys reported that the City of Unley had a robust control environment over the governance of the contract management process including controls in segregation of duties, invoice verification and authorisation, contract variation monitoring and records management.

There were some process improvements identified relating to the Procurement Framework and also corporate level contract management. The Contract Register requires some improvements to be made and also reviewing of contracts and issuing of completion certificates.

The inaugural internal audit was conducted in a very timely manner and was thorough with no significant interruption to the business. The next internal audit commenced on the week beginning 1 May for Regulatory Services. A report will be brought to the Audit and Governance Committee meeting in September 2015.



Private & Confidential

To: Stephen Faulkner

General Manager, People and Governance

Copy: Audit Committee

Internal Audit Report Contract Management

We have completed our review on the sufficiency of contract management processes for the City of Unley. Please find attached our report containing details of our assessment and recommendations. The report also contains a description of the scope of work and our approach.

An Executive Summary is provided for consideration by the Audit Committee.

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Inherent Limitations

Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the control procedures that have been subject to this review operate, has not been reviewed in its entirety and, therefore, no opinion or view is expressed as to its effectiveness of the greater internal control structure. This review is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed on the control procedures are on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by City of Unley management and personnel. We have indicated within this report the sources of the information provided. 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. The findings expressed in this report have been formed on the above basis.

Third Party Reliance

This report is solely for the purpose set out in the Official Order and for City of Unley information, and is not to be used for any other purpose or distributed to any other party without Bentleys (SA) Pty Ltd's prior consent.

This summary report has been prepared at the request of City of Unley management or its delegate. Other than our responsibility to the management of the City of Unley, neither Bentleys (SA) Pty Ltd nor any member or employee of Bentleys (SA) Pty Ltd undertakes responsibility arising in any way from reliance placed by a third party, including but not limited to City of Unley external advisors, on this summary report. Any reliance placed is that party's sole responsibility. Liability limited by a scheme approved under Professional Standards Legislation.

EXECUTIVE SUMMARY

Background

The Council has engaged Bentleys SA Pty Ltd to conduct an internal audit project – Contract Management process review in February 2015 in line with the Audit Committees Internal Audit Program.

This report outlines findings and recommendations in respect of the Contract Management process.

Audit Objectives

The overall objective of the audit was to review the system of internal controls and management processes providing reasonable assurance that adequate management controls exist to mitigate risk.

The specific objectives of the audit were to determine:

- Compliance with Local Government Act Section 49;
- Compliance with Council internal policies and procedures;

Governance objectives, where relevant, were considered and included an assessment of whether governance processes were in place, including:

- · Defined roles and responsibilities;
- Segregation of duties;
- Appropriate levels of delegated authority;
- Monitoring and reporting of abnormal activity; and
- Records management and documented audit trails.

Audit Scope & Approach

The scope included contract management activities between January 2014 and December 2014. The scope was limited to major or strategic contractual arrangements across the relevant business units. A wide sample selected across all business units and considered:

- Review of current contract management process;
- Review on the adequacy of the management and reporting of contract costs in accordance with contractual requirements;
- Assessing process to best practice;
- Conduct high level process mapping to document the current framework;
- Review of a sample of project / contract files;
- Review the maintenance of contract registers;
- Review the contract between the council and the preferred supplier and determine if a standard contract has been used and the contract includes provisions managing the risks identified;
- Review the appropriate levels of delegated authority;

- Review the invoice verification and authorisation to ensure vendor invoices are paid according to the contract and in accordance with the prescribed process;
- Contract variation monitoring;
- Performance monitoring and reporting (inc. financial reporting on contracting activity);
- Records management and documented audit trails.

The approach involved reviewing the process, procedures, policies and documentation; interviewing key staff; observation, walkthrough and substantive testing and where appropriate seeking expert advice.

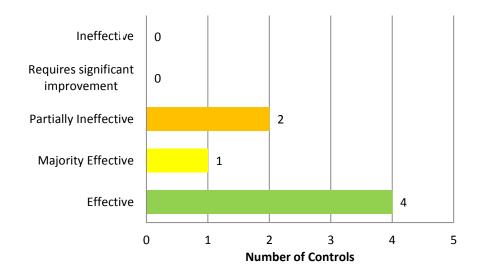
Risk Exposures

- Non compliance with Local Government Act Section 49;
- Fraud, theft or misappropriation of funds; and
- Council policy not followed which may lead to:
 - Contractor not prepared to agree to contract variations to accommodate changes in entity requirements;
 - o Stakeholders not consulted and/or kept informed about contract performance;
 - Failure to act on contractor underperformance;
 - o Failure to monitor retention compliance and payment approval;
 - o Changes in stakeholder expectations not communicated to contract manager.

The control effectiveness assessment below is an indicator of the current state of the control environment within business operations and its ability to mitigate against these risk exposures.

Given City of Unley does not have its control effectiveness ratings in the risk management policy, we adopted the definitions of control effectiveness ratings from the Better Practice Model – Internal Financial Control developed by the South Australian Local Government Financial Management Group Inc (SALGFMG).

Control Effectiveness Graph



Refer to Agreed Action Plan (Attachment 1) for detailed information.

Control Effectiveness Summary / Key Findings

City of Unley has a robust control environment over the governance of the contract management process. This includes controls in Segregation of Duties, Invoice Verification and Authorisation, Contract Variation Monitoring and Records Management all which mitigate risk.

The key findings identified during the course of internal audit are:

- Procurement Framework is due for review;
- There is no corporate level contract management procedure (including third party contract management procedures);
- There is no corporate level contract performance reporting procedure;
- Major service contracts are not always routinely reviewed to confirm if they are delivering value for money;
- 2 out of 7 selected works contracts have no completion certificate issued after the works reaching practical completion. Inconsistent approach applied for contract completion;
- Contract register does not contain the award date, commence date, duration date/completion date.

Opportunities for process improvement relating to records management were analysed. Refer to Process Improvements (Attachment 2) for detailed information.

High level process mapping of the current contract management within the project management framework was conducted. Refer to Attachment 3 for detailed information.

We acknowledge and appreciate the assistance provided by the City of Unley management and staff during the course of this review.

ATTACHMENT 1 AGREED ACTION PLAN

Control Effectiveness	Guide		
Partially ineffective	During the period, the control has been implemented as described, but with in which it has been applied.	some deficiencies in the consistency and/or eff	ectiveness
Control	Key Issue(s)	Management Response & Action(s)	Target Date
Documented policies and procedures	Procurement Framework is due for review. Local Government Act 1999 requires the Council to have a 'Contract and Procurement Policy' under section 49. The current Procurement Framework requires once a contract has been executed and the supplier has started work, the contract is managed to diligently maximise the commercial outcomes and reduce risk for the CoU. This framework is currently due for review. Management is in the process of reviewing the framework. Use of the incomplete policy and procedure as guidance could increase the risk of noncompliance. It is recommended management complete the Procurement Framework. This should provide detail and clarity over contract management, with the objective of maximising opportunity and reducing risk of achieving the desired result for the Council.	A Contract Management Framework has been developed and is to be implemented for key contract managers shortly. The policies and procedures are being completed/developed as part of the contract framework review.	30/6/2015
	There is no corporate level contract management procedure (including third party contract management procedures). Key contract monitoring mechanisms are not specifically documented during contract initiation. A corporate level contract management procedure is required to ensure contract management related risks are considered earlier in the tender management process and appropriately managed. Lack of procedure as guidance could increase the risk of noncompliance and may not identify new contract risks throughout the contract period.	A Contract Management Procedure (corporate) will be developed as part of the existing Project Management Framework, as indicated above	30/6/2015

	There is now broad recognition that the growing emphasis on agreeing "deals" has not always flowed into consistent and effective management of contracts post appointment. It is recommended management develop a corporate level contract management procedure to define good Contract Management Practice, including:		
Performance monitoring and reporting	There is no corporate level performance reporting procedure. The current performance reporting method varies from divisions. Lack of procedure as guidance could increase the risk of noncompliance and Stakeholders not consulted and/or kept informed about contract performance.	Council is evolving its corporate reporting and is conscious of an inconsistent approach to reporting and management of contracts. Currently reports on the financial performance of all operating and capital projects to the Executive.	30/6/2015
	It is recommended management establish a corporate level performance reporting procedure to establish a standard method for monitoring and reporting on the performance of contracts managed by the Council.	Management envisages reporting will be defined within the development of the Corporate Contract Management Procedure.	
	Major service contracts are not always routinely reviewed to confirm if they are delivering value for money. Routine and accurate reporting on the performance of a contractor during the life of a contract is an essential element of contract management.	Major service and panel contracts (usually 3-5 year term) are reviewed annually to consider performance, value for money and statutory compliance.	

By not conducting a routine review of the major service contracts, the CoU is at increased risk of not identifying contractor underperformance, and therefore not maximising value. It is recommended management undertake a routine performance review of major service contractors. This will facilitate the identification of performance areas the service contractor is excelling and areas that may need improvement.	Council has introduced acquisition plans, developed as part of the contract renewal/expiry stage to assess service offering, value for money, experience of key staff and expected key deliverables.	
2 out of 7 selected works contract have no completion certificate issued after the works practical completion. Inconsistent approach applied to contract completion for works contract. The contract administrator certifies practical completion when all the works described in the contract have been sufficiently carried out. Inconsistent approach applied to contract completion for works contract could increase the risk of noncompliance and failure to act on contractor underperformance. It is recommended management provide a guide/ training regarding issuing a completion report. It is also important to note the defects liability period, which follows certification of practical completion, is not a chance to correct problems apparent at practical completion. It is the period during which the contractor may be recalled to rectify defects that appear. If there are defects apparent before practical completion, these should be rectified before a certificate of practical completion is issued.	As previously stated, a Corporate Contract Procedure is being developed and will incorporate necessary skill requirements to undertake same. It will also provide necessary education in areas such as risk, size of contract and key milestone considerations including performance against objectives and practical completion.	30/6/2015

Control Effectiveness	Guide		
Majority effective	During the period, the control has been implemented as described and in the majority of cases has been consistently and/or effectively applied. There is potential to enhance the effectiveness of the control, but only with minor adjustments.		
Control	Key Issue(s)	Recommendation	
Maintenance of contract registers	Contract register does not contain the award date, commence date and duration date/completion date.	Maintaining an incomplete contract register could lead the loss of integrity of contract information. In accordance with the requirements of Government Information to be maintained, It is recommended management include the key information such as award date, commence date and duration/completion date in the contract register.	

Control Effectiveness	Guide			
Effective	During the period, the control as described has been fully implemented and has in all cases has been consistently and/or effectively applied.			
Listing of Fully Effective Controls (for Management information)				
Segregation of duties	•	Invoice verification and authorisation	Contract variation monitoring	
Records management				
Management Implementation of action plans to improve control effectiveness and the control environment will be undertaken in accordance with				

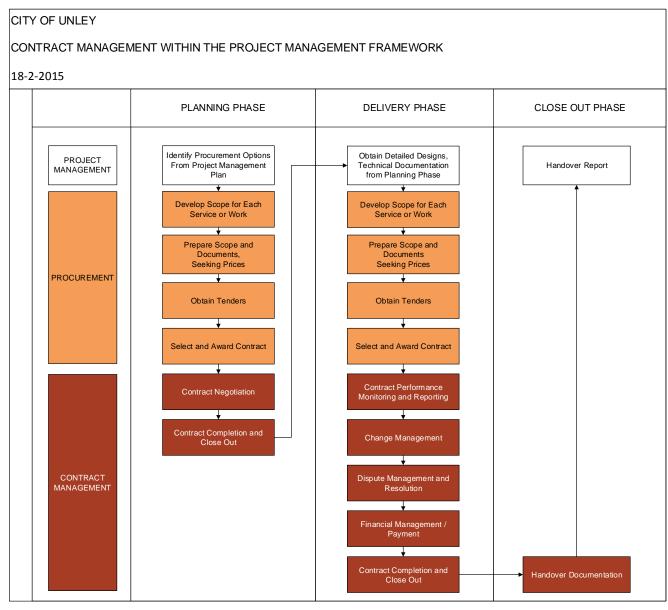
_	Implementation of action plans to improve control effectiveness and the control environment will be undertaken in accordance with agreed timeframes.		
	Name:	Signature:	
	Position:	Date:/	

ATTACHMENT 2 PROCESS IMPROVEMENTS

Control	Current Status	Potential Improvement
Records Management	CoU uses ECM Classic Client (Dataworks) as the records management tool. All contract management related electronic documents were first saved in the shared drive and then saved in: Dataworks/Contracting/Contract Name. Hard copies were scanned in batches by Records Management and then saved in Dataworks. During the course of our audit, we noted that contract management related documents are saved in one folder for each contract. There is no logical sub-folder in the Dataworks and there is no reference to differentiate each step of the contract management.	It is recommended management add a reference or create sub-folders to store contract management documents to reflect each step of the contract management. This will support the completeness of the procurement process ensuring documentation is readily available for contract management, maintenance and reporting.

ATTACHMENT 3 CONTRACT MANAGEMENT WITHIN THE PROJECT MANAGEMENT FRAMEWORK





DECISION REPORT

REPORT TITLE: 2015 -16 DRAFT ANNUAL BUSINESS PLAN

AND BUDGET

ITEM NUMBER: 10

DATE OF MEETING: 2 JUNE 2015 **AUTHOR**: MIKE CAREY

RESPONSIBLE OFFICER: STEPHEN FAULKNER

JOB TITLE: GENERAL MANAGER PEOPLE AND

GOVERNANCE

ATTACHMENTS: 1. DRAFT ANNUAL BUSINESS PLAN 2015-16

PURPOSE

This report is to provide the Audit and Governance Committee with the Draft Annual Business Plan and Budget 2015-16 for review and feedback.

RECOMMENDATION

MOVED:

SECONDED:

That:

- 1. The report be received.
- 2. The Draft Annual Business Plan, Attachment 1 to Item 10/2015 be received.
- 3. The comments from the Audit and Governance Committee relating to the Draft Annual Business Plan to be presented to the Council at the Budget Workshop to be held on 3 June 2014.

BACKGROUND

The Local Government Act 1999 (the Act), Section 123(3) requires councils to prepare a draft document for community consultation prior to adopting the annual budget.

The Annual Business Plan and Budget must be adopted after the 31 May and prior to the 31 August each year.

COMMUNITY ENGAGEMENT

Section 123(4) of the Act prescribes the minimum level of consultation that a council must undertake in conjunction with the Draft Annual Business Plan. It requires the publication of a notice in a newspaper circulating within the area of the Council inviting interested parties to attend a public meeting, or a meeting of Council where members of the public may ask questions. Council is also required to invite interested parties to make a written submission outlining any concerns they have, or comments that they wish to make, about what is being proposed.

Community consultation of the Draft Annual Business Plan occurred between 7 May and 29 May 2015.

The proposed level of engagement, listed below, meets the requirements of the Act:

- An advertisement will be placed in the Eastern Courier Messenger advising of the consultation period and public meeting date and time
- Submissions will be received via Your Say Unley, Council's PO Box 1
 email facility or in writing by close of business on 29 May 2015, and
- A public meeting will be held in the Unley Civic Centre on the 28 May 2015 at 5.30pm.

DISCUSSION

Two Elected Member workshops have been held as part of the Annual Business Plan development process. The first of these workshops was held in February 2015 with the second workshop held on 13 April 2015. A further workshop is proposed, following community consultation, to be held on 3 June 2015.

The Draft Annual Business Plan 2015-16 has been developed using the Long Term Financial Plan as a guide with the aim of achieving the adopted financial targets.

Financial Indicator	Council Adopted Target	Draft Budget 2015-16
Operating Surplus Ratio	= 3% of Rates General and Other Rates Less NRM Levy	3.4%
Net Financial Liabilities Ratio	<= 80% of Total Operating Revenue less NRM Levy	52
Asset Sustainability Ratio	>= 100% average over the 10 year period	108%

The following items are proposed as the basis for consultation with the community:

- An estimated rates increase for existing ratepayers of 4.1%
- Proposed net Operating Projects of \$1.662m
- Proposed net Capital Replacement of \$7.707m
- Proposed net Capital New of \$2.744m
- Borrowings for proposed new capital of \$2.650m.

Taking into account principal repayments and movements in short term borrowings, it is anticipated that total borrowing will increase by \$1.5m from the previous year to \$17m at 30 June 2016.

The general influences impacting on revenue and expenditure in developing the 2015-16 Annual Business Plan include:

- Current Enterprise Agreements for most staff which provide for wages and salary increases in line with current and proposed wage agreements
- Local Government Price Index increases on relevant goods and services, which in the past has tracked above CPI
- The requirement for asset management (replacement) expenditure to be maintained at a sufficient level to ensure long term maintenance of Council infrastructure, property and IT assets at required standards based on detailed condition assessments of each asset class
- Increased maintenance requirements as a result of an increase in the capital works program over the last number of years and the construction of public realm assets requiring increased quality of presentation estimated at \$74k for 2015-16
- State Government budget decisions including Emergency Service Levy increases and the uncertainty of funding pensioner concessions beyond 2014-15
- Commitments to major projects and partnership initiatives over more than one year, including Goodwood Road, Unley Central and Brown Hill Keswick Creek
- Consideration of the impact of SA Power Networks legislative vegetation clearance program which includes the pruning of more than 5,000 street

trees within the City of Unley. Due to the uncertainty in terms of the impact of the pruning and possible remediation and alternative treatments required by Council, the budgetary impact is unlikely to be known until after the 2015-16 Budget is adopted. As such, it is proposed to address any budget implications as early as possible in the 2015-16 financial year as part of a Quarterly Budget Review.

In response to the cost imposts on Council and to minimise the burden on ratepayers, Council has continued its work and review of service sustainability.

This has included developing a service improvement model and framework to review services and the level as to which they are offered. Council recognises the increasing challenges in delivering services at a local level while ratepayers are increasingly reluctant to see their council rates increase.

Savings identified as part of 2015-16 Budget build include Community Centre service review initiatives of \$100k and a change in the service delivery model for Public Environment and Health of \$48k.

Council has identified proposed new operating initiatives that amount to \$1.709m (Net \$1.662m). Further review of these proposals will occur between now and June and will include consideration of the community consultation feedback before the Budget is finalised for adoption.

Significant items include:

- Council contribution to the undergrounding of the power lines for Goodwood Road between the tram crossing and Victoria Street - \$650k
- Further development of opportunities within the Unley Central Precinct -\$50k
- Second generation street tree implementation \$95k
- Place activation and showcasing of the City of Unley through events including Unley Gourmet Gala (\$169k net), Tour Down Under (proposed only) (\$68k) and community events program and related activities (\$100k), and
- Ongoing implementation of the Customer Experience Program \$96k.

The proposed capital replacement program of \$7.931m (net \$7.707m) has been based on current asset information, resulting in a 10 year rolling average for the Asset Sustainability Ratio of 108%. Major items include:

- \$1.514m for the proposed road reseal program
- \$1.634m for the footways replacement program
- \$1.031m for the Building Program
- \$512k for reserves, recreation and open space projects, and
- \$500k for Drains and Storm water.

The proposed new capital projects total \$3.094m (net \$2.744m) and include:

- Goodwood Road streetscape and Wayfinding Strategy Delivery \$750k
- Development of Katherine Street Open Space of \$630k (subject to State Government contribution)
- Brown Hill Keswick Creek project contribution \$464k, and
- Stage 2 Implementation of Council's Asset Management System \$150k.

New capital projects will largely be funded by borrowings.

A copy of the Draft Annual Business Plan is provided as Attachment 1 to Item 10/2015.

Attachment 1

The impact of this draft plan does not compromise Council's long term financial sustainability. It will however need to continually monitor the impact of its decisions on the long term Net Financial Liabilities and Equity.

ANALYSIS OF OPTIONS

Option 1 – The draft Annual Business Plan, Attachment 1 to Item
10/2015, be noted and comments from the Audit and Governance
Committee relating to the Draft Annual Business Plan be presented to the Council at the next Budget Workshop to be held on 3 June 2015.

The Audit and Governance Committee provides valuable support to the Council in its strategic financial planning. Input to the Draft Annual Business Plan and Budget at this time will provide opportunity for the Council to consider feedback before adoption.

RECOMMENDED OPTION

Option 1 is the recommended option.

POLICY IMPLICATIONS

The proposed Draft Annual Business Plan and Budget for 2015-16 meets the legislative requirements and financial targets adopted as part of the Long Term Financial Plan.

CONCLUSION

The development of the Draft Annual Business Plan and Budget 2015-16 has followed a thorough process guided by the targets and principles of the Long Term Financial Plan and is based on the following principles:

- An estimated rates increase for existing ratepayers of 4.1%
- Rates growth, being rates from new rateable properties assumed at 0.8%
- Proposed net Operating Projects of \$1.662m
- Proposed net Capital Replacement of \$7.707m
- Proposed net Capital New of \$2.744m, and
- Borrowings for proposed new capital of \$2.650m.



Draft Annual Business Plan 2015-16 for Community Consultation



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Background

Under Section 123 of the *Local Government Act 1999* Council is required to have a budget for each financial year. This budget must be considered as part of the Council's Annual Business Plan.

Before a council adopts its Annual Business Plan it must prepare a Draft Annual Business Plan and undertake a public consultation process.

The purpose of the Draft Annual Business Plan is to impart understanding of:

- The services provided by the City of Unley
- Proposed new initiatives and projects, and
- Draft budget for 2015-16.

This year's consultation process will commence on 7 May 2015, providing a basis for feedback from the community, so that it can respond and inform Council before the Annual Business Plan is adopted and rates declared.

Once it has been subject to public consultation, and submissions considered by Council, the Statutory Budget documents and financial statements for 2015-16 will be added.

A Long Term Financial Plan (LTFP) has been developed to assist Council with developing a budget within a prudent, longer-term financial framework. The key objective has been to ensure financial sustainability in the medium to long term, while still achieving Council's goals as detailed in the Community Plan and Annual Plan objectives.

Council seeks to achieve a reasonable degree of rate stability over time while ensuring ratepayers are paying for those services and infrastructure maintenance obligations they require.

How Council measures its performance

Council measures its achievements and financial performance through the following processes:

- Regular financial reporting to Executive and Council
- Quarterly Corporate Performance report to Executive and Council
- Budget Reviews in accordance with legislation
- Annual review of the Long Term Financial Plan
- Review and input from Council's Audit and Governance Committee and
- Production of an Annual Report including audited financial statements.

Executive Summary

The draft Annual Business Plan for 2015-16 has been prepared in accordance with the priorities of its Community Plan 2033 and 4 Year Plan 2013-2016 and the financial targets adopted by Council at its Council Meeting in February 2015.

Key financial information for 2015-16 is summarised below:

General Rate Increase 4.1%

Estimated Rates Growth (rates from new rateable properties) 0.8%

Budget Summary	\$'000
General Rates Income	36 218
All Other Operating Income	8 384
Operating Expenses	41 707
Operating Projects	1 662
Operating Surplus	1 233
Net Replacement Capital Expenditure	7 707
Net New Capital Expenditure	2 744
Total Capital Expenditure	10 451
Estimated New Borrowings	2 650
Repayment of Borrowings net of community loan repayments	1 114

Council will raise sufficient income to cover its operating expenses and undertake repayment of its debt.

Key Financial Targets

Indicator	Adopted Target	Proposed Outcome
Operating Surplus Ratio	3.0%	3.4%
Net Financial Liabilities Ratio	= < 80%	52%
Asset Sustainability Ratio (over 10 years)	= > 100%	108%

Major Projects

The key Council Projects over the next four years and incorporated in Council's Long Term Financial Plan (LTFP) include:

 Goodwood Road - covering undergrounding, streetscape upgrade and way finding strategy deliverables

- King William Road Master Plan outcomes, and
- Property redevelopment opportunities within the Unley Central Precinct.

In addition, due to Council's commitment to these key strategic capital projects as well as Brown Hill Keswick Creek, Council is unlikely to have funds for the implementation of Unley Oval and Goodwood Oval-Millswood Sporting Complex in the short term without a change in priorities or seeking alternative funding models.

It has therefore been agreed for Council to only complete planning and high level design for Unley Oval and Goodwood Oval-Millswood Sporting Complex Upgrades. This will allow Council to be 'spade ready' and to avail itself of future grant and other funding opportunities as they arise.

Impact on ratepayers

It is proposed that the overall amount ratepayers will pay in general rates will increase on average by 4.1%. For a residential property of average value, this equates to an increase in general rates of approximately \$65 for the 2015-16 year. Rate increases may vary from the average where there has been new development, capital improvements or other significant change to the value of the property.

For more information on the rating structure context please refer to **Funding the Business Plan** on page 15.

Strategies behind the Draft Annual Business Plan

The purpose of the Draft Annual Business Plan is to impart an understanding of:

- Annual objectives for the year in the context of Council's long-term objectives
- The activities and services provided by Council
- Key financial information relating to revenue and expenditure
- Proposed new initiatives and projects
- Rating context and impact of rates for 2015-16, and
- Council's Long Term Financial Plan and Asset Management Plans

The Draft Annual Business Plan sets out the Council's proposed services, programs and projects for 2015-16. It outlines the Council's specific objectives for the year, in the context of its forecast long term financial position to ensure that a sustainable financial position is maintained.

As such this Draft Annual Business Plan will provide a basis for feedback from the community, so that it can respond and inform Council before the Annual Business Plan is adopted and rates declared.

The City of Unley Draft Annual Business Plan and Budget has been developed in the context of the Council's suite of strategic management plans which include the following:

- Community Plan 2033
- 4 Year Plan 2013-2016
- Long Term Financial Plan including Council's Infrastructure and Asset Management Plans.

The links between these key planning documents are shown below.



The Community Plan 2033 provides the vision, strategies and framework for the future of the City of Unley.

The 4 Year Plan outlines the priorities and strategies of the City of Unley until the year 2016. It sets out strategies that are part of a long term vision, described in the Community Plan 2033, to promote growth that is economically, socially and environmentally sustainable. It also details key projects and services that Council will deliver over the four year period.

The diagram below displays the Council's Strategic Planning Framework:



Significant Influences for the 2015-16 Budget

A number of factors have influenced the preparation of the Council's Draft 2015-16 Annual Business Plan and Budget. These include:

- Local Government Price Index increases on relevant goods and services, which in the past has tracked above the CPI
- Enterprise Agreements for most staff which provide for wages and salary increases in line with current and proposed wage agreements
- Maintaining asset management (replacement) expenditure at a sufficient level to ensure long term maintenance of Council infrastructure, property and IT assets
- Increased maintenance requirements due to an increase in capital works and construction of new assets over recent years
- State Government budget decisions including Emergency Service Levy increases and the uncertainty of funding pensioner concessions beyond 2014-15
- Commitments to long term major projects including Unley Central, Goodwood Road and Brown Hill Keswick Creek, and
- Consideration of the impact of SA Power Networks legislative vegetation clearance program which includes the pruning of more than 5,000 street trees within the City of Unley. Due to the uncertainty in terms of the impact of the pruning and possible remediation and alternative treatments required by Council, the budgetary impact is unlikely to be known until after the 2015-16 Budget is adopted. As such, it is proposed to address any budget implications as early as possible in the 2015-16 financial year as part of a Budget Review.

In response to the cost imposts on Council and to minimise the burden on ratepayers, Council has continued its work and review of service sustainability.

This has included developing a service improvement model and framework to review services and the level at which they are offered.

Savings identified as part of 2015-16 budget build include:

- Community Centre Service review initiatives of \$100k, and
- A change in the service delivery model for Public Environment and Health of \$48k.

Services provided to the Community

The Local Government Act 1999 (the Act) prescribes a system of local government to enable councils to govern and manage areas at a local level.

All councils have basic responsibilities under the Act and other relevant legislation.

These include:

- Regulatory activities, including voters' roll maintenance and Elected Members' support
- Determining longer term strategic management and management plans, financial plans, infrastructure and asset management plans and policies and procedures
- Setting rates, preparing an Annual Business Plan and Budget
- Management of basic infrastructure including roads, footpaths, parks, public open space, street lighting and stormwater drainage
- Street cleaning and rubbish collection
- Development planning and control, including building safety assessment, and
- Provision of various environmental health services.

In response to community needs, Council provides the following services and programs:

- Aged and Social Care
- Animal Management
- Environmental Management
- Community Development
- Community Engagement
- Community Services
- Community Transport
- Community Event Programs
- Corporate Services
- Recreation and Open Space Management
- Environmental Management.

- Economic Development
- Urban Policy and Planning
- Library Services
- Sustainable Landscapes
- Parking Control
- Community Centres
- Volunteers
- Sport and Recreation
- Youth Development
- Museum

The Council also maintains a number of facilities and services on a fee for service basis, some of which are subsidised and include:

- Unley Swimming Centre
- HACC Program
- Ovals, courts, parks and reserves for hire.
- Community Bus Service
- Halls for hire

Council anticipates that existing service levels of all continuing services from 2014-15 will be maintained during 2015-16.

Council's Long Term Objectives and Key Projects

The key projects that Council will deliver in the 2015-16 financial year have been grouped under the five goals identified in the City of Unley Community Plan 2033.

Emerging

Our path to a future city

New activities and technologies that support our business and residential communities



Long Term Strategic Objectives

- A thriving and prosperous business community
- Emerging technology is embraced
- A dynamic mix of uses and activities in selected precincts.

Key Projects 2015-16

- Continuation of undergrounding of the power lines along Goodwood Road from the tram crossing to Victoria Street
- Commencement of Goodwood Road streetscape
- Facilitation of property redevelopment opportunities for the Unley Central Precinct.

Living

Our path to a thriving city

Reflecting issues of culture, diversity and lifestyle



Long Term Strategic Objectives

- An enviable and diverse lifestyle
- Activated places
- A City of cultural and artistic diversity
- Healthy and active community
- Collaborative and engaged community.

Key Projects 2015-16

- Development of Katherine Street Open Space
- Place activation and showcasing of the our City through major events including Unley Gourmet Gala, Tour Down Under and a community events program.

Moving

Our path to an accessible city

Concerning accessibility and transport



Long Term Strategic Objectives

- Equitable parking throughout the City
- An integrated, accessible and pedestrian friendly City
- Alternative travel options.

Key Projects 2015-16

 Continuation of a local area traffic management studies program and implementation of outcomes.

Greening

Our path to a sustainable city

Covering concerns about environmental initiatives and sustainability



Long Term Strategic Objectives

- Renowned for lifestyle and environmental balance
- Leaders in waste reduction
- Functional open green space throughout the City.

Key Projects 2015-16

- Second Generation Street Tree Implementation
- City wide Tree Risk Assessment Implementation – Ridge Park
- Delivery of Brown Hill Keswick Creek outcomes including Council's contribution to the Stormwater Management Plan works.

Operational Excellence Our path to a robust and sustainable organisation

Long Term Strategic Objectives

- A constructive culture for all employees and volunteers
- A customer-centric approach
- Good governance and legislative framework
- An environment of continuous improvement and innovation
- A financially sustainable approach to business and planning activity
- Enabling information systems and robust reporting
- Uphold City of Unley's reputation.

Key Projects 2015-16

- Completion of the Asset Management System implementation
- Ongoing Implementation of the Customer Experience Program
- Rationalisation of IT and finance systems and website upgrade.

Project Priorities Proposed for the Year

Council's proposed project priorities for 2015-16 stem from the long term objectives and strategies of Council as outlined in Council's Community and 4 Year Plans.

Options for funding has considered whether some of the road, storm water and building capital replacement programs can be deferred for a year or two and whether increases in borrowing over the four year period to 2018-19 can be accommodated.

Council has undertaken a methodical and considered approach to determine its priorities for the upcoming financial year. These are the steps that were taken to determine the proposed projects for consultation:

- Council management and staff proposed projects that aim to assist in achieving the Strategic Themes in Council's Community Plan 2033 and 4 Year Plan
- Elected Members submitted projects based on perceived community need
- The Capital Works Program was guided by Council's Asset Management Plans
- Projects were divided into three broad categories: Operating Projects (including change to service), New Capital and Capital Replacement
- Staff proposed Operating Projects were assessed based on risk, benefit, cost and impact
- Capital Projects were ranked according to Asset Plans and other strategic plans; and risk assessments were undertaken for projects
- Elected Member workshops were used to further prioritise, refine and finalise the proposed project list for community consultation.

Operating Projects

These types of projects are either one-off, short term projects or a request to change the level of service. The request to change the level of service will also impact future budgets.

These projects are to be funded by Council's rates income and therefore affect the level of rates increase being considered. The Council is considering a rate increase of 4.1% and the draft Budget proposes to fund a net amount of \$1.662m of operating projects.

Further review of these proposals will occur between now and June 2015, and includes consideration of this consultation process before it is finalised for adoption.

Significant items include:

- Council contribution to the undergrounding of the power lines for Goodwood Road between the tram crossing and Victoria Street \$650k
- Further development of opportunities within the Unley Central Precinct \$50k
- Second Generation Street Tree Implementation \$95k

- Place activation and showcasing of the City of Unley through events including Unley Gourmet Gala (\$169k net), Tour Down Under (\$68k) (proposed but to be confirmed) and community events program and related activities (\$100k), and
- Ongoing implementation of the Customer Experience Program \$96k

The proposed projects are detailed in Appendix 1.

Capital Projects

The City of Unley is responsible for a large number of assets with a current depreciable value of approximately \$530m including land. It is important that Council engage in practices that optimise the assets 'useful lives' for the benefit of the whole community.

Like many other councils, the City of Unley is provided with an increasing demand to provide services in an environment of ageing assets, increased liability and continual constraints on funding.

New capital projects will be funded by borrowings. The proposed new capital projects total \$3.094m (net \$2.744m) and include:

- Goodwood Road Streetscape and Wayfinding Strategy Delivery \$750k
- Development of Katherine Street Open Space \$630k (subject to State Government contribution)
- Brown Hill Keswick Creek project contribution \$464k, and
- Stage 2 Implementation of Council's Asset Management System \$150k.

New capital expenditure may not significantly impact on Council rates in the year of creation but will affect the rates income in the future by way of increased depreciation, maintenance and interest expenses. All new capital will largely be funded through borrowings, however Council commits to investigate, where possible, grants to help fund these new assets.

The proposed capital replacement program of \$7.931m (net \$7.707m) has been based on current asset information and asset management plans. Main items include:

- \$1.514m for the proposed road reseal program
- \$1.634m for the footways replacement program
- \$1.031m for the Building Program
- \$512k for reserves, recreation and open space projects, and
- \$500k for drains and storm water.

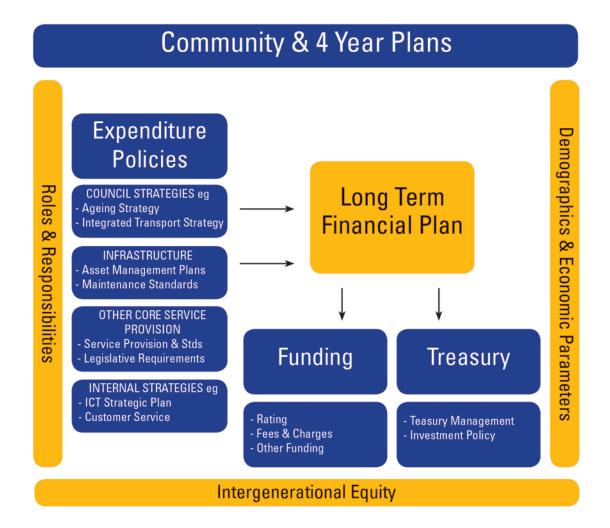
Details of the proposed Capital Works Program are provided in Appendices 2 and 3.

Financial Framework

Long Term Financial Plan

Council has developed a Long Term Financial Plan (LTFP) to guide its financial decisions and to ensure it is prudent in its financial management and considers a longer term view. The LTFP has been reviewed and updated to reflect the most current information available.

This 10 year LTFP has been developed as part of Council's ongoing financial planning to assist Council to plan within a longer term strategic framework.



The key components of the plan are:

- Assessment of Council's current financial position and achieving longer term financial sustainability
- Ensuring Financial Targets are met
- Consideration of Council's appropriate role and responsibilities
- Ensuring alignment with the Community and 4 Year Plans and maintenance of high priority strategies
- Ensuring all proposed strategies are costed before adoption
- Ensuring alignment with agreed service provision and delivery standards

- Ensuring alignment with Asset Management Plans and Maintenance Standards
- Ensuring alignment with internal support strategies
- Ensuring alignment with Funding and Treasury principles as well as intergenerational equity (rating stability, Treasury Policy, fees and charges, external funding and investments).

Infrastructure and Asset Management Plans

The City of Unley owns and is responsible for the management, operation and maintenance of a diverse asset portfolio that provides services and facilities for City users. Infrastructure and Asset Management Plans have been developed for all infrastructure assets to ensure Council continues to provide effective and comprehensive management of its asset portfolios. To manage this process, Council assets have been grouped into categories, and Infrastructure and Asset Management Plans developed for each category.

The development of these Infrastructure and Asset Management Plans indicate Council's ongoing commitment to operate and maintain its asset portfolio efficiently to both meet strategic and legislative requirements, and to deliver the required levels of service for the community. The plans make assumptions on the continued utilisation of the assets and specify rolling condition audits required to provide up to date information for the ongoing improvement and review of the plans.

A new approach to asset management driven from a service perspective is currently being introduced to Council. Over the next few years the management of assets will be based more directly on the declared levels of service for each specific asset and this will determine the long term costs. A new asset system, linked to the financial system has been purchased and will be implemented over the next few years to assist with this process.

The Infrastructure and Asset Management Plans provide the basis for the Replacement Capital Program included in Council's LTFP and is refined as part of the Annual Business Plan and Budget process. This program details those individual asset replacement projects flowing from the Infrastructure and Asset Management Plans which require completion to ensure the assets meet the required levels of service. In 2015-16 the Replacement Capital Program has a projected gross expenditure of \$7.931 million.

For footpaths forming part of the footways asset category, Council has endorsed an asset management plan schedule to replace all asphalt to pavers based on current service standards. Based on the LTFP it is anticipated that the City of Unley will be fully paved by 2019-20.

Funding the Business Plan

Excluding borrowings for New Capital, over 80% of Council's funding is generated from rates with the balance largely relating to fees and charges set by Council or statutory fees gazetted by the State Government on an annual basis.

Rates Context

In setting the rates for 2015-16 Council proposes to continue with its current method of rating, which is three differential rates with a minimum rate, applied against the capital value of properties. Council considers this to be the most fair and equitable method of rating for the City of Unley.

Council acknowledges that rates are the main source of income to deliver the services and maintain the infrastructure required by its community. Rates are a form of property taxation, and property values determine how much each property contributes. This system of taxation means that the rates paid may not directly relate to the services used by each ratepayer.

It is proposed that the overall amount ratepayers will pay in general rates will increase in the order of 4.1%.

In determining the total rates income needed for the 2015-16 financial year, Council has mainly relied on its adopted LTFP which indicates rate increases over the next ten years.

Refer to Appendix 4 for details on Rates Assistance Available.

Rate Statistics

Council has nearly 18 500 assessments with just over 16 000 residential, over 1 800 assessments within non-residential Category 2 (including commercial shops, industrial, and vacant land) and 600 non-residential Category 3 (commercial offices and commercial – other).

Assessments on the minimum rate total just over 2 100, with residential comprising over 2 000 of these assessments.

The City of Unley has just over 2 000 pensioner concessions and slightly fewer than 900 properties which receive a Seniors' Concession.

Rates Modelling

The majority of the valuation for the Council area has been completed by Valuer-General and reflects an increase of just under 2.0% in valuation for **existing properties**. This valuation information is still subject to Valuer-General and internal quality assurance processes and revisits during the consultation period.

Analysis to date indicates that:

- residential properties, representing over 85% of the overall valuation, had the average valuation increase of just over 2%.
- non-residential properties, including commercial, had an average valuation increase of just under 1%.

The Budget has been formulated on the basis of retaining differential rates for residential and non-residential property at the appropriate rate in the dollar to provide an overall increase in rates of 4.1% excluding growth.

Valuation Method

The Council has adopted the *capital value* method of valuing properties. This method values the land and all improvements on the land. It is the most widely used method across South Australian councils.

Council considers this valuation method the most equitable method to spread the rates burden across the measure of wealth within the City. It equates to the taxation principle that people should contribute to community, social and physical infrastructure in accordance with their capacity to pay as measured by property wealth.

In determining how rates are applied, and in determining the rate in the dollar, Council uses the following options.

Minimum Rate

In accordance with S158 of the Act, Council has decided that there will be a minimum rate on every rateable property. Council, in adopting a minimum rate, considers it appropriate that all rateable properties make a contribution to the cost of administering the Council's activities and creating and maintaining the physical infrastructure that supports each property.

It is proposed that the minimum rate will increase in line with the overall rate increase of 4.1% excluding growth.

Differential Rates

In accordance with S153 of the *Local Government Act 1999*, Council will declare three differential General Rates according to the land use category. The land use categories are as follows:

Group 1	Non-residential Category 2	Non-residential Category 3
Residential	Commercial Shop Industry Light Industry Other Primary Production Vacant Land Other	Commercial Office Commercial Other

Council has considered the principle of rate stability when assessing the rates burden across the above categories. Other considerations were given to the change in capital value across the land use categories and the rates income provided by each.

The application of a Differential General Rate is generally intended to alter the amount payable by particular land uses. In the City of Unley area it has been determined that the differentiation between residential and non-residential category 2 is in the order of 55% and the differentiation between residential and non-residential category 3 is in the order of 45%.

It is estimated that the Residential Differential General Rate will raise net rate revenue in the order of \$28.3m in 2015-16.

It is estimated that the Non–Residential Differential General Rates will raise net rate revenue in the order of \$7.9m in 2015-16

Separate Rate for Main Street Trader Associations

The Council proposes to continue to raise a separate rate for the purposes of promotion of the businesses and traders along major shopping strips. Council collects the separate rate and passes the funds collected onto the individual Trader Associations for marketing and promotion purposes.

For the 2015-16 Budget, the amounts indicated in the table below will form part of the proposed Budget. These have been developed in consultation with the five associations and their members and will be presented to the Unley Business and Economic Development Committee (UBED).

The UBED Committee will meet on 29 April 2015 and make recommendations to Council for the proposed separate rates which will then form part of this Draft Annual Business Plan community consultation.

Requested 2015-16 Separate Rate from Trader Associations

Main Street Trader Associations	Separate Rate raised 2014-15	Requested Separate Rate 2015-16	% Increase (Decrease)
Unley Road	\$ 96 000	\$ 105 600	10.0
King William Road	\$140 000	\$144 000	2.9
Goodwood Road	\$ 55 000	\$ 55 000	0.0
Glen Osmond Road	\$ 18 355	\$ 18 355	0.0
Fullarton Road	\$13 000	\$13 000	0.0

All separate rate requests will be further considered by Council when it reviews outcomes of the Draft Annual Business Plan community consultation at its June workshop.

Natural Resource Levy

The City of Unley falls within the Central Group of the Adelaide and Mount Lofty Ranges Natural Resource Management (NRM) Board. Council is required, under the *Natural Resources Act*, to contribute towards the funding of the NRM Board and operates as a revenue collector for the Board by imposing a levy against properties.

Council has not yet been advised by the NRM Board of the NRM levy requirements for 2015-16. The amount to be paid to the NRM Board in 2014-15 was \$1.090m.

Council does not retain this revenue, or determine how the revenue is spent.

Fees and Charges Context

Section 188 of the *Local Government Act 1999* provides the legal context:

- Fees and charges are determined by resolution of council either as a direct resolution or by by–law or via delegation
- A council is unable to fix or vary fees or charges prescribed under other Acts

- In respect of fees for the use of facilities, services or works requests a council need not fix fees or charges by reference to the cost of the council
- A council is required to keep the list of fees and charges on public display and provide updates where fees and charges are varied during the year.

Council reviews its fees and charges each year, in conjunction with the development of the annual budget. As in previous years, a comprehensive review has been undertaken to ensure that the fees proposed:

- Reflect (or move progressively toward) the cost of the services given
- Are comparable with market rates, where appropriate
- Take into account benefit derived by users of community facilities
- Are consistent with Council directions articulated through existing policy or plans
- Are consistent with Council's LTFP assumptions

Generally, this has resulted in proposed fee increases that are in line with CPI or the Local Government Price Index, insofar as this is practicable.

Consultation

The 2015-16 Draft Annual Business Plan is presented in the context of strategic directions for the City that have been endorsed by Council. The Plan reflects Council's continuing focus on ensuring that the physical infrastructure of the City is fit for use and maintained in a cost effective fashion.

With implementation of this year's Annual Business Plan, Council aims to deliver a well-managed, sustainable environment for current and future generations of residents and ratepayers.

The City of Unley is seeking your input to the development process of this budget through a public consultation process.

The process provides you with the opportunity to have your say on the level of service and the activities undertaken by Council before the final budget is adopted in June 2015.

We encourage you to take part and we look forward to your input.

You can make a submission by:

Visiting Your Say Unley on the council's website at: www.unley.sa.gov.au

Writing a submission and sending it to: 2015-16 Budget Consultation

City of Unley PO Box 1 Unley SA 5061

Emailing your submission to: pobox1@unley.sa.gov.au

Submissions are to be received by no later than close of business on 29 May 2015.

You are also invited to attend a community information session on 28 May 2015 at 5.30 pm in the Unley Civic Centre, 181 Unley Road Unley.

Appendix 1 – Proposed Operating Projects by Primary Strategy

Title	Net Expenditure \$
Emerging	
Undergrounding of Goodwood Road – Stage 1 Council contribution to the continuation of undergrounding of power lines - tram crossing to Surrey Street.	350 000
Undergrounding of Goodwood Road – Stage 2 Council contribution to the PLEC undergrounding of power lines - Surrey Street to Victoria Street.	300 000
Facilitation of property redevelopment opportunities for Unley Central This allocation will be used for professional consultancy services to provide input to the Unley Central decision making processes. This includes payment for the professional advisors already assisting Council, traffic management input, detailed design work, property valuation work and other assistance that will be required in the next financial year.	50 000
Main Street Digital Economy Strategy Council has funded the Strategy for three years of its existence to date. A phased withdrawal of financial support will occur over the next couple of years, in an effort to make the concept self-funding. This is the first year's contributions at the much reduced level.	25 000
Keswick Wayville DPA In the Strategic Directions report endorsed by Council and subsequently agreed by the Minister, the Council proposed to undertake this DPA in 2020-21. The Minister has flagged his intention to undertake a Ministerial DPA over this site in 2015-16. This funding is to allow Council to seek professional advice (if required) to provide input into the DPA.	10 000
Living	
2015-16 Events Program Delivery of the City of Unley community events program including the Double Shot Coffee Fiesta; Ignite Unley Outdoor Cinema Series; Australia Day event; Every Generation Festival and Event Attraction Sponsorship to further attract and support external community events.	100 000
Unley Gourmet Gala – net Attracting tens of thousands of patrons to the King William Road precinct, the Unley Gourmet Gala provides an exciting outdoor gourmet experience showcasing some of South Australia's finest local food, wine, fashion, music and entertainment.	169 000
Tour Down Under - TBC Hosting a TDU Stage Start gives the City of Unley access to audiences locally, nationally and internationally that are attracted to the highest ranking cycling event outside of Europe.	68 000
Healthy Community Program Delivery of a program of healthy living and wellbeing initiatives throughout the financial year, including 'come and try' activities and fitness opportunities, along with stronger links to and involvement of local allied health providers.	20 000
Younger Persons Plan Actions Delivery of a pilot initiative(s) resulting from Council's new Younger Persons Plan (to be presented to the Community and Culture Committee in May 2015).	10 000

Title	Net Expenditure \$
Age Friendly Strategies	·
Delivery of a number of smaller pilot initiatives as relating to our new Age Friendly Strategy	15 000
(to be presented to the Community and Culture Committee in May 2015).	
Neighbour Day Initiatives	
Initiatives linked to the national Neighbour Day celebrations (March annually) to promote	
connections and bring people together to strengthen communities, break down	5 000
barriers, foster better relationships and safer communities.	
Town Hall Opportunities Investigation	
Investigate and cost the feasibility of recovering the Town Hall stage and remedial work	20 000
required to re-open the Town Hall gallery.	
Moving	
Review of Unley Integrated Transport Strategy (UITS)	
The existing UITS was completed in November 2002 and provides the underlying strategy that	
has governed movement issues in the Council area. The planning landscape has changed	50 000
significantly since that time and the strategy needs to be updated to address corridor and	30 000
infill development.	
Safer and Effective Designated Unley Cycle Transport Corridors	
Project to deliver and implement the outcomes and recommendations from the audit of the	20 000
City of Unley bicycle transport routes undertaken in 2014-15.	20 000
Greening	
Second Generation Street Tree Implementation (Year 1 of ongoing program)	95 000
This initiative is to increase the level of street tree replacement to a more sustainable level.	
Tree Risk Assessment Implementation (Year 2 of 4) Ridge Park	
The outcome from this work will be to complete a tree risk assessment of Ridge Park and	30 000
identify the recommended remedial actions to ensure park users and Council are protected	
CRC Water Sensitive Cities (Year 2 of 3)	
This partnership with the CRC will provide Council with access and involvement with a wider	10 000
network of participants to assist with developing water sensitive cities technologies, practices	
and policies.	
Food Security Strategy Implementation	
Council has endorsed a Food Security Strategy and this continues the implementation	5 000
program.	
Removal of feral olive trees from Fullarton and other parks	
Given feral olives are a widely recognised noxious tree, this one year project follows on from a	15 000
previous olive tree removal project to complete the eradication for Fullarton Park (and other	13.33
parks if the budget permits).	
Community fruit trees in parks	
To provide funding to allow Council to progressively increase the number of fruit trees	5 000
throughout the City in public places as an ongoing program.	
Investigation and implementation of Councils Renewable Energy Options	
This project demonstrates City of Unley's commitment to reducing fossil fuels dependence	
and increasing production of renewable energy. The project's objective is to investigate the	20 000
business case for renewable energy options and implement such options where practicable	
on Council owned buildings	

Title	Net Expenditure \$
Organisational Excellence	
Identification of Encroachments (2 year program)	
Council is investigating the way it manages encroachments onto Council property. The first	50,000
step in this process is to identify all historic encroachments across the Council area, and will	50 000
take approximately 12 months and overlap two financial years.	
Customer Experience Program (Year 2 of 4)	
Implementation of Council's Customer Experience Program is delivering significant outcomes	
including improved monitoring and tracking of customer outcomes, alignment of systems and	96 000
processes to enable customer service, as well as improved communications and technology to	
make dealing with the City of Unley easier.	
Website Stage 2 Upgrade	
Having implemented the new foundation and interface of the City of Unley website on July 1,	50 000
the journey towards achieving a functionally effective and customer-oriented website will	50 000
continue with a number of 'continual improvement' design projects.	
Increase in resourcing to deliver Level of Service (LOS) new and vested assets	
The purpose of this project is to provide the budget funds required to meet the change of	73 500
service on existing assets and new assets vested to Council.	
Net Operating Projects	\$1 661 500

Appendix 2 – Proposed Capital Works Program

Draft New Capital 2015-16 by Primary Strategy

Title	Expenditure \$	Income \$
Emerging		
Goodwood Road Streetscape and Wayfinding Strategy Delivery Year 1	750 000	-
Main Street Improvement Program	130 000	-
Living		
Implementation of King William Road Master Plan Pilot	165 000	-
Public Art Strategy Implementation Pilot Projects	45 000	-
Sport and Recreation Pilot Project	20 000	
Four Elements Public Art Upgrade	25 000	
Street Lighting – Irwin Lane between Hughes and Young Streets	8 500	
Moving		
Local Area Traffic Management Study	40 000	-
Implementation of Local Area Traffic Management Studies	100 000	-
Traffic Control Devices	30 000	-
Traffic Calming to reduce speed – Grove and George Streets Unley Park	35 000	
Greening		
Development of Katherine Street Open Space	630 000	300 000
Street Tree Watering Well Program – 200	65 200	-
Stormwater and Water Sensitive Urban Design Implementation	100 000	50 000
Irrigation Connections - Recycled Water	50 000	-
Brown Hill Keswick Creek	464 000	-
Eastern Oxford Terrace Greening	28 250	-
Green Infrastructure Implementation	30 000	-
Lower Sturt Creek Catchment Stormwater Management Plan	10 350	-
Organisational Excellence		
Asset Management System – Stage 2	150 000	-
Capitalised Project Delivery Costs including Overheads	218 000	-
Total	\$3 094 300	\$350 000
Net New Capital	\$2 744 300	

Appendix 3 - Draft Replacement Capital Summary 2015-16

Asset Category	Expenditure \$	Income \$
Bridges	100 000	
Buildings	1 031 000	
Bus Shelters	40 000	
Car Parks	20 000	
Drains and Stormwater	500 000	
Footways*	1 634 000	
IT Equipment	376 000	
Kerb and Water	375 000	
Library RFID Upgrade	290 000	
Office Furniture and Equipment	30 000	
Plant and Equipment	660 000	224 000
Public Toilets	50 000	
Reserves / Recreation and Open Space**	512 000	
Roads***	1 514 000	
Signs	16 000	
Street lighting	26 000	
Streetscape	100 000	
Swimming Facility	52 000	
Traffic Facilities	26 000	
Project Delivery Costs including Corporate Overhead	579 000	
Total	\$7 931 000	224 000
Net Replacement Capital	\$7 707 000	

*Footways

Street Name	Street Side	Suburb
Cowper Road	Both	Black Forest
Gray Street	Both	Black Forest
Selkirk Avenue	Both	Black Forest
Kelvin Avenue	Both	Clarence Park
Third Avenue (Leader to Everard)	Both	Forestville
Osmond Terrace	Both	Fullarton
Ada Street (Albert to Gilbert)	Both	Goodwood
Angus Street (Hardy to Goodwood)	South side	Goodwood
Highgate Street (Fisher to Avenue)	West side	Highgate
Highgate Street (Fisher to Carlton)	East side	Highgate
Jellicoe Avenue	Both	Kings Park
Clifton Street	Both	Malvern
Ellesmere Terrace	West	Millswood
Hackett Avenue	Both	Millswood
Wood Street (Avenue to Northgate)	West side	Millswood
Wood Street (Jasper to Northgate)	East side	Millswood
Wood Street (Mitchell to Jasper)	East side	Millswood
Wood Street (Mitchell to Avenue)	West side	Millswood
Auburn Avenue	Both	Myrtle Bank
Bridge Street	Both	Myrtle Bank
Rossington Avenue	Both	Myrtle Bank
Anglo Street (Greenhill to Regent)	Both	Parkside
Birk Street	Both	Parkside
Castle Street (Robsart to Fuller)	Both	Parkside
Randolph Street	Both	Parkside
Regent Street (George to Porter)	Both	Parkside
Charra Street	Both	Unley Park
	Total	\$1 634 000

**Reserves / Recreation and Open Spaces

Location	Description
Ridge Park	Irrigation replacement Soft fall replacement
Haslop Reserve	Playground replacement
Howard Florey Reserve	Shade structure and soft fall
Scammell Reserve	Shade structure
Orphanage Park	Play space soft fall replacement
Dora Gild Playground	Activity station and shade structure
Goodwood Oval	Play space soft fall replacement
Various Parks	Bin surrounds, fencing, seats, signage, paths, lighting and other minor items
Various sites	Back flow prevention devices - compliance
Street furniture	Replacement and upgrade
Total	\$512 000

***Roads

Street	From	То	Suburb
Fisher Street	Fullarton	Duthy	Fullarton
Grove Avenue	Northgate	Cross Road	Unley Park
Young Street	Unley	George	Unley
Wycliff Avenue	Fisher	Watson	Fullarton
Moore Street	Fisher	Katherine	Fullarton
Auburn Avenue	Urrbrae	Riverdale	Myrtle Bank
Oakley Avenue	Victoria St	Chelmsford	Millswood
Frew Street	Fisher	Watson	Fullarton
Fisher Street	Seaview	Fullarton	Fullarton
Margaret Street	Cross	Rosslyn	Clarence Park
Leader Street	Design		
King William Road	Various		
Crack sealing various roads	Various		
	Total		\$1 514 000

Appendix 4 – Rates Assistance Available

Rebate of Rates - Under Sections 159-165 of the Local Government Act 1999

A rebate of rates in respect of any rateable land in the Council area will be available only when the applicant satisfies the requirements under the Act.

Discretionary Rebate of Rates – Under Section 166 of the *Local Government Act 1999*

Council has absolute discretion to grant a rebate of rates or service charges and to determine the amount of any such rebate.

Applications for discretionary rebates will be considered in accordance with the statutory provisions of Section 166 of the *Local Government Act 1999*. Further information should be obtained from Council Policy COU 28.

State Government Pensioner and Seniors Concessions

In previous years the State Government has provided concessions in relation to Council Rates granted under the Rates and Land Tax Remission Act 1986. However, the State Government has not committed to funding these concessions beyond 2014-15. For the 2014-15 year these concessions were only applicable for the principle place of residence and under the following terms:

- Pensioner concessions were granted to ratepayers who are holders of a current Commonwealth or State Pensioner concession card and who are owners, part owners or life tenants of the property
- Seniors concessions were granted to ratepayers who are holders of a current State Seniors card and who are owners, part owners or life tenants of the property, and who are not entitled to a concession as a Pensioner. Enquiries should also be made through Revenue SA
- Ratepayers experiencing hardship and holders of a State Government Health Care card may be entitled to a concession through the Department of Communities and Social Inclusion.

Alternative Payment Arrangements

Council provides that any ratepayer who may, or is likely to, experience difficulty with meeting the standard rate payment arrangements may contact the Council to discuss options for alternative payment arrangements. Such enquiries are treated confidentially and are assessed on a case-by-case scenario.

Postponement of Rates in Cases of Hardship

In accordance with Section 182 of the Act, a postponement of rates may be granted if Council is satisfied that the payment of these rates would cause hardship. Council may, on application and subject to the ratepayer substantiating the hardship, consider granting a postponement of payment of rates in respect of an assessment on the condition that the ratepayer agrees to pay interest in the amount affected by the postponement at the cash advance debenture rate calculated monthly and if the ratepayer satisfies the following criteria:

- The property is the principal residence of the ratepayer and is the only property owned by the ratepayer, and
- The property has been owned by the ratepayer and has been their principal residence for more than five years, and
- The ratepayer is able to produce one of the following identification cards
 - Pensioner Concession Card Centrelink
 - Pensioner Concession Card Veterans Affairs
 - o TPI Card Veterans Affairs, or
- Can demonstrate to Council they are a self-funded retiree with a household income of less than \$30 000 per year.

All applications for postponement of rates will be assessed on a case-by-case basis and are not contingent on the level of increase in rates payable. All such enquiries and submissions will be treated confidentially.

Postponement of Rates for Seniors

In accordance with Section 182A of the Act, a person may apply to Council for a postponement of the payment of the prescribed proportion of rates for the current or future financial year. Council may, on application and subject to the ratepayer meeting the criteria, postpone payment of a proportion of rates in respect of an assessment on the condition that the ratepayer agrees to pay interest on the amount affected by the postponement at the cash advance debenture rate calculated monthly and if the ratepayer satisfies the following criteria:

The person is a prescribed ratepayer, or is the spouse or domestic partner of a prescribed ratepayer, and

- The ratepayer or their spouse hold a State Seniors Card, and
 - The property is owned and is the principal place of residence of the State Seniors Card holder and/or spouse (that is, the property is lived in most of the time), and
 - If the ratepayer has a registered mortgage on the property prior 25th January 2007, or has over 50% equity in the property, and
 - That no person other than the Seniors Card holder and/or his/her spouse has an interest as an owner in the property.
- If a person has applied for the benefit of a postponement of rates under section 182A and an entitlement to a postponement ceases to exist, the owner of the land must, within 6 months from the day in which the entitlement ceased, inform the council in writing of that fact (unless the liability to the

- relevant rates has been discharged). Failure to do so could lead to a maximum penalty of \$5 000
- Where an amount is not paid in accordance with the general rate notice but is capable of being the subject of a postponement (eg. in excess of the prescribed amount \$500) under section 182A of the Local Government Act it will be taken to be subject to postponement under that section
- Prescribed interest is applied to the amount of rates postponed, which is charged and compounded monthly on the total amount postponed, until the debt is paid.

All applications for seniors' postponement of rates will be assessed on a case-bycase basis. All such enquiries and submissions will be treated confidentially.

INFORMATION REPORT

REPORT TITLE: SAVINGS IDENTIFIED

ITEM NUMBER: 11

DATE OF MEETING: 2 JUNE 2015 **AUTHOR**: MIKE CAREY

RESPONSIBLE OFFICER: STEPHEN FAULKNER

JOB TITLE: GENERAL MANAGER PEOPLE AND

GOVERNANCE

ATTACHMENTS: NIL

PURPOSE

To inform the Audit and Governance Committee of the results of savings relating to contracts, achieved for the second and third quarter of the 2014-15 financial year.

RECOMMENDATION

MOVED: SECONDED:

That:

1. The report be received.

BACKGROUND

After further considering Council's draft 2014-15 Annual Business Plan and Budget at its meeting of 18 June 2014, the Audit and Governance Committee recommended that, in view of the high rate increase in the current economic environment:

- a) Favourable contract variations (in excess of \$10k) e.g. Waste Management Contract, which is currently budgeted at \$800k increase, is applied to debt reduction and reported quarterly to the Audit and Governance Committee.
- b) Council consider the sale of surplus property assets including noncommunity land.
- c) Council undertakes service level reviews to ensure services currently provided are in line with the Strategic Plan.

This recommendation was subsequently endorsed by Council on 23 June 2014.

DISCUSSION

Council is continuing to deliver on its Procurement Plan for the 2014-15 year which includes a number of major contracts that will be due for extension, retendering and negotiation.

Contracts for 2nd and 3rd Quarter

Since the last report the following major contracts were completed:

- Construction of Footpaths, Kerb and Associated Works (Annual Extension)
- Electrical Services Panel
- Line Marking
- Painting of Public Buildings Panel
- Pavement Marking and Associated Works
- Plumbing Services Panel
- Purchase of Major Plant
- Strategic Land Purchase Borrowing Tenders
- Supply And Laying of Bituminous Products (Annual Extension)
- Traffic Control Services (Annual Extension).

The implementation of panels for building maintenance should provide for improvement in competitive bids for this activity. However ,at this point in time no significant savings were identified from these tenders and subsequent contracts.

Similarly for line marking and those contracts with annual extensions, the increases were in accordance with the budget and no savings > \$10k have been identified.

In terms of the Strategic Land Purchase Borrowing tender, annual savings of \$42k were achieved based on the tendered interest rate compared to budget. In accordance with the endorsed Council resolution, this amount has been applied to debt reduction.

In addition, the following tenders and contracts are underway but have not been finalised:

- Fuel Supplies
- Home and Community Care Services
- ICT Infrastructure Upgrade Project
- Roofing Maintenance and Repairs
- Supply and Laying of Pavers
- Supply and Laying of Hot Mix
- Stationery and Office Supplies
- Telecommunications
- Temporary Labour Hire.

Once concluded these will be reported as part of future Savings Report to this committee.

Second and Third Quarter Operational Expenditure Issues

As part of Council's third budget review for 2014-15, amounts identified as savings include:

- Local Government Elections \$28k savings identified as a result of two elections (Mayor and Clarence Park) not required to be conducted
- Waste Management Contract \$100k savings as a result of the smooth contract transition period and continued on-going project management of the new waste contract.

These savings have been applied to debt reduction.

In addition, it is likely that additional savings will be realised in a number of areas but due to some uncertainty in relation to the exact amount, were not addressed as part of Budget Review 3.

These include:

- fuel due to the lower cost of pump prices over the last 6 to 9 months
- interest savings as a result of lower rates and the timing of the capital spend including Brown Hill Keswick Creek

- contractor savings as a result of a change in the service delivery model for Public Environment and Health.
- cost of a road sweeper (major plant capital replacement program) identified as a saving as part of the recently completed service review.

These savings as they are realised will result in debt reduction.

Service reviews

During Quarter 2 and 3 Service reviews have been completed for the following:

- Signage Service Improvement Review (October 2015)
- Library Services Review (March 2015)
- Street Cleansing Service Review (May 2015).

A summary of these reviews and outcomes will be covered by a separate report to this Committee as part of June 2015 Meeting Agenda.

It is noted that a further \$100k savings has resulted in the 2015-16 Budget from the Community Centre Service Review conducted in February 2014. In addition, the change in the service delivery model for Public Environment and Health has also resulted in savings of \$48k in the 2015-16 Budget.

CONCLUSION

In accord with Council's decision, on-going contracts are being reviewed and where identified savings occur, these will be reported quarterly to the Audit and Governance Committee and be considered for debt reduction.

No significant savings were identified in the second and third quarter in relation to contracts entered into during that period. However, some additional operational expenditure savings in relation to waste management costs and election costs have been realised and recognised as part of Council's third budget review for the 2014-15 year.

In addition it is likely that additional savings relating to fuel, interest costs, road sweeper replacement and public environment and health will be able to be realised and further reduce debt by year end.

CORRESPONDENCE

TITLE: CORRESPONDENCE

ITEM NUMBER: 12

DATE OF MEETING: 2 JUNE 2015

ATTACHMENTS: 1. CENTENNIAL PARK AUDIT AND RISK

MANAGEMENT COMMITTEE MINUTES

MOVED SECONDED

That the correspondence from:

- 1. Centennial Park
 - a. Audit and Risk Management Committee Minutes 9 February 2015
 - b. Audit and Risk Management Committee Minutes 11 May 2015

be received.



AUDIT AND RISK MANAGEMENT COMMITTEE MINUTES OF THE MEETING HELD: MONDAY 9 FEBRUARY 2015

CENTENNIAL PARK - BOARD ROOM

1. OPEN MEETING

The meeting opened at 8.32 am.

PRESENT: Geoff Vogt (Chair) (Independent Member)

Lisa Bishop (Independent Member) Andrew Ngo (Mitcham Council) Mike Carey (Unley Council)

IN ATTENDANCE: Stephen Hains (Chair of the Board of Management)

(Independent Member)

Bryan Elliott (Chief Executive Officer, Centennial Park) Eva Salib (Manager Business & Corporate Services) Susan Seymour (Executive Assistant - Minute Taker)

1.1. APOLOGIES

Grant Martinella (Independent)

1.2. CONFIRMATION OF PREVIOUS MINUTES

The minutes of the meeting of the Audit and Risk Management Committee held 12th November 2014 were circulated with the agenda.

MOVED A Ngo, SECONDED M Carey:

1.2.1. That the minutes of the meeting of the Audit and Risk Management Committee held 12th November 2014 be taken as a true and correct record.

CARRIED



1.3. MATTERS ARISING

1.3.1. SCHEDULE OF OUTSTANDING ITEMS

The Audit & Risk Management Committee reviewed the Schedule of Outstanding Items and the updates were noted.

1.4. DECLARATION OF INTEREST

Members of the Audit and Risk Management Committee were invited to detail any interest in any agenda items that may impact on their fair and reasonable deliberations.

None were declared.

2. BUSINESS INVESTMENT

2.1. BUSINESS INVESTMENT REVIEW

A report on Business Investment Review was provided to the Committee with the Agenda. It was noted that all investments were temporarily placed on a short term basis pending the appointment of an Investment Advisor as previously resolved.

MOVED M Carey, SECONDED L Bishop:

2.1.1. That the report be received.

CARRIED

3. POLICY REVIEWS

3.1. 14.0 – INTERMENT RIGHTS POLICY

The Chief Executive Officer advised that due to the changes to the Burial and Cremations Act 2013, it had been necessary to review two of Centennial Park's policies to ensure compliance with the Regulations. The two existing policies were almost rendered redundant and the 14.0 Interment Rights Policy encompassed all matters relating to Interment Rights and clearly identifies the Authority's commitment to the legislation.

The rationale behind the Policy was questioned and the Management Team was requested to provide the Board of Management with a list of the Authority's policies and recommendations on how future policies could be simplified. .The Committee recommended that the Management Team review their internal governance policy template to ensure the inclusion of relevant information only and future versions were truncated.

MOVED L Bishop, SECONDED M Carey;

- 3.1.1. That the report be received; and
- 3.1.2. That the Audit and Risk Management Committee recommend the adoption of 14.0 Interment Rights Policy to the Board.



3.1.3. Management provide a list of policies to the Audit & Risk Management Committee with recommendations on how the number and content of future policies could be rationalised.

CARRIED

4. RISK MANAGEMENT

4.1. BUSINESS RISK ASSESSMENT

The Manager Business & Corporate Services explained that at the time of generating the February Audit & Risk Management Agenda the ControlTrack review cycle had not been completed due to staff being on annual leave. A summary report was tabled for the Committee to review if they wished. It was advised that all reviews and action plans would be completed by week ending 13th February 2015 for submission to the Internal Auditors week commencing 16th February 2015.

MOVED M Carey, SECONDED A Ngo:

4.1.1. That the report be received.

CARRIED

4.2. REVIEW OF TRADING RESULTS - DECEMBER 2014

Since the introduction of the implementation of the new Enterprise Agreement and the re-classification of employees, all cemetery employees were required to be trained across all areas. Provision is made for those employees to undertake relevant training to acquire their licences and tickets to complete all functions of their employment positions. However, training could not commence until probation periods had been completed.

It was advised that under the Local Government Act, it was a legal requirement for Centennial Park to review the annual budget and the Management Team was requested to provide guidance to the Committee on whether and how the budget process could be simplified.

MOVED M Carey, SECONDED A Ngo:

4.2.1. That the report be received.

<u>CARRIED</u>

4.3. REVIEW OF AGED DEBTORS

CONFIDENTIAL ITEM

A report on the current status of trade debtors of the Authority as at the end of December 2014 was circulated with the agenda.

It was agreed that the Management Team would explore the possibility of generating an Aged Trial Balance that detailed the two classifications of trade debtors (Funeral Directors and Monumental Masons) for the perusal of the Committee.

MOVED L Bishop, SECONDED M Carey:

4.3.1. That the report be received.



4.3.2. That the Committee considers that the attachment of this agenda item should not be made public on the grounds that the information contained is of a commercial nature, the disclosure of which would confer a commercial advantage on a third party.

CARRIED

4.4. STATISTICS FOR DECEMBER 2014

The statistical representation of the results to the end of December 2014 was circulated with the agenda. It was acknowledged that the year-to-date figures were currently on track.

MOVED A Ngo, SECONDED L Bishop:

4.4.1. That the report be received.

CARRIED

4.5. FUTURE UPKEEP PROVISION REVIEW

(A/O - Manager Business & Corporate Services)

It was noted that part c) of the table referred to "Reconsidered Operating Budget 2013-2014" was to be amended to 2014 – 2015.

It had been identified that the risk of Centennial Park ceasing to trade was minimal and the necessity of holding a substantial reserve for the Future Upkeep Provision was questioned. A general discussion ensued on the constraints of the FUP in view of the outstanding capital investment needs.

MOVED L Bishop, SECONDED A Ngo:

4.5.1. That the report, subject to amendment in Part c) of the table, be received.

CARRIED

5. MATTERS FOR DECISION

5.1. FUTURE UPKEEP PROVISION UPDATE

The report provided with the Agenda addressed the request of the Audit & Risk Management Committee, at its meeting in November 2014, to review the Future Upkeep Provision (FUP) and recommend a simplified approach to calculating the provision.

A discussion took place on the variation to the calculation of the FUP and it was agreed that a further report on the revised basis on which the FUP was calculated be provided to the Committee.

MOVED M Carey, SECONDED L Bishop:

- 5.1.1. That the report be received; and
- 5.1.2. That the Audit and Risk Management Committee recommend to the Board that the independent Actuarial review occur every five years with the next one due in 2016 2017; and
- 5.1.3. That the Audit and Risk Management Committee recommend to the Board that the assumptions which underpin the calculation of the Future Upkeep Provision be changed to include the weighted average interest



rate as the gross investment rate and the published YTD CPI for Adelaide as the inflation rate.

5.1.4. That a further report on the revised basis on which the FUP is calculated be provided to the Audit & Risk Management Committee.

CARRIED

5.2. STRATEGIC ASSET ALLOCATION ADVISER UPDATE

CONFIDENTIAL ITEM

The Manager Business and Corporate Services informed the Committee that following the EOI for a Strategic Asset Allocation Adviser and confirmation received from the company awarded the contract that they could not meet the more rigorous requirements, the contract was revisited. The EOI was resent to the former two participates and one other for comparison. The recommendation was to award the contract to Brett & Watson who have communicated that they would be able to meet the mandatory requirements set out in the new EOI.

MOVED M Carey, SECONDED L Bishop:

- 5.2.1. That the report be received; and
- 5.2.2. That the Audit and Risk Management Committee recommend the appointment of Brett & Watson Pty Ltd as Strategic Asset Allocation Adviser; and
- 5.2.3. That the Committee considers that the report of this agenda item should not be made public on the grounds that the information contained is of a commercial nature, the disclosure of which would confer a commercial advantage on a third party.

CARRIED

5.3. REVALUATION OF ASSETS (A/O – Manager Business & Corporate Services)

A report on the Revaluation of the Land was provided to the Audit and Risk Management Committee with the Agenda as requested.

The Committee discussed the report at length and the Chief Executive Officer volunteered to evaluate the process of the valuation of land used by interstate cemeteries and provide a full report of his findings to the Committee at the next scheduled meeting in May 2015.

MOVED M Carey, SECONDED L Bishop:

- 5.3.1. That the report be received and.
- 5.3.2. That the Audit and Risk Management Committee recommend that the Board endorses that assets be independently revalued every five years with the next one due in 2016 2017 financial year; and
- 5.3.3. That a further report on the process of the valuation of land of interstate cemeteries be provided at the next scheduled meeting of the Audit and Risk Management Committee in May 2015.



6. OTHER BUSINESS

Nil.

7. NEXT MEETING

The next meeting of the Centennial Park Cemetery Authority Audit and Risk Management Committee is set down for 8.30am Monday 11th May 2015 in the Board Room, Centennial Park Cemetery, 760 Goodwood Road, Pasadena, South Australia.

L Bishop advised that she will be an apology for the May 2015 Audit and Risk Management Committee.

8. CLOSE OF MEETING

There being no further business the meeting closed at 10.05 am



MINUTES

OF THE MEETING OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

HELD: MONDAY 11TH MAY 2015

BOARD ROOM

1. OPEN MEETING

The meeting opened at 8.30 am.

PRESENT: Geoff Vogt (Independent Member)

G Martinella (Independent) A Ngo (Mitcham Council) M Carey (Unley Council)

IN ATTENDANCE: Bryan Elliott (Chief Executive Officer, Centennial Park)

Eva Salib (Manager Business & Corporate Services)

Ian McDonald (Internal Auditor)

Bruce Watson (SAAA)

Susan Seymour (Executive Assistant - Minute Taker)

2. APOLOGIES Lisa Bishop (Independent Member)

3. CONFIRMATION OF PREVIOUS MINUTES

The minutes of the meeting of the Audit and Risk Management Committee held Monday 9th February 2015 were circulated with the agenda.

MOVED M Carey, SECONDED A Ngo that the minutes of the meeting of the Audit and Risk Management Committee held Monday 9th February 2015 be taken as a true and correct record.

CARRIED



It was agreed that Item 9.1 would be brought forward as follows:

9.1 STRATEGIC ASSET ALLOCATION ADVISOR (SAAA)

Mr Bruce Watson, of Brett & Watson, had been engaged by the Authority to provide advice on Strategic Asset Allocation. Mr Watson was invited to speak to his report which had been circulated to the Committee for their consideration.

It was noted that how the Authority decided to invest funds and the performance of those investments could have a significant impact on the Strategic Asset Allocation and, therefore, a regular review was prudent. It was recommended that an annual review was required each year, but a full review would be required every 5 years. The Chief Executive Officer was directed to review the Policy to reflect the discussion regarding the review.

The Internal Auditors arrived at 8.36 am.

It was agreed that further discussion was required with the SAAA in relation to cash reserves.

It was agreed that options C & D be recommended to the Board for consideration, pointing out that the Committee favoured option D pending further information from the Investment Advisor.

MOVED M Carey, SECONDED A Ngo.

- 9.1.1. That the report be received.
- 9.1.2. That the A&RMC recommend the advice of the SAAA to the Board and investment option D or possibly C be implemented subject to further advice being received from the Investment Advisor.
- 9.1.3 That Management recommend to the Board an appropriate cash reserve required to meet capital and operation commitments.
- 9.1.4. That Management will reconsider the gross investment rate and the cost inflation rate for calculating the Future Upkeep Provision.

CARRIED

The Audit and Risk Management Committee thanked Mr Watson for his attendance.

Mr Watson left the meeting at 9.05 am.

It was agreed that Item 11 would be brought forward as follows:

11. INTERNAL AUDIT REPORT 2014

The Internal Auditor from Creative Auditing was invited to speak to his report provided to the Committee detailing the findings from the independent Internal Audit conducted between 16th and 18th February 2015.

During the Internal Audit, a number of issues had been identified and recommendations were detailed in the report provided from Creative Auditing. The question was raised as to how the Committee would be able to track that the identified issues had been addressed. A discussion ensued on whether the outstanding items identified during the internal audit were improvements or responses to risk management. It was further agreed that the majority of these items were considered to



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be improvements. A review of the payroll system was scheduled to be performed by the end of the calendar year 2015 as detailed in the IT Plan which is reported to the A&RMC.

It was noted that the Internal Auditors were satisfied with the Authority's accountability and it was acknowledged that Centennial Park had dealt with various challenges in an efficient and accountable manner.

MOVED A Ngo, SECONDED G Martinella.

3.1.1. That the report be received.

<u>CARRIED</u>

The Internal Auditors were thanked for their attendance.

The Internal Auditors left the meeting at 9.35 am.

4. MATTERS ARISING

4.1.1. SCHEDULE OF OUTSTANDING ITEMS

The Schedule of Outstanding Items was reviewed.

5. DECLARATION OF INTEREST

Members of the Audit and Risk Management Committee were invited to detail any interest in any agenda items that may impact on their fair and reasonable deliberations.

None were declared.

6. REVIEW OF INVESTMENT

6.1. BUSINESS INVESTMENT MARCH 2015

It was requested that the figures within the report be rounded off to the nearest thousand for the purpose of easing viewing.

MOVED M Carey, SECONDED G Martinella.

6.1.1. That the report be received.

CARRIED

7. MATTERS FOR DECISION

7.1. LAND VALUATION

At the request of the Audit & Risk Management Committee at its meeting held on 9th February 2015 additional investigation had been carried out on Land Valuation and a further report had been provided to the Committee with the Agenda.

The Chief Executive Officer was invited to speak to his report.

It was advised that the Authority was now in possession of a truer and fairer valuation of land and there was sufficient evidence to suggest that the Authority establish a policy whereby the fair value identified by the qualified valuer every five years should be discounted by 90% in recognition of the impaired status or restricted use of the land.



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It was also advised that valuing the land every 5 years wasn't considered to be a major expense.

MOVED G Martinella, SECONDED A Ngo.

- 7.1.1. That the report be received.
- 7.1.2. That the A&RMC recommend to the Board that land continue to be independently valued every five years.
- 7.1.3. That the A&RMC recommend to the Board that it recognises that cemetery land is an impaired asset and should be impaired by 90% of the independent valuation.

CARRIED

7.2. REVIEW OF BUDGET

The report provided to the Committee addressed the efficacy of budget reconsiderations. It was explained that in compliance with Regulation 9 of the Charter, 3 reports were required, but there was no compulsion for the reports to be adopted as a "new/changed" budget. It was stated that it was not customary to change the budget in a commercial organisation and the recommendation was to provide a report on the review of the budget only.

A concern was raised regarding spending money on projects that weren't contained within the budget. This technicality was to be discussed further outside of the meeting with M Carey and Management.

MOVED M Carey, SECONDED A Ngo.

7.2.1. That the report be received and a further recommendation be brought to the Committee at the next meeting.

CARRIED

7.3. FUTURE UPKEEP PROVISION UPDATE

MOVED G Martinella, SECONDED M Carey.

7.3.1. That the report be received.

CARRIED

7.4. TAX STATUS

Confidential

A discussion took on the Future Upkeep Provision (FUP) and the requirement to fully inform the owner councils of the need to ensure funds were available to meet the FUP of the Park.

It was advised that Corporate Governance had a number of recommendations that the owner councils had resolved to postpone for 12 months.



MOVED G Martinella, SECONDED M Carey.

- 7.4.1. That the report be received.
- 7.4.2. That the A&RMC recommends to the Board that, based on the facts, that the Authority is an STB and is therefore exempt from income tax under section 24AM of the Income Tax Assessment Act 1936.
- 7.4.3. That the A&RMC recommends to the Board that a written opinion be obtained on the validity of distributions by the Authority to its constituent council owners from the perspective of both the Income Tax Assessment Act 1936 and the Local Government Act 1999.
- 7.4.4. That the A&RMC resolves that the information contained in this report be kept confidential until the matter is resolved as it contains legal advice provided for the use of the Authority.

CARRIED

8. POLICY REVIEWS

8.1. POLICY REVIEWS

FA 1.0 Accounting Policy Statement FA 9.0 Financial Transaction Policy

MOVED A Ngo, SECONDED G Martinella.

- 8.1.1. That the report be received.
- 8.1.2. That the Audit and Risk Management Committee recommend that the Board adopts Policy 9.0 Financial Transaction Policy.
- 8.1.3. That the Audit and Risk Management Committee recommend that the Board adopts Policy 1.0 Account Policy Statement.

CARRIED

8.2. POLICIES FOR REVIEW BY THE BOARD

It was recognised that progress was being made on the review of policies. It was noted that several policies were overdue for review. The IT Policies would be provided to the Committee for consideration at the August 2015 meeting. Several policies would be amalgamated and built into the Accounting Policy Statement. The review of the Board of Management Code of Conduct Policy was dependent on the Charter review. It was also noted that the Land Acquisition Policy was due for review and the need for this policy was questioned.

MOVED M Carey, SECONDED G Martinella.

8.2.1. That the report be received.

CARRIED



9. RISK MANAGEMENT

9.1. STRATEGIC ASSET ALLOCATION ADVISOR

This item was dealt with at the beginning of the meeting.

9.2. TRADING RESULTS FOR MARCH 2015

MOVED A Ngo, SECONDED M Carey.

9.2.1. That the report be received.

CARRIED

9.3. REVIEW OF AGED DEBTORS

A supplementary paper had been circulated to the Committee.

MOVED A Ngo SECONDED G Martinella.

9.3.1. That the report be received.

CARRIED

9.4. STATISTICS FOR MARCH 2015

MOVED G Martinella, SECONDED M Carey.

9.4.1. That the report be received.

CARRIED

9.5. FUTURE UPKEEP PROVISION REVIEW

MOVED G Martinella, SECONDED M Carey.

9.5.1. That the report be received.

CARRIED

9.6. INSURANCE VALUES 2015 - 2016

The report provided to the Committee addressed the recent survey conducted by the Local Government Risk Services (LGRS) which forms the basis of calculating insurance premiums for the coming financial year. The Manager Business & Corporate Services advised that there had been no insurance claims against infrastructure asset classes in the last 7 years, hence the recommendation to reduce the insurance premium in that area.

The question was raised whether insurance premiums for the risk of earthquakes had been determined and it was agreed that this would be discussed further with the LGRS. It was agreed that the insurance requirements would remain the same and would be reviewed next year.



MOVED M Carey, SECONDED A Ngo.

9.6.1. That the report be received and further information on earthquake risks required in time for next year's insurance renewal. .

CARRIED

10. IT PLAN UPDATE 2012 - 2015

CONFIDENTIAL ITEM

It was explained that the timing of the review of the HR, Payroll and Finance systems was deliberate as they were all interconnected.

MOVED G Martinella, SECONDED A Ngo.

- 10.1.1. That the Report be received.
- 10.1.2. That the Committee considers that the report of this agenda item should not be made public on the grounds that the information contained is of a commercial nature, the disclosure of which would confer a commercial advantage on a third party.

CARRIED

11. INTERNAL AUDIT REPORT 2014

This item was discussed earlier in the meeting.

- 12. FINANCIAL YEAR END PREPARATION
- 12.1. FINANCIAL YEAR-END REPORT

MOVED A Ngo, SECONDED M Carey.

- 12.1.1. That the report be received; and
- 12.1.2. That the Audit & Risk Management Committee recommend to the Board that asset values, excluding Cemetery Land, remain unchanged for the financial year 2014 2015.

CARRIED

12.2. FUTURE UPKEEP PROVISION 2015

MOVED G Martinella, SECONDED M Carey.

- 12.2.1. That the report be received.
- 12.2.2. That the Audit & Risk Management Committee recommend to the Board that the Future Upkeep Provision of \$14,150,000 be adopted and that the YTD provision of \$347,600 be written back, subject to the final June weighted average interest and CPI.

CARRIED



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13. OTHER BUSINESS

It was reported that the composition of the Audit & Risk Management Committee had been proposed to be changed during the review of the Charter. Should the changes be adopted, the A&RMC would consist of 3 members and the Finance Officers of the owner councils would be able to attend as observers only.

14. NEXT MEETING

The next meeting of the Centennial Park Cemetery Authority Audit and Risk Management Committee is set down for 8.30am Monday 10th August 2015 in the Board Room, Centennial Park Cemetery, 760 Goodwood Road, Pasadena, South Australia.

15. CLOSE OF MEETING

There being no further business the meeting closed at 10.17 am.

ITEM 13 MOTION OF WHICH NOTICE HAS BEEN GIVEN

NOTICE OF MOTION FROM MR JOHN RAWSON, PRESIDING MEMBER AUDIT AND GOVERNANCE COMMITTEE - RE SERVICE AND ORGANISATIONAL REVIEWS

Mr John Rawson has given notice of intention to move the following motion at the Audit and Governance Committee meeting to be held on 2 June 2015.

PREAMBLE

The Council defines Value for Money as "the optimal use of resources to achieve the intended outcomes."

The objective of this motion is to provide a mechanism to reassure the Council that its resources are being used to best effect. Where this is not the case, the project will identify why and make recommendations for improvement. Such recommendations will not be limited to improvements to in-house delivery but also provide options, where considered beneficial, to outsource, share, joint venture or deliver through other vehicles.

MOTION

- The Audit and Governance Committee requests the Chief Executive
 Officer to develop a brief to appoint an experienced sector consultancy
 to undertake a service and organisational review which will include but
 not be limited to assessment and recommendations on the following:
 - The efficiency and effectiveness of its operations; the adequacy and deployment of resources in operational activity
 - The manner in which its resources are directed towards the Council's priorities and provide value for money to the community
 - Strategic opportunities that will maximise return on Council's major assets
 - Opportunities to improve the efficiency and/or effectiveness of its services including options to use alternative service delivery mechanisms
 - Opportunities for cash savings and revenue growth.
- The brief is brought back to the Audit and Governance Committee at its next meeting for final consideration and endorsement prior to placement in the market.

OFFICER'S COMMENTS

The Council, for the last two years had a program of service reviews whereby a number of services have been reviewed identifying efficiency opportunities, financial savings and improved customer service.

The proposed motion (if endorsed) will allow for a higher level review (ie not individual services) which will then identify a range of opportunities for further investigation. This could include a review of resources against services, delivery options, organisation structure and resource sharing.