

# **Notice of the Meeting of the Audit Committee**

**NOTICE IS HEREBY GIVEN** in accordance with Section 87 of the Local Government Act 1999, that a meeting of the

## **MEETING OF THE AUDIT COMMITTEE**

of the

## **CITY OF BURNSIDE**

will be held in the Boardroom at the Civic Centre  
401 Greenhill Road, Tusmore

on

**Monday  
6 June 2016  
at 6.00 pm.**

Light refreshments will be available in the Boardroom from 5.30 pm.

A handwritten signature in black ink, appearing to be 'M. G. S.' or similar.





## **Audit Committee Agenda**

**Monday 6 June 2016 at 6.00 pm  
Boardroom, 401 Greenhill Road, Tusmore**

**Members:** Mr Leigh Hall - Chair  
Mayor, David Parkin  
Councillor Piggott  
Mr Roberto Bria

**1. Apologies**

Mr Andrew Blaskett – Resignation from Audit Committee

**2. Leave of Absence**

**3. Confirmation of the Minutes**

That the Minutes of the meeting of the Audit Committee held on 4 April 2016 be taken as read and confirmed.

**4 Action List p5**

**5. Reports**

<b>5.1 Business Service Review - Procurement (Operational)</b>	<b>p15</b>
Attachment A	p19
Attachment B	p67
Attachment C	p71
Attachment D	p72
Attachment E	p73
Attachment F	p84
Attachment G	p93
Attachment H	p94

- |            |   |             |
|------------|---|-------------|
| <b>5.2</b> | <b>Economic Assumptions and Financial Indicators</b>  | <b>p105</b> |
| <b>5.3</b> | <b>2016/17 Annual Business Plan Update (Operational)</b>  | <b>p113</b> |
|            | Attachment A  | p116        |
|            | Attachment B  | p118        |
| <b>5.4</b> | <b>Regional Subsidiary 2015/16 Periodical Financial Results and Draft Budgets for 2016/17 (Operational)</b> | <b>p123</b> |
|            | Attachment A  | p127        |
|            | Attachment B  | p141        |
|            | Attachment C  | p158        |
|            | Attachment D  | p167        |
|            | Attachment E  | p213        |
| <b>6.</b>  | <b>Confidential Items</b>   |             |
|            | Nil   |             |
| <b>7.</b>  | <b>Other Business</b>   |             |
| <b>7.1</b> | <b>HLB Mann Judd Interim External Audit Result</b>  |             |
| <b>7.2</b> | <b>Internal Audit Plan Update</b>   |             |
| <b>8.</b>  | <b>Forward Agenda</b>   |             |
| <b>9.</b>  | <b>Date of Next Meeting</b>   |             |
| <b>10.</b> | <b>Closure</b>  |             |

# AUDIT COMMITTEE MEETING FEBRUARY 2016 – ACTIONS

	MTG	RESOLUTION//REQUEST	WHO	DUE	RES NO.	COMMENT
1.	6/10/2009	<b>Regional Subsidiary Quarterly Financial Reports</b> That the Audit Committee requests that each regional subsidiary provide a report on its financial status at quarterly intervals.	MFP	Ongoing	A0117	<ul style="list-style-type: none"> <li>Report quarterly</li> </ul>
2.	7/2/2012	<b>Risk Management Policy and Risk Management Framework (5.3)</b> 5. That the Administration report all new and emerging strategic and operational risks that are rated as High or Extreme to the Audit Committee on an ongoing basis.	GMCS	Ongoing	A0225	<ul style="list-style-type: none"> <li>Ongoing to be reported on an annual basis and when High and Extreme risks identified</li> </ul>
3.	3/4/2012  15/2/2016	<b>Internal Policy &amp; Procedure Framework (5.5)</b> 3. That the Council Policy Review Tracking is provided to the Audit Committee as a standing agenda item until all Policies and Procedures are up to date.  That the Council Policy and Protocols Tracking Table is provided to the Audit Committee once per financial year (as opposed to every Audit Committee Meeting).	GMCS	Ongoing	A0251	<ul style="list-style-type: none"> <li>Standing Item</li> <li>Report due Feb 2017</li> </ul>

**AUDIT COMMITTEE – KEY DATES EXCEPTIONS / URGENT**

<b>DATE (each year)/ FREQUENCY</b>	<b>COMMENTARY</b>	<b>ACT REFERENCE</b> * All references are to <i>Local Government Act 1999</i> unless stated otherwise	<b>COMMENTS/LAST COMPLETED</b>	<b>NEXT REVIEW/DUE DATE</b>	<b>RESPONSIBLE OFFICER</b>
	None				

**AUDIT COMMITTEE – UPCOMING KEY DATES SNAPSHOT (PRIOR TO NEXT AUDIT COMMITTEE MEETING)**

<b>DATE (each year)/ FREQUENCY</b>	<b>COMMENTARY</b>	<b>ACT REFERENCE</b> * All references are to <i>Local Government Act 1999</i> unless stated otherwise	<b>COMMENTS/LAST COMPLETED</b>	<b>NEXT REVIEW/DUE DATE</b>	<b>RESPONSIBLE OFFICER</b>
Within two (2) years after each general election	Council to review strategic management plans (including long term financial and infrastructure/asset management plans)  Audit committee to propose and provide information relevant to review of Council's strategic management plans	Section 122(4)(b)  Section 126(4)(ab)	2015/16 LTFP reviewed in November 2015  2016/17 Annual Business Plan consultation has been completed and is scheduled to be presented to Council at its 28 June meeting for adoption.	LTFP to be reviewed and updated by November 2016  Asset Management Plans to be reviewed by December 2016	GMCS MFP
Annually	Review of Business Plans of subsidiaries – in conjunction with Council or Constituent Councils.	Clauses 8(4) and 24(4) of Schedule 2	April 2015  - Eastern Health Authority  - East Waste  July 2015  - Highbury Landfill	Being presented to Audit Committee at its 6 June 2016 meeting.	GMCS MFP

DATE (each year)/ FREQUENCY	COMMENTARY	ACT REFERENCE * All references are to <i>Local Government Act 1999</i> unless stated otherwise	COMMENTS/LAST COMPLETED	NEXT REVIEW/DUE DATE	RESPONSIBLE OFFICER
30 September – 31 May (Inclusive)	<p>Period in which a Council, single Council subsidiary or regional subsidiary must consider at least twice a report (where at least one report is considered before the consideration of the report under Regulation 9(1)(b) showing a revised forecast of its operating and capital investment activities for the relevant financial year compared with the estimates for those activities set out in the budget presented in a manner consistent with the note in the Model Financial Statements entitled <i>Uniform Presentation of Finances</i>.</p> <p>Regional subsidiaries:  Eastern Health Authority  Eastern Waste Management Authority  Highbury Landfill Authority</p>	Regulation 9(1)(a) of the <i>Local Government (Financial Management) Regulations 2011</i>	December 2015  May 2016	December 2016	GMCS MFP
30 November – 15 March (inclusive)	<p>Period in which a council, council subsidiary or regional subsidiary must consider a report showing a revised forecast of each item shown in its budgeted financial statements for the relevant financial year compared with the estimates set out in the budget presented in a manner consistent with the Model Financial Statements. The report must also include revised forecasts for the relevant financial year of the council's operating surplus ratio, net financial liabilities ratio and asset sustainability ratio compared with estimates set out in the budget presented in a manner consistent with the note in the Model Financial Statements entitled <i>Financial Indicators</i></p>	Regulation 9(1)(b) & (2) of the <i>Local Government (Financial Management) Regulations 2011</i>	May 2015  December 2015  May 2016	December 2016	GMCS MFP  COMPLETE DELETE

<b>DATE (each year)/ FREQUENCY</b>	<b>COMMENTARY</b>	<b>ACT REFERENCE</b> * All references are to <i>Local Government Act 1999</i> unless stated otherwise	<b>COMMENTS/LAST COMPLETED</b>	<b>NEXT REVIEW/DUE DATE</b>	<b>RESPONSIBLE OFFICER</b>
Annually	<p>Capital Expenditure Forecast and Plan</p> <p>That Council supports the spending of budgeted on renewal and replacement of existing assets across the entire budget year and discourages the practice of large outlays of capital spending in the last quarter.</p> <p>That an annual plan be presented to Council each July, showing the anticipated timing of capital projects-both Renewal and Replacement of Existing assets and New and Upgraded assets - and an accurate forecast of capital spend across the year.</p> <p>That a Quarterly report be presented to Council in conjunction with the quarterly budget update, detailing progress against the Annual plan and identifying any major impediments to that progress.</p>	N/A	<p>July 2015 – annual plan</p> <p>December 2015 – Q1 Report</p> <p>February 2016 – Q2 Report</p> <p>May 2016 – Q3 Report</p>	June/July Annual plan	GMCS MFP
Annually as part of budget process - January (see Part A of this document for specific dates)	<p>Commence preparation of draft annual business plan to meet public consultation obligations under sections 123(3) and (4) and adoption requirements of section 123(8) for business plan and budget. See Part A of this document for specific dates</p> <p>Meet the adoption requirements of Section 123(8); an annual business plan and budget must be adopted after 31 March but before 31 August of the financial year</p>	Section 123(3)	<p>2016/17 Budget Presented to Audit Committee and endorsed on 4 April 2016</p> <p>Presented and endorsed by Council for public</p>	2016/2017 Budget to be adopted at the 28 June 2016 Council meeting	GMCS MFP

DATE (each year)/ FREQUENCY	COMMENTARY	ACT REFERENCE * All references are to <i>Local Government Act 1999</i> unless stated otherwise	COMMENTS/LAST COMPLETED	NEXT REVIEW/DUE DATE	RESPONSIBLE OFFICER
			consultation on 12 April 2016  Public consultation period 27 April to 25 May.		
1 June	Earliest date for single Council subsidiaries and regional subsidiaries to adopt budget for the ensuing financial year.	Clauses 9 and 25 of Schedule 2	East Waste 11 June 2015  Eastern Health Authority 24 June 2015  Highbury Landfill Authority 30 June 2015	Annual Business Plans being presented to Audit Committee at its 6 June 2016 meeting	GMCS MFP
1 June	Earliest date for a Council to adopt an annual business plan and a budget which must be adopted for the ensuing financial year. Note: -except in a case involving extraordinary administrative difficulty must be adopted before 31 August for the financial year.	Section 123(8), s123(7)(b), and s122(4)(a)	23 June 2015	28 June 2016	GMCS MFP



<b>DATE (each year)/ FREQUENCY</b>	<b>COMMENTARY</b>	<b>ACT REFERENCE</b> * All references are to <i>Local Government Act 1999</i> unless stated otherwise	<b>COMMENTS/LAST COMPLETED</b>	<b>NEXT REVIEW/DUE DATE</b>	<b>RESPONSIBLE OFFICER</b>
	<p>-annual business plan must be adopted before budget – section 123(7)(b)</p> <p>-Council must review its long-term financial plan and any other elements of its strategic management plans prescribed by regulation as soon as practicable after adopting the council's annual business plan for a particular financial year.</p>				
30 August	<p>Last date for adoption of annual business plan and budget for that financial year (unless a case of extraordinary administrative difficulty).</p> <p>Note: (1)annual business plan must be adopted before budget –section 123(7)(b)</p> <p>(2) Council must review its long-term financial plan and any other elements of its strategic management plans prescribed by regulation as soon as practicable after adopting the council's annual business plan for a particular financial year under section 122(4)(a)</p>	Section 123(8), s123(7)(b), and s122(4)(a)	23 June 2015	28 June 2016	GMCS MFP
Yearly	Annual Community Survey		June 2015 November 2015	November 2016	GMCDs

<b>DATE (each year)/ FREQUENCY</b>	<b>COMMENTARY</b>	<b>ACT REFERENCE</b> * All references are to <i>Local Government Act 1999</i> unless stated otherwise	<b>COMMENTS/LAST COMPLETED</b>	<b>NEXT REVIEW/DUE DATE</b>	<b>RESPONSIBLE OFFICER</b>
Annually	Council to determine whether to fix maximum increases in general rates on principal place of residence	Section 153(3)	After 1 June and before 31 August 2015  23 June 2015	After 1 June and before 31 August 2016	GMCS MFP
1 June	Earliest date for declaration of a general rate – provided it is after adoption of the annual business plan and budget. Note: -except in a case involving extraordinary administrative difficulty a Council must not declare a general rate after 31 August in that financial year.	Section 153(5)(a), (b)	23 June 2015	June 2016	GMCS MFP
1 June	Earliest date upon which a separate rate may be declared (unless it has previously been declared for more than one year) for the ensuing financial year.	Section 154(6)	23 June 2015  Natural Resources Management Board	June 2016	GMCS MFP
29 August 2015	Last date for submission of ordinary return by all Council Members.	Section 66	August 2015	August 2016	CEO GMCS
29 August 2016	Last date for submission of ordinary return by the CEO (to the principal member of the Council) and by prescribed officers to the CEO.	Section 114	August 2015	August 2016	CEO GMCS

<b>DATE (each year)/ FREQUENCY</b>	<b>COMMENTARY</b>	<b>ACT REFERENCE</b> * All references are to <i>Local Government Act 1999</i> unless stated otherwise	<b>COMMENTS/LAST COMPLETED</b>	<b>NEXT REVIEW/DUE DATE</b>	<b>RESPONSIBLE OFFICER</b>
31 August	Last date for declaring a general rate (except in a case involving extraordinary administrative difficulty) for that financial year.	Section 153(5)(b)	23 June 2015	June 2016	GMCS MFP
Annually	Council to determine rate payment dates in September, December, March and June	Section 181(1)	The below rate payment dates were determined on 23 June 2015  2 September 2015 2 December 2015 2 March 2016 2 June 2016	June 2016	GMCS MFP
Whenever a fee or charge is fixed or varied	Council must update list of fees and charges imposed under section 188 and bring to notice of persons who may be affected.	Section 188(6) and (7)	23 June 2015 – As part of Budget 2015/2016	June 2016	GMCS MFP
Within twenty one (21) days after the date of adoption of valuations and/or	Council must cause a notice of the adoption of valuations/declaration of rate (or service charge) to be published in the Government Gazette and in a newspaper circulating the area.	Sections 167(6) and 17	Government Gazette notice 2 July 2015  Eastern Courier 8 July 2015	July 2016  July 2016	GMCS MFP

<b>DATE (each year)/ FREQUENCY</b>	<b>COMMENTARY</b>	<b>ACT REFERENCE</b> * All references are to <i>Local Government Act</i> <i>1999</i> unless stated otherwise	<b>COMMENTS/LAST COMPLETED</b>	<b>NEXT REVIEW/DUE DATE</b>	<b>RESPONSIBLE OFFICER</b>
declaration of a Council rate (or service charge)					
Within 12 months of periodic election	Review Code of Practice relating to the principles, policies, procedures and practices applied in respect of public access to Council and committee meetings including minutes (and other documents)	Section 92(2)	28 July 2015, C10287	July 2016	GMCS
Annually	Council report in relation to number, type and outcome of applications for internal review under section 270 policy	Section 270(8)	28 July 2015, C10282	July 2016	GMCS
Annually	Council must cause an up-to-date information statement to be published in a manner prescribed by the Freedom of Information Regulations.	Section 9 of the <i>Freedom of Information Act</i> <i>1992</i>	July 2015	July 2016	GMCS

**Item No:** 5.1  
**To:** Audit Committee  
**Date:** 6 June 2016  
**Author:** Karishma Dutta – Manager, Finance and Procurement  
**General Manager and Division** Martin Cooper – General Manager, Corporate Services  
**Contact:** 8366 4202  
**Subject:** BUSINESS SERVICE REVIEW – PROCUREMENT  
**Attachments:** A. Business Service Review – Procurement  
 B. Business Service Review – Actions Register  
 C. Procurement Governance Framework  
 D. Procurement Roadmap  
 E. Procurement Governance Framework Policy  
 F. Tenders & Contract Engagement Policy  
 G. Procurement Thresholds Matrix  
 H. Unsolicited Approaches Treatment Policy  
**Prev. Resolution:** N/A

---

### Officer's Recommendation

1. That the Report be received.
  2. That the Business Service Review on the Procurement Function and the related Actions Register be received.
  3. That the Audit Committee endorses the draft amended Procurement Governance Framework and the related Policies being the Procurement Governance Framework Policy, the Tenders and Contract Engagement Policy and the Unsolicited Approaches Treatment Policy.
  4. That the Audit Committee recommends that the draft amended Procurement Governance Framework and related Policies being the Procurement Governance Framework Policy, the Tenders and Contract Engagement Policy and the Unsolicited Approaches Treatment Policy be presented to Council for consideration and adoption.
- 

### Purpose

1. To provide the Audit Committee with the Business Services Review on the Procurement Function undertaken in January 2015, the recommendations that have resulted from this review and the actions taken to address them.
2. To provide the Audit Committee with the resultant draft amended Procurement Governance Framework and related policies for feedback, endorsement and recommendation to Council.

### Strategic Plan

3. The following Strategic Plan provision is relevant:

*"A financially sound Council that is accountable, responsible and sustainable"*

**Communications/Consultation**

4. The following communication / consultation has been undertaken:
  - 4.1. Discussions with the Executive Management Team, the Management Team, key stakeholders and the Procurement Team.
  - 4.2. The revised Procurement Framework, Roadmap and Threshold Matrix was presented and endorsed at the 22 February 2016 Executive meeting.

**Statutory**

5. The following legislation is relevant in this instance:

*Local Government Act 1999*

*Independent Commissioner Against Corruption Act 2012*

**Policy**

6. The Procurement Policy was reviewed by the Audit Committee in June 2014. A comprehensive review of the Procurement function has since been undertaken and has resulted in a revised framework and structure (refer to 'Discussion' section below).

**Risk Assessment**

7. Regular review of Council's policy framework is an important risk management tool in ensuring the Administration is appropriately empowered to undertake the business of Council in the manner that the Elected Body determines. The risk of not doing so is that the Administration may be acting on an outdated or compromised position on behalf of Council.
8. Potential fraud perpetrated by individual staff, staff in collusion with other staff or staff in collusion with external parties including procurement related fraud.

**Finance**

9. There are no budget implications for the City of Burnside in respect of the recommendation.

**Discussion***Business Service Review and Actions Register*

10. In January 2015, a Business Service Review (Attachment A) was undertaken by the Internal Auditor on Council's Procurement and Contracts function.
11. This review resulted in a number of recommendations and action items. These have been included in the Actions Register (Attachment B) which will be presented to the Audit Committee on a bi-annual basis in order to ensure that the actions are being followed up on a timely basis.
12. Based on the Business Service Review and Industry Best Practice, a number of actions have been undertaken since mid-2015:
  - 12.1. In June 2015, the Procurement team was integrated with the Finance team and brought under the leadership of the Manager Finance and Procurement. This

- has enabled increased synergies between the teams with regards to strategic planning, project management, capital works and financial savings.
- 12.2. A comprehensive review of the existing Policies and Protocols was undertaken by Matt Flowers from Skopion Business Solutions.
  - 12.3. This review resulted in an enhanced framework which includes a new Procurement Strategy, two enhanced policies, two new policies, four new protocols, a revised threshold matrix and a 12 month Procurement Roadmap aimed at further improvements within the Procurement function. Attachment C illustrates the previous and revised frameworks.
  - 12.4. As part of this review of the Procurement function, a risk management gap was also identified with regards to the ICAC Act and its operational impacts on Council and its officers. A new policy was drafted and endorsed by the Audit Committee in February this year.
  - 12.5. A number of consultation sessions were held with the key stakeholders within Council and discussions held on the current structure, value add proposition and best practice methodology.
  - 12.6. This feedback combined together with the Business Service review has informed the Procurement Roadmap (Attachment D). It is expected that a bi-annual update of the Procurement Roadmap will be provided to the Audit Committee in order to track progress made.
  - 12.7. The consultation sessions and the Business Service Review have informed the recent restructure of the Procurement Team which altered the two Procurement Officer roles to Business Partner roles. The previous Manager – Procurement and Contracts role was amended into a 12 month Strategic Procurement Analyst role. This enables a clear emphasis on the Business Partnering function with temporary resource to work on and deliver the Procurement Roadmap. All three roles are currently in the process of being recruited.
  - 12.8. The revised structure, Governance Framework and Threshold Matrix were presented to the Executive on 22 February 2016 and were subsequently endorsed.

#### *Procurement Policies and Protocols*

13. As mentioned above, on reviewing the actions arising from the Business Service review, an enhanced Procurement Governance Framework and a suite of Policies and Protocols were drafted (Attachment C).
14. The draft amended Procurement Governance Framework includes the Procurement Strategy (to be presented at the next Audit Committee meeting) and the following enhanced/new draft Policies:
  - 14.1. Procurement Governance Framework Policy (Attachment E)
  - 14.2. Tender and Contract Engagement Policy (Attachment F)
  - 14.3. Unsolicited Approaches Treatment Policy (Attachment H)
  - 14.4. Fleet Vehicle Policy (To be presented at the next Audit Committee meeting)

15. A snapshot of the inclusions within each Policy have been listed below:

**Procurement Governance Framework Policy (Formerly Procurement Policy)**

- Peak document for procurement governance
- Sets out legislative requirements (s49)
- Based on seven Governance Principles
- Outlines recognised procurement methods
- Includes purchase order governance
- Includes dispensation approvals process
- Outlines Conflicts of Interest and Outsourcing guidelines

**Tender & Contract Engagement Policy (New)**

- Outlines the Procurement lifecycle
- Includes value thresholds and accepted methods
- Outlines actions required dependent on value
- Includes guidelines for direct sourcing to Open Tender
- High level Approval process
- Recognition of Pre-qualified suppliers

**Unsolicited Approaches Treatment Policy (New)**

- Includes value thresholds and actions required dependent on value
- Guidance provided on assessment of unsolicited proposals
- Includes evaluation criteria
- Outlines the assessment progression
- Includes guidance on Probity

16. The Procurement Governance Framework also includes a number of Protocols which will be rolled out to the Organisation on adoption of the overarching Policies.

*Conclusion*

17. Based on the Business Service Review undertaken in January 2015 on the Procurement and Contracts Function, a number of recommendations and actions were identified. Some of the recommendations related to the development of Policies and Protocols. The Policies presented as attachments to this report are the first suite of Policies with the Motor Vehicle Policy and the Procurement Strategy document to be presented to the Audit Committee at the next meeting. After including any required Audit Committee enhancements or modifications, these draft Policies will be presented to Council for consideration and adoption.
18. All other recommendations and actions will continue to be monitored and implemented in line with the Procurement Roadmap and the Actions Register and will be presented to the Audit Committee on a bi-annual basis.



# **Business Service Review**

## **Procurement and Contracts Department**

**Ref: 15-07**  
**January 2015**





## Contents

Executive Summary	1
Recommendations – Structure and Model	6
Recommendations – Strategic Planning	10
Recommendations – Procurement Framework	12
Recommendations – Education and Training	17
Recommendations – Business Partner	21
Recommendations – Tenders and Contracts	24
Recommendations – Compliance Reporting	28
Recommendations – Procurement Processes	31
Recommendations – Risk Management	35
Recommendations – Light Fleet Vehicles	37
Appendix I: Tender Process	38
Appendix II: Contracting Process	42
Appendix III: Contract Management Process	44

Distribution			
For action		For information	
Samantha Atkins	Manager – Procurement and Contracts	Paul Deb	Chief Executive Officer
		Nigel Morris	General Manager – Corporate Services
		Louise Miller-Frost	General Manager – Community & Development Services
		Graeme Brown	General Manager – Urban Services



*A necessary part of the audit process is the need to interview various personnel to inform the independent review and analysis. All information and documents provided through the audit process have been duly considered. Where information and documents were appropriate, relevant and supported by fact and evidence, they have been incorporated into the review process and subsequent report. Information and documents not directly relevant to the review but important in the wider context of Council operations have been referred to the appropriate area for consideration and action as appropriate.*

*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. The audit procedures performed were not designed to detect all weaknesses in control procedures as they are not performed continuously throughout the period, and the tests performed on the control procedures are on 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 may deteriorate.*

*The matters raised in this audit report are only those which came to our attention during the course of performing our procedures, and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that should be made. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, management should not rely on our audit report to identify all weaknesses that may exist in the systems and procedures under examination, or potential instances of non-compliance that may exist.*

## Executive Summary

### Objective

In accordance with the 2013-15 Internal Audit Plan, we have conducted a business service review of the Procurement and Contracts Department.

The main objective of this business service review of Procurement and Contracts was to review the department's structure, operations and processes in order to:

- Identify performance improvement opportunities in effectiveness and efficiency; and
- Enhance internal controls, risk management and governance practices.

### Overview

The mission statement of the Procurement and Contracts Department is to *“provide high-level, quality, reliable procurement and fleet management services and support across Council, thereby ensuring value for money is achieved while the principles of probity, transparency, accountability and risk management are embraced and maintained”*.

The core functions of the Procurement and Contracts Department are described below.

- Tendering and Quoting Services.

Develop tender, quote and contract documentation. Provide resources and tools to internal customers to create quality specifications. Liaise with contractors during tender and quote processes. Conduct tendering and quoting processes including maintaining evidence of processes and reasons for decisions.

- Procurement and Contract Advice and Support.

Provision of advice and support in all aspects of procurement and contracting activities including approaching the market and the appropriate procurement strategy for a good, work or service. Liaison with internal staff, legal providers, contractors and other stakeholders to minimise risk in procurement and contracting activities.

- Maintain and Revise the Procurement Framework.

Evaluate and revise current documentation including policies, management protocols, procedures, templates and resources.

- Procurement Training and Education.

Develop and source awareness and education resources. Deliver training and awareness for Council staff and contractors. Provide resources and information to contractors including education, where appropriate.

- Identify and Implement Procurement Efficiencies and Industry Trends.

Keep abreast of relevant innovations and apply where suitable. Identify efficiencies in procurement practices and related administrative processes to capture the most effective method of undertaking procurement activities.

- Maintain and Review the Contract Management Framework.

Evaluate and revise current documentation including policies, management protocols, procedures, templates and resources.

- Management of Light Fleet Vehicles for Civic Centre.

Maintain light fleet policies, protocols, procedures and templates, and general light fleet management to maximise the deliverable service life and minimise risk and costs to Council.

- Procurement Compliance Reporting and Improvements

Conduct analysis and provide information to the Leadership Team regarding compliance with procurement metrics to ensure that optimum organisational compliance with procurement activities and processes is achieved. Work with stakeholders to improve processes to facilitate this goal.

- Strategic Procurement Activities

Identify opportunities for strategic alliances and introduction of innovations in procurement practices. Conduct analysis of category and spend information to maximise benefit of procurement activities.

## History

The Procurement and Contracts Department was formally established in March 2012. Previously, procurement was a sub-function of the Property and Facilities Team with a resource titled as Procurement Officer whose core responsibility was property management. Administration of tendering activities was conducted as one of the sub-functions of the Engineering Services Department. In essence, procurement was an embryonic function with minimal development of framework, policies, terms and conditions, templates and other guidelines. Prior to March 2012, the procurement function was not resourced by procurement specialists. Therefore, the Council's procurement risks were not effectively managed.

## Achievements

Since its establishment in March 2012, the Procurement and Contracts Department has recorded the following achievements:

- Developed the Council's Procurement Policy.
- Developed a discrete tendering and contracting policy within the Procurement Policy.
- Developed a standard suite of contracts which covers all the different types of goods, services and works procured by Council.
- Developed standard quoting and tendering terms and conditions which are tailored for the specific risks of each tender and contract.
- Implemented market tested supplier panels which are supported by a system that facilitates records management of all processes run.
- Achieved significant cost savings through new contracts resulting from strategic analysis of major expenditure items.
- Implemented compliance reporting to monitor adherence to the Procurement Policy.
- Implemented a large number of internal controls within procurement processes which reduce procurement fraud and risk.
- Implemented training and refresher sessions for employees engaged in procurement duties.
- Identified and reduced procurement risk.

## Resourcing

The Procurement and Contracts Department consists of 3.0 Full-Time Equivalent (FTE) employees comprising the Manager – Procurement and Contracts and two Procurement Officers.

## Procurement Activities

The following table provides an overview of the magnitude of procurement activities at the City of Burnside.

	2013-14	2014-15 <i>(year-to-date to 30 Nov 2014)</i>
No. of purchase orders	2,637	770
Value of purchase orders	\$20.5 million	\$11.5 million
No. of formal quote processes	33	13
No. of select tender processes	27	9
No. of open tender processes	22	5
No. of executed contracts	144	67

## Internal Audit Recommendations

The complete set of audit recommendations are presented in the main body of this report. These recommendations are broadly categorised below according to the key functions of the Procurement and Contracts Department under a centre-led procurement model.

	Function	Recommendations
1	Strategic Planning	<ul style="list-style-type: none"> <li>Develop a 10-Year Strategic Plan.</li> </ul>
2	Procurement Framework	<ul style="list-style-type: none"> <li>Develop management protocols on procurement, tendering, contracting and contract management.</li> </ul>
3	Education & Training	<ul style="list-style-type: none"> <li>Develop an annual program of structured training sessions for employees with procurement responsibilities across Council.</li> </ul>
4	Business Partner	<ul style="list-style-type: none"> <li>Ensure that the department has adequate resourcing and training to acts as an enabling Business Partner to other departments.</li> <li>Designate 'Procurement Champion' within each department.</li> <li>Implement partnership between the 'Business Partner' and the 'Procurement Champion' to enhance procurement compliance.</li> </ul>
5	Compliance Reporting	<ul style="list-style-type: none"> <li>Develop a suite of standard and exception reports from Finance One to monitor, report and review (i) non-compliances with procurement policies and protocols as well as (ii) general analysis of procurement expenditure.</li> </ul>
6	Procurement Processes	<ul style="list-style-type: none"> <li>Implement spend analysis reporting on panel suppliers.</li> <li>Dispensations from the Procurement Policy to be endorsed by the Manager – Procurement and Contracts prior to authorisation by the Chief Executive Officer or General Managers.</li> <li>Maintain a register of procurement dispensations.</li> <li>Conduct spend analysis of procurement dispensations.</li> </ul>
7	Risk Management	<ul style="list-style-type: none"> <li>Capture procurement fraud risk within risk assessments and mitigation plans.</li> </ul>

## Priority Areas for Action

From the audit recommendations, we highlight the following major priority areas for management action:

- We would expect to see the Procurement and Contracts Department develop a procurement reporting function comprising a suite of standard and exception reports that are reviewed by (i) the department and / or (ii) the Executive Team on a specified regularity basis (such as monthly, quarterly or annually). These reports should review (i) potential non-compliances with policies and protocols on the procurement function as well as for (ii) analysis of procurement expenditure. Examples of compliance reports to be reviewed by the Procurement and Contracts Department include but not limited to:
  - Purchase orders raised after the invoice date;



- Purchases above a specified significant amount (to select samples for confirmation of compliance with procurement policies and protocols);
- Multiple purchases from the same supplier within a specified short period of time (to detect potential splitting of purchase orders to bring expenditure below certain approval limits);
- Multiple purchases of the same amount from the same supplier (to detect potential splitting of purchase orders to bring expenditure below certain approval limits);
- Payments above a stipulated amount to the same supplier;
- Purchases of goods, services or works outside of panel suppliers (i.e. department initiated spending outside of centrally negotiated contracts); and
- Annual purchases from the same supplier above \$100,000 (to detect any manipulation by departments to avoid the purchasing threshold for tenders by underestimating the annual value).

Examples of reports that should be reviewed by the Executive Team include but not limited to:

- Total number and value of active contracts for the Council;
  - Total number and value of active contracts by department;
  - Total number and value of contracts that exceeded their original contracted value;
  - Total number and value of contracts that are approaching their original contracted value;
  - Total number and value of contract variations – including to assess whether the delegated authority was applied to the total contract value (contract value plus variations) as opposed to the value of only the variation; and
  - Total number and value of procurement dispensations (exemptions).
- We emphasise the development of formalised management protocols on procurement, tendering, contracting and contract management processes. The formalisation of management protocols to support Council's existing Procurement Policy would strengthen the transparency, consistency and accountability of these processes.
- We recommend the resourcing of senior personnel to enable the department to effectively discharge its role as Business Partner to other departments across Council. This role is presently not working as effectively as desired primarily due to the fact that resolution of procurement issues of departments required experience and expertise beyond that of the Procurement Officers. The presence of a Senior Procurement Officer would enable the Manager – Procurement and Contracts greater time to focus upon managerial level responsibilities (including the implementation of the priority action areas highlighted here).

These priority areas have been recognised by the Procurement and Contracts Department. Time and resourcing have, however, impacted the desired progress in these key areas.



## Recommendations – Structure and Model

### Structure

#### Findings and impact

##### Structure

As standard process with business service reviews, we conducted a high-level assessment of the structure of the department. We assessed the merits of the Procurement and Contracts Department being structured as a department as opposed to a team (given its small size). We also assessed the merits of the Procurement and Contracts Department as a standalone department against consolidation with another larger department within the portfolio of Corporate Services.

##### *Survey Results*

At the City of Burnside, the Procurement and Contracts Department consists of 3.0 Full-Time Equivalent (FTE) employees comprising the Manager – Procurement and Contracts and two Procurement Officers. The average size of the procurement team at seven surveyed Council was 2.5 FTE.

At the City of Burnside, the Manager – Procurement and Contracts reports to the General Manager – Corporate Services. The person responsible for the procurement function reported to a General Manager in only one out of seven surveyed Councils.

At the City of Burnside, the Procurement and Contracts Department is a department under the portfolio of Corporate Services. Procurement is structured as a department in only one out of seven surveyed Councils. The most common structure in the other six Councils is the procurement function resides within the Finance or Property Department.

##### *Factors to Consider - Advantages and Disadvantages*

Due to the small size of the department, we assessed the viability of its positioning within a larger department. If viable, the Finance Department was considered to be the most appropriate and aligned department. Whilst there may be some administrative benefit in the areas of finance, strategic planning and general management if the procurement function was structured within the Finance Department, we identified the following disadvantages of such a change in structure:

- An unintended effect of the removal of its status as a department and the absorption of the Procurement Department into the Finance Department would be the perception across the organisation of the reduced importance of the procurement function. This would exacerbate existing difficulties in ensuring that the purchasing practices of departments comply with the Procurement Policy.
- Absorption into the Finance Department would reduce the morale of management and staff in the Procurement Department.
- The procurement function requires dedicated procurement professionals with function specific expertise, knowledge and skills. For example, procurement risks should be analysed from a procurement specific perspective as opposed to the position taken by a general risk expert. In another example, purchasing spend should be analysed from a strategic procurement perspective as opposed to a transactional perspective by a Finance Officer.

- Structuring within another department restricts the ability of the Procurement and Contracts Department to drive strategic recommendations across Council.
- There may be potential reduction in relationships and networking particularly if the Chief Financial Officer (CFO) attends meetings and the head of the procurement function is not required to attend.
- Requiring the CFO to manage the procurement function in addition to the finance function may be too onerous.
- The Procurement and Contracts Department's relationship with the Finance Department is working effectively such that any merger between both departments would not significantly improve the relationship.

#### Conclusion

Based on the high-level analysis, there were insufficient grounds for further in-depth investigation into the viability of merging the Procurement and Contracts Department with the Finance Department. Our review did not identify any substantial justification for changing the existing structure of the Procurement and Contracts Department or how it fits within the overall organisational structure.

Whilst this conclusion is not consistent with the survey outcomes, the survey results should be interpreted as indicative rather than definitive. This is because there are differences in size, scale, circumstances, challenges, culture and various other factors between Councils.

#### Recommendations

Our review did not identify any substantial justification for changing the existing structure of the Procurement and Contracts Department or how it fits within the overall organisational structure.

#### Agreed management actions

N/A

#### Responsibility

N/A

#### Target date

N/A

## Model

### Findings and impact

#### Model

As standard process with business service reviews, we conducted a high-level assessment of the procurement model operated by the Procurement and Contracts Department. We assessed the merits of the centre-led model in comparison with the centralised and decentralised models.

#### Survey Results

In our survey of seven Councils, three Councils are operating under or planning to transition towards a centre-led model, three Councils are utilising a decentralised model whilst one Council is procuring under a centralised model.

#### Factors to Consider - Advantages and Disadvantages

Procurement Model	Advantages	Disadvantages
Decentralised Model	<ul style="list-style-type: none"> <li>■ Departments maintain greater ownership and control over their procurement needs and responsibilities.</li> <li>■ Requires clearly and tightly defined structure.</li> <li>■ Requires strong commitment from department managers.</li> <li>■ Requires detailed procurement plans for each department.</li> </ul>	<ul style="list-style-type: none"> <li>■ Risk of lack of strategic management and approach to procurement function.</li> <li>■ Significant risk of procurement fraud due to lack of centralised oversight.</li> <li>■ Requires specialist procurement knowledge and expertise not generally existing within other disciplines.</li> <li>■ Variation in procurement practices across departments.</li> <li>■ Potential failure to share and generate procurement efficiencies across departments.</li> <li>■ Lack of forward planning on procurement by internal stakeholders.</li> <li>■ Even if department staff are trained and accredited in procurement, they are not sufficiently knowledgeable and experienced procurers. Procurement is not their core responsibility. Procurement specialists require specific skills, attributes and traits.</li> </ul>
Centralised Model	<ul style="list-style-type: none"> <li>■ Complete oversight and control of procurement across Council.</li> <li>■ Greater control towards</li> </ul>	<ul style="list-style-type: none"> <li>■ Loss of subject matter expertise of individual departments.</li> <li>■ Potential 'us and them' culture</li> </ul>

	<p>achieving the desired strategic vision for the procurement function.</p> <ul style="list-style-type: none"> <li>■ Ensure consistency in application of prescribed procurement practices across all departments.</li> <li>■ Ability to enhance compliance with procurement policies and procedures.</li> </ul>	<p>between the procurement department and other departments.</p> <ul style="list-style-type: none"> <li>■ Significant resourcing required.</li> <li>■ Risk of loss of timeliness in execution particularly if insufficient resources.</li> <li>■ Potential difficulties in prioritisation of procurement needs of individual departments.</li> </ul>
Centre-Led Model	<ul style="list-style-type: none"> <li>■ Benefits derived from procurement specialists in a centralised department whilst individual departments retain ownership of their procurement needs.</li> <li>■ Procurement department develops and implements strategic vision of the procurement function.</li> <li>■ Individual departments drive the execution of their procurement needs.</li> <li>■ Access to specialist procurement knowledge and experience.</li> </ul>	<ul style="list-style-type: none"> <li>■ Cultural resistance from departments.</li> <li>■ Fear within departments of loss of control over procurement.</li> <li>■ Requires tight co-ordination between procurement department and other departments.</li> <li>■ Failure by departments to recognise importance of compliance with project management and procurement procedures.</li> </ul>

### Conclusion

Three out of the seven surveyed Councils were operating under a centre-led procurement model. Based on the high-level analysis, our review supported that the advantages of a centre-led model outweighed its disadvantages as well as the advantages of the decentralised and centralised models.

### Recommendations

Our review did not identify any substantial justification for changing the existing centre-led procurement model under the Procurement and Contracts Department.

### Agreed management actions

N/A

Responsibility	N/A
Target date	N/A

## Recommendations – Strategic Planning

Strategic Plan	
<p><b>Findings and impact</b></p> <p>The mission statement of the Procurement and Contracts Department is <i>“to provide high quality reliable procurement services and support across Council ensuring value for money is achieved while maintaining the principles of probity and transparency are embraced”</i>.</p> <p>The Manager – Procurement and Contracts confirmed that the department does not have a Strategic Plan. However, such a plan is in the development pipeline.</p> <p>A Strategic Plan is essentially a blueprint for achieving the desired vision and setting the value proposition of the procurement function. A Strategic Plan confirms the strategic framework of the Procurement and Contracts Department. All activities of the Procurement and Contracts Department should be guided by this Plan or Framework. The existence, application, monitoring, review and reporting of the Strategic Plan provides greater assurance to Council and Executive that the desired vision for the procurement function will be achieved. Absence of a Strategic Plan may create some ambiguity as to the desired vision for the procurement function particularly for other departments.</p> <p>The Strategic Plan should form the basis for developing the Annual Departmental Program of the Procurement and Contracts Department. There should be clear consistency between both planning documents. The Annual Departmental Program should contain the action plans required to demonstrate the progressive achievement of the Strategic Plan.</p> <p>Representing the areas of focus of the procurement function, the Strategic Plan would assist in assessing the future resourcing of the Procurement and Contracts Department.</p>	
<p><b>Recommendations</b></p> <ol style="list-style-type: none"> <li>We recommend that the Procurement and Contracts Department develop a 10-Year Strategic Plan for approval by Council and Executive.</li> </ol> <p>This Procurement Strategic Plan should be developed with assistance from the Strategic and Corporate Planner to ensure consistency and compliance with the City of Burnside’s strategic planning framework and practices.</p> <ol style="list-style-type: none"> <li>We recommend that the Strategic Plan should form the basis for developing the Annual Departmental Program of the Procurement and Contracts Department.</li> </ol>	
<p><b>Agreed management actions</b></p> <p>Refer to Actions register</p>	
<b>Responsibility</b>	Please state title / designation (name).
<b>Target date</b>	Please state date in terms of month and year.

**Deliverables Completed (Skopion)**

- 1. Researched and investigated models in various government jurisdictions.*
- 2. Discussed with Mgr Finance & Procurement service model and resource options, skill-sets variances, timing (staged approach), strategic org options and service standards for discussion and further scoping.*
- 3. To form part of Strategic Plan going forward.*

## Recommendations – Procurement Framework

### Management Protocol on Procurement

#### Findings and impact

##### Procurement Framework

The Procurement and Contracts Department is responsible for the development and continued refinement of the procurement framework which comprises Council policies, management protocols, internal procedures, flowcharts, standard templates and documents.

##### Council Policy

The Council's Procurement Policy was last revised in June 2014 and next due for revision in June 2015.

##### Management Protocol

Clause 6.10 of the Council's Procurement Policy states that operating procedures and guidelines will be implemented to support this policy. To this purpose, there is a set of guidelines, flowcharts and templates on the Procurement and Contracts Department's intranet homepage. This procurement literature is reviewed and updated on an annual basis.

Council policies are approved by Elected Members whilst management protocols are approved by the Executive Team. Any other internal procedures or guidelines are not formally approved by Council or Executive.

There is no formal Executive-approved management protocol on procurement. The Procurement Policy contains high-level prescriptions on procurement activities. However, the detailed procurement processes are not captured under a management protocol.

- As purchasing activity is conducted by many employees in all departments under a centre-led procurement model, there is strong justification for a management protocol on procurement processes.
- Internal procedures or guidelines do not carry the same authority as Council policies or management protocols.
- As internal procedures and guidelines are not official policies or protocols, there may be uncertainty as to its awareness, acceptance and application across all departments.
- The culture of some departments to adhere to historical practices sometimes in contravention to the Procurement Policy may strengthen the argument that the organisation would benefit from the development of a management protocol for procurement.
- There is also the danger that internal procedures and guidelines may become outdated without the formalised process for regular revision that is applied to Council policies and management protocols.

#### Recommendations

3. We recommend the development of a management protocol on procurement with sub-



sections for each of the various types of procurement activities (such as purchase orders, standing (blanket) orders, requisitions, approvals, receipts, quotes, dispensations and payments – this is intended to be an illustrative rather than a definitive list).

4. We recommend that procedural checklists should be signed-off by the Procurement Officer and the Manager – Procurement and Contracts for each acquisition.

#### Agreed management actions

Refer to Actions register

#### Responsibility

Please state title / designation (name).

#### Target date

Please state date in terms of month and year.

#### Deliverables Completed (Skopion)

1. *Proposed rescission of current Procurement Policy*
2. *Proposed new draft Procurement Governance Framework (Policy)*
3. *Proposed new Tenders and Contract Engagement Policy, Sale or Disposal of Assets Policy and Fleet and Vehicle Management Policy*
4. *Three (3) new proposed Tenders and Contract Management Protocols, titled Pre-Contract Execution, Contract Execution and Contract Performance Management*
5. *Proposed rescission of current Vehicles Policy*
6. *Reviewed and amended Motor Vehicles Protocol*
7. *Proposed new Unsolicited Proposals Policy/Protocol*

*In progress;*

8. *Review and amend current Prudential Management Policy*



## Management Protocol on Tenders and Contracts

### Findings and impact

#### Council Policy

Tendering is the selling of goods, services and works to Council through the request of formal bids – otherwise known as tenders.

Tendering is regulated under Section 49 of the Local Government Act, 1999 ('the Act'). Section 49 (1) states that a Council must prepare and adopt policies on contracts and tenders, including policies on the following: (a) the contracting out of services, (b) competitive tendering and the use of other measures to ensure that services are delivered cost-effectively, (c) the use of local goods and services and (d) the sale or disposal of land or other assets.

Clause 6.2.5.3 of the City of Burnside's Procurement Policy states "Tender – where a tender process is used in the procurement of Goods, Works, or Services, the tenders shall be conducted in accordance with the approved method of procurement and the prescribed Conditions of Tender, e.g. multi-stage tender, Expression of Interest (EOI), Registration of Interest (ROI), Request for Proposal (RFP), select tender etc." Appendix 1 - 'The Purchasing Thresholds Table' of the Procurement Policy prescribes that a (i) select tender process is required for purchases valued from \$100,000 to \$200,000 and (ii) an open tender process is required for purchases valued from \$200,000 upwards.

The Council's Procurement Policy fulfils the requirements of section 49 of the Act.

#### Management Protocol

##### *Tenders and Contracts*

The Council's Procurement Policy refers to the tender conditions that are issued to tenderers. The Procurement and Contracts Department maintains a comprehensive list of standard tender and contract conditions that are applied or modified to suit the individual circumstances of each tender. However, the nature of these documents constitutes terms and conditions. This is different in nature to a management protocol that prescribes the required procedures to be carried out by relevant employees of the City of Burnside in executing tenders and contracts.

The Procurement and Contracts Department is planning to develop the following internal procedures:

- South Australian tenders administration;
- Standard procurement process from start to finish;
- Purchasing a new vehicle and disposing of used vehicles;
- Naming conventions for procurement records; and
- Enterprise Content Management (ECM) tasks for tenders / quotes and contracts.

However, the internal procedures are not approved by Executive and are not captured under the review process applicable to management protocols.

We recommend the development of a suite of management protocols on tenders and contracts.

We present the following additional basis supporting the management protocol on tenders

and contracts:

- Absence of policies and protocols on tenders and contracts magnifies the risk of procurement fraud. The existence of a management protocol would promote education, transparency and accountability as to the prescribed procedures for tenders and contracts.
- Absence of policies and protocols on tenders and contracts may (i) create uncertainty as to the required procedures to be executed by employees, (ii) create difficulties in assessing whether compliance to required procedures has been achieved, (iii) increase the risk of unintended non-compliance with the required procedures, and (iv) impair assurance over the effectiveness and efficiency of required procedures.
- Existence of policies and protocols on the tendering and contracting process provides a standard by which to assess (i) procedural compliance and (ii) strength of internal controls. In addition, policies and protocols on the tendering and contracting process provide some reasonable assurance that risks associated with this process are captured and addressed.
- There are various critical steps in a tender and contract process that would benefit from the formalisation of an Executive-approved management protocol. Crucial procedures include: (i) development of tender specifications, (ii) composition of tender evaluation panel, (iii) determination of tender assessment criteria, (iv) documentation of tender evaluation results, (v) recommendation of tenderer and (vi) authority to override the tenderer recommended by the evaluation panel. This is a recommendation and not the final decision or outcome. For example, General Managers are able to override the recommendation of the tender evaluation panel but this authority is not documented in any Council policy or management protocol.
- The Procurement and Contracts Department's intranet homepage contains guidelines literature predominantly in the form of workflows and sample documents. This procurement literature was not intended to and does not replace the need for a management protocol. As these documents are not official Council policies or management protocols, there is uncertainty as to its awareness, authority and application across all departments. In addition, there is a risk that such literature may become outdated as these documents are not captured within the formalised process for regular revisions that is applied to policies and protocols. We were advised that the procurement literature on the intranet has not been updated since they were initially uploaded over two years ago.
- Another justification for the formalisation of tendering and contracting procedures into Executive-approved management protocols is the punitive measures potentially available in the event of wilful non-compliance with Council policies and management protocols.

#### *Contract Management*

The Procurement and Contracts Department's intranet homepage contained the following guidance literature / sample forms for contract management:

- Practical Completion Letter
- Omissions and Defects
- Final Completion Letter
- Certificate of Practical Completion

However, there is no management protocol on contract management. Given the financial significance of contracts managed by Council, it would constitute good governance to develop a management protocol on contract management. This would assist in enhancing consistent application of the correct processes across Council, as well as minimise compromised outcomes from poor contract management practices.

#### *Tendering Suppliers Guide*

In addition, we reviewed the Tendering Suppliers Guide that was issued in December 2012. This guide was developed to assist businesses to better position themselves to access business opportunities at the City of Burnside. The guide provides a summary of the information businesses should be aware in order to participate effectively in quoting and tendering opportunities with Council. This document is provided to all tenderers. It is also available on the City of Burnside's internet and intranet sites. This document contained several wording, grammatical and punctuation errors as well as missing parts of sentences.

#### **Recommendations**

5. We recommend the development of a management protocol on the tendering process.
6. We recommend the development of a management protocol on the contracting process.
7. We recommend the development of a management protocol on contract management.
8. We recommend that the standard contract and tender conditions should be reviewed every three years.
9. We recommend revision and re-issuance of the Tendering Suppliers Guide.

#### **Agreed management actions**

Refer to Actions register

#### **Responsibility**

Please state title / designation (name).

#### **Target date**

Please state date in terms of month and year.

**Deliverables Completed**

1. *Tenders & Contract Engagement Policy*
2. *Three (3) new proposed Tenders and Contract Management Protocols, titled Pre-Contract Execution, Contract Execution and Contract Performance Management*
3. *Reviewed and enhanced Procurement Thresholds Matrix (Appendix to Tenders & Contract Engagement Policy)*
4. *Reviewed and enhanced Tenderers – Suppliers Guide*

## Recommendations – Education and Training

### Annual Training Program and ‘Procurement Champions’

#### Findings and impact

##### Annual Training Program

Under a centre-led procurement model, the Procurement and Contracts Department is responsible for the development and delivery of the education and training program for employees engaged in procurement duties across all departments within Council.

In recent years, the following training was provided to departments:

- Initial procurement and purchasing training was rolled out to staff between 15 and 26 October 2013.
- Training on the use of the Vendor Panel System was rolled out to all users in July 2013, and has been provided to new staff as they have commenced.
- Procurement and Contracts Department provide induction training on procurement to all new staff (this was implemented in July 2012).
- Ad hoc training has been provided on an as needs basis to meet operational needs.

An annual program of structured training sessions that has been developed through a systematic methodology would be recommended. This was recognised by the Manager – Procurement and Contracts, who has been working with the Manager – People and Culture to implement a Specification Writing Training Program. Resource and time constraints, however, have limited progress in developing a structured training program.

Employees engaged in procurement duties have not been trained on (i) writing tender specifications and (ii) contract management, which were identified as crucial skill gaps across Council. Incomplete or inaccurate tender specifications may compromise tender outcomes, result in inefficiencies from additional work in clarifying the needs of Council, and increase the risk of contract variations. Absence of formal training on project management may compromise project outcomes as well as impact the work of related departments. Absence of formal training on contract management may result in lack of understanding and knowledge of contract management requirements, and this may cause inconsistency and inefficiency across these processes.

##### ‘Procurement Champions’

There is no designated ‘Procurement Champion’ who is appointed as the resident expert on procurement within each department.

The disadvantages of a ‘Procurement Champion’ structure is summarised below. In general, the department manager is responsible for the department’s compliance with all policies and protocols including the Procurement Policy. Appointing a department staff member to be the ‘Procurement Champion’ for their department may be unwieldy as it adds an extra tier who is responsible for enforcing procurement compliance. In addition, that staff member may focus on their core responsibilities with the expectation that the Procurement and Contracts Department should be primarily responsible for procurement compliance.

The advantages of a ‘Procurement Champion’ structure is summarised below.

Implementing this organisational structure of 'Procurement Champions' may enforce stakeholder and ownership interest by departments in the procurement function. This structure may also increase the co-operation and co-ordination between each department's 'Procurement Champion' and the Procurement and Contracts Department. This may magnify the likelihood of compliance with Council policies and management protocols on procurement.

## Recommendations

10. We recommend the development of an annual program of structured training sessions for employees engaged in procurement duties for their respective departments.

11. We recommend that the training program should consider the following features:

- The differing procurement training needs of the departments should be defined. For example, the training needs of departments may be differentiated on type of items procured, volume of transactions and financial costs (this is not intended to be exhaustive). These differing business needs should comprise different training topics and content areas.
- Any significant gaps in procurement knowledge or practices should form another source for the identification of training topics and content areas.
- This training program should focus on explanations as to the importance of the internal control, risk management, governance and probity requirements of the procurement procedures.
- This training program must include education on procurement risks of fraud and corruption, accountabilities, and the implications for employees and Council.
- This training program should contain courses on management of conflict of interest particularly (i) identification of actual and perceived conflict and (ii) appropriate actions in the event of such conflict.
- This training program should contain courses on (i) writing tender specifications, (ii) project management and (iii) contract management.
- These training courses may be delivered by the Procurement and Contracts Department, the Local Government Association or external service providers.
- Online training modules, exams and similarly innovative options should be considered.
- Training courses that result in the awarding of professional accreditation should be considered.
- This may result in a tiered structure of training courses where completion of training sessions at one level enable progression to sessions at the next level that cover more complex topic areas and skills.
- This training program with its various courses should be repeated every year to ensure that new employees in the departments are afforded the same opportunity for attendance to acquire the necessary knowledge and skills to meet their procurement duties.

12. We recommend that the annual program of training sessions should be reviewed every three years. This is to ensure that the training sessions are assessed to match the evolving business needs, increased procurement knowledge and changing issues of the departments.

13. We recommend the Procurement and Contracts Department to engage the People and Culture Department to refine the system for recording the training history of employees

with procurement duties across Council. The maintenance of accurate and reliable training records enables the Procurement and Contracts Department and department managers to identify training gaps and to select appropriate employees for relevant training courses.

14. We recommend the selection of a designated 'Procurement Champion' within each department. This person should be responsible for ensuring their department's compliance with Council policies and management protocols on the procurement function.
15. We recommend that the annual procurement training program should be delivered through partnership between the Procurement and Contracts Department and each department's 'Procurement Champion'.

#### Agreed management actions

Refer to Actions Register

Please state action plan in response to each audit recommendation.

<b>Responsibility</b>	Please state title / designation (name).
<b>Target date</b>	Please state date in terms of month and year.

#### Deliverables Completed

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.



## Recommendations – Business Partner

### Procurement Business Partner

#### Findings and impact

##### Overview

Under a centre-led procurement model where purchasing activity is undertaken by many employees across the various departments, one of the critical roles of the Procurement and Contracts Department staff is to serve as the 'Procurement Business Partner' to the departments.

The Procurement and Contracts Department consists of 3.0 Full-Time Equivalent (FTE) comprising the Manager – Procurement and Contracts and two Procurement Officers. Both Procurement Officers are allocated with their own portfolio of departments whom they serve as the 'Procurement Business Partner'. The Manager is also responsible for a small number of key areas including Strategic Projects, Waste and Legal Services Contracts.

The summarised role of the 'Procurement Business Partner' is to collaboratively engage with the department in order to (i) understand the procurement-related business needs of the department, (ii) assist the department staff in developing and implementing an acquisition plan for each procurement project that achieves the department's needs whilst ensuring compliance with policies and protocols, (iii) provide advisory services and problem-solving assistance on any procurement issues, and (iv) conduct procurement processes for the client departments where the annual / project spend is above the value of \$15,000.

##### Review of Procurement Business Partner Role

In assessing whether the Procurement and Contracts Department has successfully executed its role as 'Procurement Business Partner' to other departments within the City of Burnside, we interviewed the department managers.

Our meetings with the department managers identified the following range of issues:

- The department was uncertain as to the procurement procedures to be executed. This was not sufficiently explained by the Procurement Officer at the outset of the engagement.
- There was uncertainty as to the role and involvement required of the department.
- The Procurement Officer had not demonstrated a sufficient understanding of the business needs of the department.
- There was minimal evidence of advice and guidance offered by the Procurement Officer in the department's assessment of tender or quote submissions that reflected an in-depth understanding of the department's business needs.
- The procurement function was perceived to be essentially an administrative function. Managers were of the opinion that Procurement Officers were predominantly focused on procedural compliance with minimal consideration of the business needs of departments. There was minimal value-adding or challenging advice provided by the Procurement Officer.
- The Procurement Officer had provided incorrect or contradictory information. This resulted in additional time spent in executing the procurement process.
- There was minimal evidence of provision of advisory services at the strategic level to



the procurement needs of the department. For example, a procurement project should not be assessed solely at its individual case level but rather the Procurement Officer should assess this project within the whole expenditure area of that department.

- Past experience of similar procurement projects from other organisations was not evident throughout the engagement with the Procurement Officer.
- There was a failure by the Procurement Officer to understand the urgency of timeframes. Requested timeframes for delivery were not met by the Procurement Officer. Updates were not provided by the Procurement Officer on the progress of procurement projects. There was no offering by the Procurement Officer of alternative options to the department when original timeframes were not delivered.
- Whilst internal control, risk management, governance and probity requirements necessitate certain procurement procedures that must be complied, some of these procedures may adversely impact the business needs and time urgency of the procuring department. In these situations, many department managers were of the opinion that the Procurement Officer was unwilling to mutually consider other options that both satisfy probity requirements as well as meet the departments' needs.

Due to resource and time constraints, we did not independently verify the issues raised by the department managers. However, we consulted with the Manager – Procurement and Contracts, who expressed general agreement with some of the performance issues identified.

### **Conclusion**

- Many of the procurement issues faced by the departments required the involvement of a Senior Procurement Officer. The resolution of these issues required experience and expertise beyond that of the Procurement Officers. The nature of many of these issues did not warrant the involvement of the Manager – Procurement and Contracts.
- A Senior Procurement Officer would provide advice and guidance to better enable the Procurement Officers to effectively fulfil their role as 'Procurement Business Partners'.
- A Senior Procurement Officer would enable the Manager – Procurement and Contracts more time to focus on higher level management responsibilities.
- Refresher training sessions should be provided to the Procurement Officers on the critical success factors of their role as 'Procurement Business Partners'.
- Success as 'Procurement Business Partners' would result in other departments perceiving the Procurement and Contracts Department as a business partner rather than an administrative function.

Our review was not intended to be a business case for a Senior Procurement Officer. Therefore, this report does not present the full set of advantages and disadvantages for the engagement of a Senior Procurement Officer. However, the issues identified in assessing the role of the Procurement and Contracts Department as a business partner to other departments has provided support for Executive consideration on the merits of a Senior Procurement Officer.

In addition, other findings within this audit report were mainly or partially attributed to the involvement of the Manager – Procurement and Contracts in duties better suited to a Senior Procurement Officer which has resulted in less capacity to focus on higher level strategic responsibilities. The presence of a Senior Procurement Officer would enable the Manager – Procurement and Contracts greater time to focus upon the following managerial

level objectives (this is a list of examples rather than an exhaustive list):

- Development of a Strategic Plan for the procurement function.
- Development and implementation of a suite of monthly standard and exception procurement reports from Finance One for Executive and management review.
- Development and implementation of an annual training program for employees engaged in procurement duties across all departments within Council.
- Conduct analysis of category and spend information to maximise benefit of procurement activities (e.g. bitumen, concrete and quarry (rubble, sand and gravel) products in Operation Services Department).

### Recommendations

16. We recommend Executive assessment of the level of resourcing in the Procurement and Contracts Department.
17. We recommend the development of a training program for Procurement Officers on the critical success factors as a 'Procurement Business Partner' to other departments within Council. This program should capture the performance gaps raised by department managers. This program should complement the day-to-day mentoring provided to Procurement Officers.
18. We recommend the implementation of a feedback mechanism for the Manager – Procurement and Contracts to regularly assess the effectiveness of the department's role as 'Procurement Business Partners'. This may simply be annual meetings with department managers. The meetings would enable identification of gaps to be rectified as well as strengths to be continued.

### Agreed management actions

Refer to Actions register

Please state action plan in response to each audit recommendation.

#### Responsibility

Please state title / designation (name).

#### Target date

Please state date in terms of month and year.

## Recommendations – Tenders and Contracts

### Tender Evaluation Panel

#### Findings and impact

In 2013-14, the City of Burnside managed 49 open and select tenders for 144 executed contracts. The Finance One System does not enable the easy retrieval of the total value of these contracts. However, tenders are required by the Council's Procurement Policy when the purchasing threshold exceeds \$100,000.

Therefore, the role of each Tender Evaluation Panel is crucial as it is the body that assesses the tender submissions in order to propose the recommended tenderer to be appointed by the City of Burnside. Given the importance of this role, it constitutes good governance practice to maintain authoritative guidelines on the composition and role of the Tender Evaluation Panel.

Our review identified the existence of a one-page guideline on panel evaluation tips. The Council's Procurement Policy is silent on the Tender Evaluation Panel. There is no management protocol on procurement, tenders or contracts.

Absence of clearly defined guidelines on the composition and role of the Tender Evaluation Panel increases the following risks:

- Lack of required experience and expertise due to inadequate composition of the panel;
- Poor decisions and outcomes from the tender evaluation process; and
- Lack of accountability for procurement decisions.

#### Recommendations

19. We recommend the development of a management protocol on the Tender Evaluation Panel. Alternatively, an internal guideline may be sufficient in lieu of a management protocol.

We provide the following advice for consideration in the content of the management protocol or internal guideline.

##### *Composition of the Tender Evaluation Panel*

The composition of the Tender Evaluation Panel should ensure that the panel has access to the following skill sets (the level may depend on the nature of the tender being evaluated):

- Financial analysis;
- Specialist or sufficient technical knowledge;
- Procurement advice;
- Human resource expertise;
- Work health and safety expertise; and
- Legal knowledge.

If the area of required expertise is not substantial, it may be accessed through relevant parties outside of the panel.

### *Role of the Tender Evaluation Panel*

We provide the following examples of the responsibilities expected of the Tender Evaluation Panel.

- Managing an in-depth and detailed evaluation process;
- Evaluating tender submissions;
- Matching the technical elements of submissions against requirements;
- Analysing the financial strength and viability of tenderers;
- Noting appropriate work health and safety records and insurances;
- Identifying issues for further investigation and resolution;
- Resolving any areas of significant concern arising from the evaluation process;
- Assessing and prioritising risks;
- Determining risk mitigation action plans including risk reporting;
- Achieving probity;
- Meeting required timeframes;
- Ensuring appropriate audit trail of the tender evaluation and recommendation process; and
- Proposing the recommended tenderer.

20. We recommend that the Evaluation Panel Member Declaration be amended to include (i) reference to the management protocol on the Tender Evaluation Panel or (ii) summarised content of the internal guideline on the Tender Evaluation Panel so that panel members sign-off the declaration form in full acknowledgement of the role and responsibilities of the panel.

### **Agreed management actions**

Refer to Actions Register

Please state action plan in response to each audit recommendation.

#### **Responsibility**

Please state title / designation (name).

#### **Target date**

Please state date in terms of month and year.

### **Deliverables Completed**

4. *QA'd proposed Tender Evaluation form proposed by Procurement function*
5. *Tender Evaluation Panel Nomination declaration form referenced in T&C (Pre-Execution) Protocol*
6. *New Tender Evaluation form and Tender Evaluation Nomination form will incorporate comments above and stipulate composition of skills and responsibilities, in line with new Protocols focusing on Evaluation processes (Pre-Execution specifically).*

## Contractor Performance Evaluation

### Findings and impact

The Procurement and Contracts Department's intranet homepage contained the following guidance literature / sample forms for contract management:

- Contract Reviews
- Practical Completion Letter
- Omissions and Defects
- Final Completion Letter
- Certificate of Practical Completion

Whilst the Procurement and Contracts Department is responsible for establishing the contract management framework, department managers are responsible for managing their contracts. Whilst there are templates for contract reviews developed by the Procurement and Contracts Department, there is inconsistency amongst department managers in conducting contract reviews or contractor performance evaluations.

Monitoring the performance of contractors is an integral component of effective contract management.

At the completion of the contract, conducting an end-of-contract review provides the following benefits:

- Demonstrate and measure how the desired objectives identified at the commencement of the contract were delivered and achieved;
- Evaluates the performance of the contractor;
- Identify strengths and weaknesses in contract management practices for lessons to be applied for future contracts; and
- Promotes a culture of continuous improvement for contract management.

Where appropriate, it may be beneficial to conduct interim contract reviews during the term of the contract. Some of the more commonly used basis for scheduling interim reviews include:

- Reviews based on time factor (e.g. half-yearly and yearly reviews);
- Reviews scheduled at the completion of sub-processes or phases; or
- Reviews triggered by milestones, key events, critical and near-critical activities during the life of the contract.

Such interim contract reviews should include an assessment of financial performance (i.e. contractual costs against budgets including forecasts to identify potential cost overruns).

### Recommendations

21. We recommend that department managers ensure that interim contract reviews, end-of-contract reviews and contractor performance evaluations are conducted as standard practice in contract management.

### Agreed management actions

Refer to actions register

Please state action plan in response to each audit recommendation.

**Responsibility**

Please state title / designation (name).

**Target date**

Please state date in terms of month and year.

### **Deliverables Completed**

1. *Reviewed best practice example Contract Management Plans across government jurisdictions.*
2. *Propose adoption of CMP for future management use in managing whole-of-life contract issues from execution to completion in line with T&C (Contract Performance Management) Protocol.*
3. *Proposed new template requires operational overview to risk manage compliance resources.*

## Recommendations – Compliance Reporting

### Procurement Compliance and Analysis Reporting

#### Findings and impact

##### Overview

Under a centre-led procurement model, one of the critical responsibilities of the Procurement and Contracts Department is to monitor, report and review non-compliances with policies and protocols on the procurement function. This responsibility would require the Procurement and Contracts Department to develop a suite of monthly standard and exception procurement reports from Finance One. In addition, the Procurement and Contracts Department should utilise the suite of procurement reports to highlight major areas of non-compliance to the Executive Team. This would assist the Executive Team in discharging their responsibility to manage procurement compliance risks.

##### Findings

We were advised by the Manager – Procurement and Contracts that the most common areas of departments' non-compliance with the Council's Procurement Policy involve:

- Purchase orders raised after the invoice date;
- Calculating purchase value based on individual transaction rather than annual volume;
- Splitting of purchase orders to avoid higher authorisation levels;
- Preference for engaging specific contractors rather than seeking the necessary quotes; and
- Purchasing arrangements without seeking dispensation approvals.

From September 2013 to April 2014, the Manager – Procurement and Contracts distributed a report from Finance One on purchase orders raised after the invoice date.

The findings of these reports are summarised below:

- Significantly high rate of non-compliance with the Procurement Policy requirement for raising purchase orders before effecting the purchase up to January 2014.
- Whilst the percentage of non-compliance has decreased over time from 63% in September 2013 to 15% in April 2014, this non-compliance rate has fluctuated over time rather than steadily decreasing each month.
- The non-compliance rate of 15% as at April 2014 is below leading practice of 3-5% as advised by the Manager – Procurement and Contracts.

Due to more urgent commitments, the Manager – Procurement and Contracts was not able to generate these reports since June 2014. There are no other reports on the other common areas of non-compliance with the Procurement Policy.

##### Cultural Resistance

The Procurement and Contracts Department was established to manage the procurement function to meet the business needs of other departments whilst enforcing compliance, control and probity requirements. The department's mandate to strengthen controls and reduce risk exposure may often result in changes to historical procurement practices as well as reduced process efficiencies. The balance between risk and efficiency reflects the Executive Team's risk adversity in relation to the procurement function.

In discharging their mandate, the Procurement and Contracts Department has encountered



resistance and dissatisfaction from some departments. This has expressed itself in various forms including (i) adherence to historical procurement practices in contravention of the Procurement Policy, (ii) fear of loss of control to the Procurement and Contracts Department, and (iii) failure to recognise procurement related policies and protocols as a compulsory organisational-wide direction.

To address these issues, the Manager – Procurement and Contracts has implemented regular meetings with department managers to facilitate an open channel for communication as well as identification and resolution of any procurement issues. In addition, the Manager – Procurement and Contracts has reinforced the responsibility of department managers on following-up and resolving non-compliance issues.

## Recommendations

22. We recommend the development of a suite of standard and exception procurement reports from Finance One as detective controls to monitor, report and review (i) potential non-compliances with policies and protocols on the procurement function as well as for (ii) analysis of procurement expenditure.

We have provided examples of such reports below. Note this list is indicative rather than definitive. A comprehensive list is provided in order for Executive and Management to fully consider the various possible types of reports from which to select the reports required. Most of the final selected reports should be reviewed by Management whilst some may be more appropriate for Executive review:

- Purchase orders raised after the invoice date;
- Purchases above a specified significant amount (to select samples for confirmation of compliance with procurement policies and protocols);
- Multiple purchases from the same supplier within a specified short period of time (to detect potential splitting of purchase orders to bring expenditure below certain approval limits);
- Multiple purchases of the same amount from the same supplier (to detect potential splitting of purchase orders to bring expenditure below certain approval limits);
- Payments above a stipulated amount to the same supplier;
- Purchases of goods, services or works outside of panel suppliers (i.e. department initiated spending outside of centrally negotiated contracts);
- Annual purchases from the same supplier above \$100,000 (to detect any manipulation by departments to avoid the purchasing threshold for tenders by underestimating the annual value);
- Total number and value of active contracts for the Council;
- Total number and value of active contracts by department;
- Total number and value of active contracts executed in the past month / quarter;
- Total number and value of contracts that exceeded their original contracted value;
- Total number and value of contracts that are approaching their original contracted value;
- Total number and value of contract variations in the past month / quarter – including to assess whether the delegated authority was applied to the total contract value (contract value plus variations) as opposed to the value of only the variation; and
- Total number and value of procurement dispensations in the past month / quarter.

Some of these reports have been produced in the past and are being acted upon. Some reports are existing standard reports available within Finance One. Other



reports may require investigation with Finance One as to whether they can be generated. Investigation with Finance One may also be required to confirm the data integrity of system reports to ensure accurate and reliable procurement data for analytical purposes. Therefore, we recognise that implementation of this recommendation may require some resourcing and significant time. However, the ability to generate accurate and reliable procurement reports for analysis is a crucial component of a centre-led procurement model.

23. We recommend the staging of a strategic communication session by the Procurement and Contracts Department to other departments within the City of Burnside. This forum would enable communication and education of the Strategic Plan or strategic objectives of the Procurement and Contracts Department, the various sources of advice and assistance that is provided to other departments, the inter-relationships with other departments as well as the importance of compliance with policies and procedures (including the potential exposures to Council in the event of non-compliance).
24. We recommend that the Procurement and Contracts Department develop an annually revised program of random audits designed to focus on major suspected areas of non-compliance. These random audits should be conducted by the Procurement Officer and reviewed by the Manager – Procurement and Contracts. We understand that resourcing may impact on the scale of the audit program.

#### Agreed management actions

Refer to Actions register

Please state action plan in response to each audit recommendation.

<b>Responsibility</b>	Please state title / designation (name).
<b>Target date</b>	Please state date in terms of month and year.

## Recommendations – Procurement Processes

Panel of Suppliers
<p><b>Findings and impact</b></p> <p>A panel contract is a contract where there is more than one supplier contracted to provide or supply goods, works or services to Council. This method is used to improve the efficiency of the procurement processes and reduce the impact of repetitive bidding and tendering on internal resources and potential suppliers.</p> <p>A pre-qualified contract is a contract where a tender process was conducted to pre-qualify preliminaries of a contractor for a specific scope. This eliminates the need for lengthy or repetitive tender processes.</p> <p>The vendor panel is a quotation portal powered by VendorPanel.com.au that offers access to various services via a growing preferred supplier list.</p> <p>Collaborative purchasing arrangements including panel suppliers are available through various entities including Council Solutions, LGA Procurement (LGAP), Procurement Australia, and State and Federal Government. We were advised by the Manager – Procurement and Contracts that an assessment is made of existing panel suppliers from these entities that may be leveraged by the City of Burnside. If these panels are not sufficiently compatible with the specific business needs of the Council, then a panel of suppliers will be created for the City of Burnside.</p> <p>In 2012-13, the Procurement and Contracts Department commenced a roll-out of market-tested panel (preferred supplier) arrangements for a number of key areas within Council. At present, the City of Burnside has the following four panels - civil and building works, engineering consultancy, arboriculture and printing panels. Two other panels on (i) assets and environmental consultancy and (ii) professional services consultancy are being finalised.</p>
<p><b>Recommendations</b></p> <p>25. We recommend the implementation of spend analysis reporting on panel suppliers on a half-yearly basis from Finance One. Management review of these reports should focus upon the following issues (examples rather than exhaustive):</p> <ul style="list-style-type: none"> <li>■ Reviewing the dollar and volume of spend on suppliers within each panel;</li> <li>■ Identifying whether spend is focused on certain specific suppliers within a panel; and</li> <li>■ Assessing whether there is appropriate justification for this concentration of spending.</li> </ul> <p>It is recognised that selection on a panel does not guarantee spend for each supplier.</p>
<p><b>Agreed management actions</b></p> <p>Refer to Actions Register</p>

Please state action plan in response to each audit recommendation.	
<b>Responsibility</b>	Please state title / designation (name).
<b>Target date</b>	Please state date in terms of month and year.

## Procurement Dispensations

### Findings and impact

Clause 6.6 of the Procurement Policy covers the stipulated process to be followed to request and receive authorisation for dispensations from the policy. The requirements are summarised below:

- Written requests only;
- Request to state (i) reasons for dispensation and (ii) risks involved.
- Approved request to be recorded on Enterprise Content Management (ECM) System.
- General Manager approval up to \$50,000. Chief Executive Officer (CEO) approval above \$50,000.

Dispensations may be (i) dispensations from specific policy requirements or (ii) a single source supply dispensation. The policy provides for several conditions where a single source supply dispensation may be granted.

Presently, the policy does not compulsorily require consultation with the Manager – Procurement and Contracts on dispensations. This enables departments to submit dispensations to the General Managers or CEO without input, advice or support (positive or negative) from the Manager – Procurement and Contracts. Our review of dispensations indicated that there was no evidence of departments engaging the Manager – Procurement and Contracts for 6 out of 14 dispensations from September 2013 to December 2014. This should be rectified in the Procurement Policy. It should be compulsory for departments to seek the expertise of the Manager – Procurement and Contracts on the necessity of dispensations, the potential exposures involved, and whether alternate options are advisable. Greater assurance would be provided to the Executive Team in approving dispensations if these dispensations were consulted through the Manager – Procurement and Contracts.

At present, there is no reporting or spend analysis of procurement dispensation on a regular basis. This may create difficulties in identifying whether there is a high occurrence of dispensations towards particular suppliers or expenditure areas.

Approved dispensations must be recorded in the Enterprise Content Management (ECM) System. However, there is no internal control to ensure that all dispensations are recorded on ECM. Therefore, there is a risk that ECM does not contain a complete record of all approved dispensations. Our review of dispensations indicated that evidence of approvals was not stored on ECM for 4 out of 14 dispensations from September 2013 to December 2014.

Procurement dispensations pose potential risks in that they may conceal procurement fraud or they may represent avenues to bypass policy requirements to engage a specific supplier.

### Recommendations

26. We recommend the compulsory requirement for dispensations from the Procurement Policy to be consulted with the Manager – Procurement and Contracts prior to the final authorisation from the CEO or General Managers. This requirement should be

captured in the next revision of the Procurement Policy.

27. We recommend that Executive Assistants in the Office of the CEO maintain a register of procurement dispensations. Dispensations should be added to the register when the Executive Assistants upload documentation of Executive approval of each dispensation on ECM. This register would serve as a complete listing of procurement dispensations.
28. We recommend the Manager – Procurement and Contracts conduct a spend analysis of procurement dispensations every six months. This is designed to identify any trends in dispensations towards particular suppliers or specific expenditure areas.

### Agreed management actions

Refer to Actions register

Please state action plan in response to each audit recommendation.

<b>Responsibility</b>	Please state title / designation (name).
<b>Target date</b>	Please state date in terms of month and year.

## Recommendations – Risk Management

### Risk Management of Procurement Fraud

#### Findings and impact

Both the City of Burnside's organisational-wide risk register and the Procurement and Contracts Department's risk register do not capture any procurement risk in relation to fraud and corruption.

We reviewed the City of Burnside's Risk Register for the following procurement risks.

- Internal department advice is not sought, accepted or followed resulting in legal non-compliance, reputation impact or financial costs.
- Possibility of contractors protesting tender process in a tight market exposing Council to a risk of legal process or damages.

We reviewed the Procurement and Contracts Department's Departmental Program Report 2014-15 for the following procurement risks:

- Unco-ordinated or insufficient tendering and quoting services resulting in incorrect process, not obtaining good value for money, exposure to investigations or complaints, damages claims or purchasing goods, works or services not fit for purpose (low).
- Inaccurate or insufficient advice resulting in incorrect processes or decisions leading to challenges to the process and decisions, incorrect purchases, value for money not being obtained, and possible investigations (low).
- Procurement Framework is not kept up to date resulting in out of date practices and procedures (low).
- Non-existent, inaccurate, or insufficient training resulting in staff who are not aware of appropriate procurement or contract management practices (low).
- Efficiencies and industry trends are not identified or implemented (low).
- Contract Management Framework is not kept up to date resulting in out of date practices and procedures (low).
- Poorly managed Civic Centre vehicle assets resulting in increased costs, decreased utilisation of assets, vehicles not fit for purpose, and possible safety issues if factory recalls are not communicated (low).

Clause 6.2.5 of the Council's Fraud and Corruption Prevention Policy states that Public Officers will assist in preventing fraud and corruption by being continuously vigilant to the potential for fraud and / or corruption to occur.

Clause 6.3.2.6 states that managers are responsible for identifying potential fraud and corruption risks.

Clause 6.4.1 states that the Council's main objective in the prevention and control of fraud and corruption is to minimise the occurrence of fraud and corruption within the Council. This objective is generally achieved by (i) identifying fraud and corruption risks, (ii) determining strategies to control those risks and (iii) defining responsibility and timeframe within which the strategies will be implemented.

Given the inherent risks associated with any procurement function, the risk of procurement

fraud should be captured in the City of Burnside's risk assessment and reporting. The City of Burnside's Risk Management Framework states that risk reports should be regularly reviewed by the Executive Team to ensure that all reasonable action is being taken to mitigate unacceptable risks.

### Recommendations

29. We recommend that the identification, assessment and prioritisation of procurement risks of the Procurement and Contracts Department should capture those risks in relation to procurement fraud and corruption.
30. We recommend that risk mitigation plans to address procurement risks including risks in relation to fraud and corruption should be developed, reported and approved by the Executive Team every 12 months.

### Agreed management actions

Refer to Actions Register

Please state action plan in response to each audit recommendation.

#### Responsibility

Please state title / designation (name).

#### Target date

Please state date in terms of month and year.

### Deliverables Completed

1. *GM approval to complete ICAC Management Protocol as part of project deliverables, in consultation with Governance Officer.*
2. *May include desktop review of Fraud/Corruption and Risk Management Policies respectively.*

## Recommendations – Light Fleet Vehicles

Management of Light Fleet Vehicles	
<p><b>Findings and impact</b></p> <p>The Procurement and Contracts Department manages the fleet of light passenger vehicles that are used by staff in the performance of their duties. Pool vehicles are vehicles within the light passenger fleet that are available for booking by staff for Council use.</p> <p>A recent initiative was to centralise the budget and accounting for purchasing, petrol and registration costs within the Procurement and Contracts Department. Initiatives are being assessed on centralising other costs such as tyres, servicing and roadside assistance, which are presently recorded under the budget and cost centres of individual departments. The centralisation of these expenditures would enable the Council to accurately determine the running costs of motor vehicles.</p> <p>The recent introduction of a vehicle booking system has enabled the recording of the percentage of time that vehicles are utilised.</p>	
<p><b>Recommendations</b></p> <p>31. We recommend a review into the required usage, current usage and fleet capacity.</p> <p>32. We recommend an investigation into determining the optimal number of light fleet vehicles that meets the business needs of the City of Burnside.</p>	
<p><b>Agreed management actions</b></p> <p>Refer to Actions register</p> <p>Please state action plan in response to each audit recommendation.</p>	
<b>Responsibility</b>	Please state title / designation (name).
<b>Target date</b>	Please state date in terms of month and year.



## Appendix I: Tender Process

We propose referral to the following checklist in developing the management protocol. This is not intended to be an exhaustive list; rather it is a list of generic good practices and controls that may be varied with reasonable justification. This is not a list of controls and procedures that are not in place but it is a checklist for consideration in developing the management protocol on the tendering process.

	Procedure
1	A checklist is used and signed-off to ensure that stipulated procedures in the management protocol on the tendering process are performed. This checklist is retained as evidence of declaration of procedural compliance.
2	The business case is prepared by the requisitioning department with input from other departments where specialist expertise is required.
3	A standard format is used for business cases with amendments to tailor for individual circumstances (nevertheless the standard required information for business cases are documented).
4	The business requirements or purposes necessitating the tender / contract are documented within the business case.
5	The objectives for the tender / contract are consistent or enhance corporate strategies and business plans.
6	The depth of detail in the business case should be sufficient to enable a reasoned decision to be made by the approving authorities.
7	Assumptions used in formulating the business case are specifically disclosed.
8	Various options are identified and evaluated in adequate and sufficient detail including the 'do nothing' option.
9	Costs and benefits (tangible and intangible) for each option are detailed.
10	The benefits of each option are realistic and achievable.
11	The impact of different scenarios or outcomes is documented in the business case, e.g. determining the impact of changes in the assumptions, costs and benefits, contractor default or cost overruns.
12	The business case includes a risk assessment, i.e. developing a risk profile that identifies (i) nature of risks, (ii) possible causes of these risks, (iii) potential impact and magnitude, (iv) likelihood of occurrence, (v) existing controls, (vi) assessment of strength of controls in place, (vii) residual risk rating, and (viii) desired controls that should be implemented. Otherwise, this raises the possibility that key risks regarding the achievement of business objectives may not be identified and where possible, mitigated or managed. This also facilitates translating the risk assessment into action plans aimed at preventing, eliminating or mitigating these key risks.
13	The business case was subject to independent review and challenge by other relevant departments other than the user department.
14	There is documentary evidence of approval for the business case in accordance with

	Procedure
	the Council's Delegation Record.
15	The procuring department and other end users drive the designing and drawing of the tender specifications. Input from relevant departments should be obtained. This process may require engaging specialist knowledge experts from outside of Council.
16	Tender specifications and statements of agreed works (where applicable) are clearly defined and sufficiently detailed to capture Council's requirements and minimise subsequent contract variations by the contractor.
17	Tender specifications are reviewed and approved by appropriate authorities prior to release.
18	There is a stipulated guideline on determination of the no. of tenderers including documentation and approval.
19	There is a stipulated guideline on selection of the tenderers to be invited including documentation and approval.
20	Only the designated contact person from Council is authorised to communicate with tenderers during the tender process.
21	A staff member is designated as custodian of tender submissions received, and all tenders are kept in a secured location from unauthorised access until the tender closing date.
22	Where tenders are received electronically, such arrangements are subject to similar controls as those enforced on hard copy tenders, i.e. tender submissions are e-mailed to a specified person who secures the submissions until the tender closing date.
23	Established practice dictates that tender submissions are not opened prior to the tender closing date.
24	Established practice dictates that late submissions beyond the tender closing date are not considered in the selection process unless otherwise negotiated prior to opening of tenders. If late tenders may be considered, the circumstances and approvals required are captured in the management protocol.
25	Two people are present to open the tender submissions at the closing date. Where possible, one of these two people is independent of the tender or user department to which the tender is related to.
26	A register of opening of tenders is compiled to record necessary details. This may or may not include: (i) name of tenderer, (ii) date and time received, (iii) date and time of opening; (iv) amount of tender, (v) any qualification, alternative offer or unsigned tenders, (vi) the names of the contractors not submitting a tender, (vii) the reason for considering any late tenders, (viii) the signatures of the people opening the tenders, (ix) the signature of person to whom the opened tenders have been forwarded.
27	The minimum required number of tender submissions is received subject to Council's requirements.
28	Tenderers are assessed according to pre-determined and pre-approved selection criteria. Examples of such criteria may include: (i) technical quality of service, (ii) costs, (iii) experience, (iv) financial and operational reliability and reputation, and (v) work

	Procedure
	health and safety records.
29	There is a stipulated guideline on composition of the tender evaluation panel including documentation and approval.
30	The tender evaluation panel comprises appropriately qualified people to appraise the tender submissions. This may involve senior personnel from different departments.
31	Tender submissions address all the tender specifications.
32	Tender submissions which did not address all the tender specifications were omitted or additional requirements may be sought from tenderers to meet the outstanding tender specifications.
33	Tenders are examined for (i) arithmetic errors, (ii) omissions, (iii) unauthorised amendments, (iv) qualifications and (v) signatures.
34	Tenderers are assessed for their financial position. Such appraisals may cover the following: (i) examination of the latest three years published financial statements including the application of accounting ratios (particularly its ability to meet current liabilities) and trend analysis to assess its financial viability as a going concern, (ii) review of the most recent management accounts and comparison of performance against budget and past year comparatives, (iii) consideration of the contract value in relation to the turnover of the contractor, (iv) bank, credit and business information reports, and (v) consideration of the need to obtain performance guarantees and bonds.
35	Tenderers are assessed for their technical capabilities. Such appraisals may cover the following: (i) particulars of recent contracts completed by the contractor, their nature and value, (ii) trade references and personal visits, if necessary, by technical personnel to assess the reputation and ability to deliver contracted work or service for the duration of the project, (iii) assessment of the contractor's management, labour and plant resources, and (iv) information from in-house systems for monitoring contractors' performance.
36	Tenders are assessed on their past performance on previous projects (where applicable).
37	All members of the evaluation panel submit signed declarations on conflicts of interest.
38	Results of the assessment process are documented, and there are appropriate controls preventing unauthorised manipulation of the results of this assessment process (e.g. the scoresheets of each panel member is signed and retained as evidence).
39	Unsuccessful tenderers are provided with written notification.
40	The justification or basis for the tenderer recommended by the evaluation panel is documented for inclusion in a business case to be submitted for approval by the appropriate authorities.
41	The relevant people with the authority to override the tenderer recommended by the evaluation panel are documented in the management protocol.
42	Justification for overriding the recommended tenderer is documented.
43	The procedures to occur to determine the awarded tenderer after overriding the tenderer recommended by the evaluation panel is clearly specified to ensure

	Procedure
	transparency.
44	The objectives to be achieved through engaging the recommended tenderer and executing this contract are explicitly documented with sufficient details including the method for measuring achievement of objectives and the reporting forum for communicating progress against objectives to key stakeholders (primarily the authority approving the tender / contract).

## Appendix II: Contracting Process

We propose referral to the following checklist in developing the management protocol. This is not intended to be an exhaustive list; rather it is a list of generic good practices and controls that may be varied with reasonable justification. This is not a list of controls and procedures that are not in place but it is a checklist for consideration in developing the management protocol on the contracting process.

	Procedure
1	A checklist is used and signed-off to ensure that stipulated procedures in the management protocol on the contracting process are performed. This checklist is retained as evidence of declaration of procedural compliance.
2	Standard contracts (i.e. contracts with standard clauses) are used. The terms and conditions of this standard contract are then amended to reflect the particular circumstances.
3	The standard terms and conditions in contracts are subject to periodic reviews (i.e. at least every two years by legal specialists) to ensure that they are still relevant and updated to protect the interests of the Council.
4	It is a compulsory requirement for major contracts over a stipulated value to be reviewed by a legal specialist. This is to avoid entering into contracts which exposes the Council to unforeseen or undesirable commitments or obligations. This is also to avoid the risk of entering into contracts that may violate laws and regulations resulting in penalties, fines, lawsuits and other contingent liabilities as well as adverse publicity impacting the reputation of the Council.
5	If an outside legal firm is utilised for contract review services, there are established procedures for engagement approval, tracking professional fees and measuring quality of services.
6	The contract clearly specifies contract deliverables and timeframes which the contracted parties are obligated to meet. Special care should be given to ensure clarity in wording to avoid ambiguity and disputes between parties.
7	The contract specifies the performance measures (such as key performance indicators) that define the objectives for the project against which the contractor will be measured.
8	The contract specifies the types of reports to be provided by the contractor (including data required, format of the report, and frequency of reporting).
9	The contract specifies the actions available to the Council in the event of contractor default including the failure to achieve contract deliverables on time and within budget.
10	The contract specifies the basis for fees – basis of calculation, information required on invoices, invoicing period, supporting documentation required for substantiation, submission of variances, and actions available in the event of disagreement over billing.
11	The contract contains clauses on work health and safety.
12	Conditions for early termination (partial or full, unilateral or mutual) and extension are included in the contract.
13	All parties have effected the necessary insurances in terms of the contract. The

	Procedure
	contractors' insurances are confirmed for adequacy of coverage and current premiums have been paid prior to granting access to commence the contracted good, work or service.
14	Performance bonds and guarantees are obtained and safely stored from loss or destruction (if applicable).
15	An appropriately authorised person has signed the contract for the City of Burnside.
16	The contract is duly signed by all parties prior to the commencement of the contracted good, work or service.
17	Signed original copies of contracts are stored in a central and protected location.
18	Access to contracts is secured and controlled.
19	Adequate controls exist over access and modification of electronic copies of contracts and supporting documentation. Files are appropriately protected and backed-up.
20	A contract register serves as the database for reference to contracts executed by the City of Burnside.

## Appendix III: Contract Management Process

We propose referral to the following checklist in developing the management protocol. This is not intended to be an exhaustive list; rather it is a list of generic good practices and controls that may be varied with reasonable justification. This is not a list of controls and procedures that are not in place but it is a checklist for consideration in developing the management protocol on the contract management process.

	Procedure
1	A project schedule is developed to monitor key deliverables, events, and milestones. This schedule is used as one of the tools by which to measure contractor performance and contract outcomes.
2	A project reporting framework is developed and implemented. This framework should (i) identify the types of reports to be produced, (ii) the person responsible for producing these reports, (iii) the pre-determined format for these reports which outline the types of information to be reported, (iv) the frequency for these reports, and (v) the parties to receive these reports. The content of these reports should include information provided by the contractor (as required in the contractual agreement) and reporting on the progress of risk treatment plans. These reports must include a forecasting element (i.e. any expectation of failure to meet operational and financial objectives and targets should be identified as early as possible).
3	The Project Manager conducts regular meetings with the contractor. There is a fixed agenda every meeting which ensures that key issues are discussed. Relevant reports that reflect contract performance are discussed at these meetings. During these meetings, the Project Manager should raise discussion with the contractor on (i) any threats of failure to deliver the project on time and within budget, (ii) perceived shortfalls in contractor performance and (iii) any other issue of concern that is currently or may potentially impact project outcomes in an adverse manner. Discussions surrounding contractor performance or contract outcomes should lead to formalised action plans to address performance gaps and improve outcomes, i.e. project management must act promptly on issues identified. This facilitates monitoring of contractor performance, identification and resolution of problems, as well as ensuring regular communication with the contractor. Formal minutes are taken at meetings as a record of information communicated, matters discussed, decisions made, and actions agreed. This may be required evidence in the event of any disputes with the contractor.
4	The Project Manager conducts regular site visits (where applicable) to independently verify progress of the contracted work. Such visits may include relevant staff members with relevant expertise.
5	All significant decisions made in the course of the project to be formally documented and retained in the project file with sufficient details. Relevant details should include the decision made, the authority making the decision, the parties consulted or informed in making the decision, and the justification for making the decision. This promotes transparency and accountability over project decisions consistent with good governance. It also provides an audit trail of key project decisions.
6	There is clear definition of the Project Manager's responsibility for identifying, reporting and escalating actual issues as well as forecasting potential issues particularly issues



	Procedure
	that threaten the achievement of the project's desired outcomes on time and within budget to Executive and Elected Members (where appropriate). Common failures in project management include (i) lack of action or delayed action in escalating and resolving significant project issues and (ii) a narrow focus on project construction activity without any mechanisms in place that demand forecasting potential operational and financial issues.
7	Where appropriate, interim project reviews are conducted. Some of the more commonly used basis for scheduling interim reviews include: (i) reviews based on time factor (e.g. half-yearly and yearly reviews), (ii) reviews scheduled at the completion of sub-processes or phases, or (iii) reviews triggered by milestones, key events, critical and near-critical activities during the life of the project. Such interim project reviews should include an assessment of financial performance (i.e. project costs).
8	The Project Manager identifies the major cost drivers for expenditure where there is the greatest risk of variances or cost overruns. This identification process would enable project management to tightly focus, monitor and report on these areas as the project is implemented.
9	The Project Manager ensures that payments made to the contractor <i>during</i> and <i>after</i> the end of the contract constitute payments pursuant to the contractual terms and conditions. This includes assessing the reasonableness of the percentage of work claimed by the contractor as completed through physical inspection and against other data such as activity reports, milestone charts, timesheets, etc.
10	Regular project reporting to Executive and Elected Members include a financial report on (i) actual expenditure in comparison to budget expenditure and (ii) forecasts of potential cost overruns. Failure to detect possible sources of cost blowouts would forfeit management the opportunity to take timely preventative or mitigating actions to limit the adverse impact of the overruns.
11	Appropriate and timely actions are initiated by project management to address potential cost overruns. These actions and their resulting impact should be captured in monthly project reports to Executive and Elected Members.
12	Conduct a physical inspection of the finished project to ensure that it fulfils the specifications contained in the agreed statement of works. This is also designed to ensure compliance with relevant standards.
13	Conduct a post-implementation review of the finished project to demonstrate and measure how the desired objectives identified at the commencement of the project were delivered and achieved, as well as to identify strengths and weaknesses in project management practices and lessons to be applied for future projects. This promotes a culture of continuous improvement for project management.
14	The Project Manager ensures that project information, documents and reports are stored in an organised and logical structure that enables easy identification and retrieval on the Enterprise Content Management (ECM) System in a timely fashion.



## Business Service Review (BSR) - Procurement and Contracts Department

### Actions Register

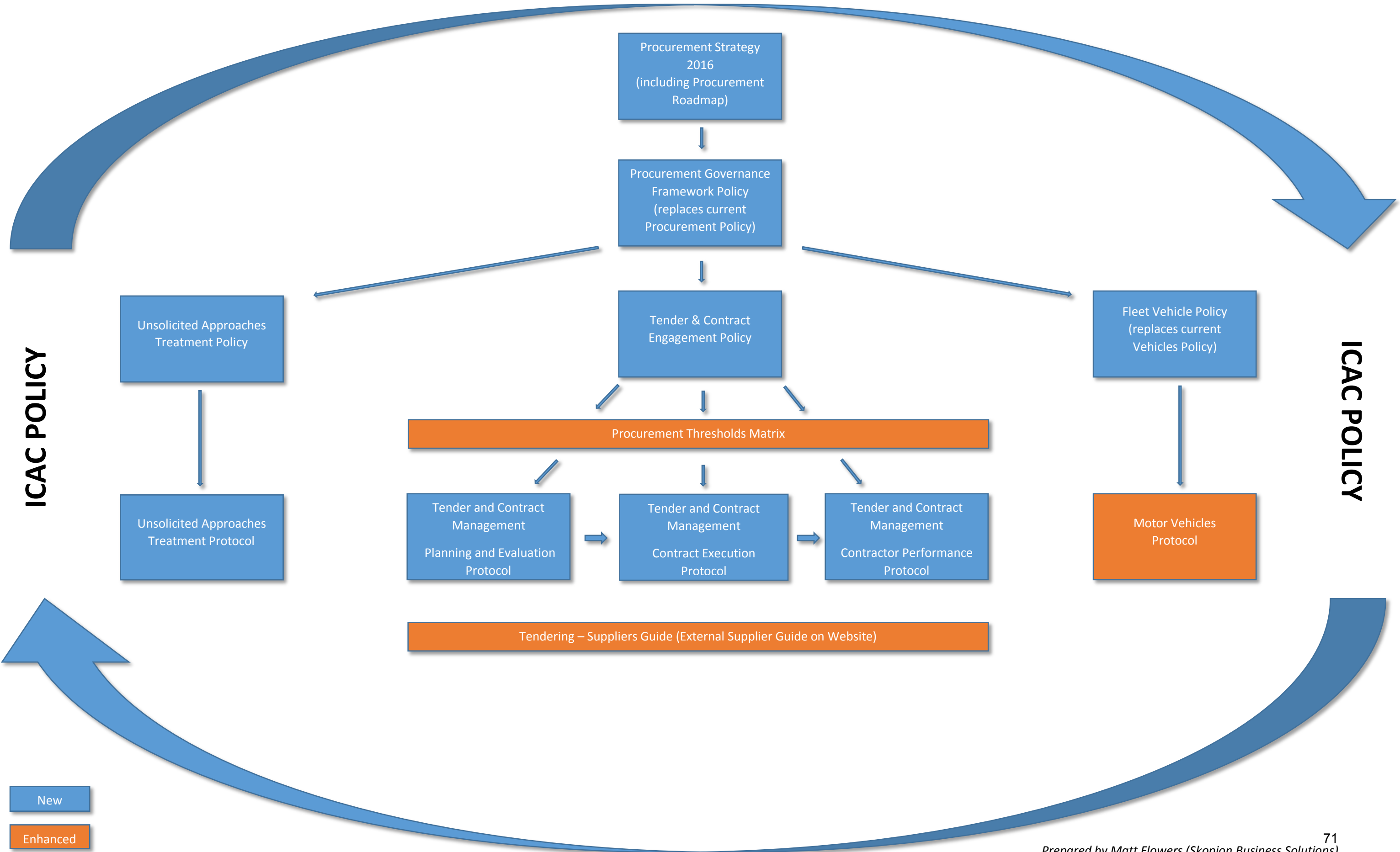
Function	Recommendation	Action Taken	Due Date	Status
<b>ACTIONS COMPLETED</b>				
Structure and Model	The BSR did not identify any substantial justification for changing the existing structure of the Procurement and Contracts Department	On the resignation of the previous Procurement Manager, this department was merged with the Finance Department and is now managed by the Manager Finance and Procurement. This has enabled a synergy with regards to strategic planning, capital works projects and financial savings. Centre led model maintained.	30 June 2015	Completed
Procurement Framework - Management Protocol on Tenders and Contracts	<p>Recommend the development of a management protocol on the tendering process.</p> <p>Recommend the development of a management protocol on the contracting process.</p> <p>Recommend the development of a management protocol on contract management.</p>	<p>Three new Tenders and Contract Management Protocols drafted titled Pre-Contract Execution, Contract Execution and Contract Performance Management</p> <p>Reviewed and enhanced Procurement Thresholds Matrix (Appendix to Tenders &amp; Contract Engagement Policy)</p> <p>Protocols and new thresholds endorsed by Executive team on 22 February 2016.</p>	30 June 2016	Completed
Business Partner	Recommend Executive assessment of the level of resourcing in the Procurement and Contracts Department.	<p>Executive were presented with a new Procurement function structure on 22 February 2016 which was subsequently endorsed.</p> <p>New structure comprises of a Strategic Procurement Analyst and two Business Partners. Recruitment is currently being finalised for all three roles.</p>	30 June 2016	Completed
Business Partner	Implementation of a feedback mechanism for the Manager to regularly assess the effectiveness of the department's role as 'Procurement Business Partners'.	Independent consultant (Skopion) has recently met with all primary stakeholders to assess the effectiveness of the Business Partnering role. This has informed the Procurement Roadmap as well as the new Procurement team structure.	30 June 2016	Completed

Function	Recommendation	Action Taken	Due Date	Status
<b>ACTIONS IN PROGRESS</b>				
Strategic Planning	<p>Develop a 10-Year Strategic Plan</p> <p>Plan to be developed with assistance from the Strategic and Corporate Planner to ensure consistency and compliance with the City of Burnside's strategic planning framework and practices</p> <p>The Strategic Plan should form the basis for developing the Annual Departmental Program of the Procurement and Contracts Department</p>	Procurement Strategy drafted – to be formally endorsed by Executive	31 Dec 2016	In progress
Procurement Framework - Management Protocol on Procurement	Development of a management protocol on procurement with sub-sections for each of the various types of procurement activities.	New Procurement Framework, policies and protocols developed by independent consultant (Skopion) and endorsed by Executive.	30 June 2016	In progress - Policies to be adopted by Audit Committee and Council
Procurement Framework - Management Protocol on Tenders and Contracts	Recommend that the standard contract and tender conditions should be reviewed every three years.	Informal ad hoc reviews conducted. However, a formal review will be undertaken in line with the Procurement Roadmap.	30 June 2017	In progress
Procurement Framework - Management Protocol on Tenders and Contracts	Recommend revision and re-issuance of the Tendering Suppliers Guide	Reviewed and enhanced Tenderers – Suppliers Guide (to be made available on CoB external website)	30 June 2016	In progress
Business Partner	Training and mentoring program for Procurement Officers	To be captured via the training needs analysis and Procurement Roadmap.	30 June 2017	In progress
Tenders and Contracts	<p>Recommend the development of a management protocol on the Tender Evaluation Panel</p> <p>Evaluation Panel Member Declaration be amended to include (i) reference to the management protocol on the Tender Evaluation Panel</p>	<p>Tender Evaluation Panel Nomination declaration form referenced in T&amp;C (Pre-Execution) Protocol</p> <p>New Tender Evaluation form and Tender Evaluation Nomination form will incorporate comments above and stipulate composition of skills and responsibilities, in line with new Protocols focusing on Evaluation processes (Pre-Execution specifically).</p>	30 June 2016	In progress
Panel of suppliers	Implement spend analysis reporting on panel suppliers.	Included in Procurement Roadmap.	30 June 2017	In Progress

Function	Recommendation	Action Taken	Due Date	Status
Procurement Dispensations	<p>Dispensations from the Procurement Policy to be endorsed by the Manager Finance and Procurement prior to authorisation by the Chief Executive Officer or General Managers.</p> <p>Maintain a register of procurement dispensations.</p> <p>Conduct spend analysis of procurement dispensations.</p>	Current process includes getting approvals from Executive. However, a formal register of dispensations needs to be created and maintained.	31 August 2016	In Progress
Contractor Performance Evaluation	Recommend that department managers ensure that interim contract reviews, end-of-contract reviews and contractor performance evaluations are conducted as standard practice in contract management	<p>Proposed adoption of Contract Management Plans for future management use in managing whole-of-life contract issues from execution to completion in line with T&amp;C (Contract Performance Management) Protocol.</p> <p>Proposed new template requires operational overview to risk manage compliance resources</p>	30 June 2016	In progress
Compliance Reporting	<p>Develop a suite of standard and exception reports from Finance One to monitor report and review (i) non-compliances with procurement policies and protocols as well as (ii) general analysis of procurement expenditure.</p> <p>Reports to be reviewed by the team and /or Executive on a specified regularity basis.</p>	<p>Included in Procurement Roadmap.</p> <p>Reports to be developed and provided to the General Manager/ Executive for their review.</p>	30 June 2017	In Progress
Education & Training	<p>Develop an annual program of structured training sessions for employees with procurement responsibilities across Council</p> <p>The annual program of training sessions should be reviewed every three years</p> <p>Recommend the Procurement and Contracts Department to engage the People and Culture Department to refine the system for recording the training history of employees</p>	Included in Procurement Roadmap	30 June 2017	To be commenced

Function	Recommendation	Action Taken	Due Date	Status
<b>ACTIONS TO BE COMMENCED</b>				
Risk Management	Capture procurement fraud risk within risk assessments and mitigation plans.	Internal audit on fraud and procurement scheduled for 2016-2017.  ICAC Awareness Policy adopted in Feb 2016.	30 June 2017  31 March 2016	To be commenced  Completed
Education & Training	Selection of a designated 'Procurement Champion' within each department.  the annual procurement training program should be delivered through partnership between the Procurement and Contracts Department and each department's 'Procurement Champion'	To be completed as part of the Procurement Roadmap and training program.  Current informal relationships to be formalised.	30 June 2017  30 June 2017	To be commenced  To be commenced
Compliance Reporting	Staging of a strategic communication session by the Procurement and Contracts Department to other departments within the City of Burnside	To be undertaken in line with the Procurement Roadmap	30 June 2017	To be commenced
Compliance Reporting	We recommend that the Procurement and Contracts Department develop an annually revised program of random audits designed to focus on major suspected areas of non-compliance	To be undertaken as part of the Internal Audit Program	30 June 2017	To be commenced
Risk Management	Risk mitigation plans to address procurement risks including risks in relation to fraud and corruption should be developed, reported and approved by the Executive Team every 12 months	To be conducted in conjunction with the review and update Strategic Risk Register	30 June 2017	To be commenced
Management of Light Fleet Vehicles	Recommend a review into the required usage, current usage and fleet capacity	Review was undertaken in 2014 which resulted in a reduced number of Civic Centre fleet vehicles.  A further review to be undertaken in 2017.	31 Dec 2017	To be commenced
Management of Light Fleet Vehicles	Recommend an investigation into determining the optimal number of light fleet vehicles that meets the business needs of the City of Burnside	Review was undertaken in 2014 which resulted in a reduced number of Civic Centre fleet vehicles.  A further review to be undertaken in 2017.	31 Dec 2017	To be commenced

ENHANCED PROCUREMENT & FLEET GOVERNANCE FRAMEWORK



### Phase 1 - First 3 months

#### Direction, Roles and Procedures

- Implement new proposed Governance Directive Control documents (Policies/Protocols).
- Develop user requirements and KPI's for new Performance and Compliance Reporting.
- Ascertain CoA ability to accommodate procurement reporting requirements.
- Gain approvals for new resourcing requirements based on consultation feedback.
- Recruit/engage strategic business analyst with specialist skills.
- Refresh/Re-engineer Contracts Register.
- Review Procurement and Contract Management training program.
- Engage strategic planning to ascertain timings for integration of procurement in annual planning cycle.

### Phase 2 - First 6 months

#### Communication, Training and Annual Planning

- Re-engineer Procurement Portal on Intranet site.
- Implement new Performance and Compliance Reporting Tools.
- Identify year-on-year direct savings from Category Management and Strategic Sourcing capability.
- Develop Executive (quarterly) reports in line with forecasting cycle.
- Explore short-term collaborative buying opportunities.
- Review Pre-qualification framework and mechanisms to establish fit-for-purpose supplier cohort.
- Further develop and review business partnering arrangements and resourcing against business requirements.

### Phase 3 - First 12 months

#### Supplier Engagement and Strategic Opportunities

- Undertake Procurement Audit and Compliance program and checks.
- Explore long-term collaborative buying opportunities.
- Define contract management roles and undertake training
- Enhance category management and strategic sourcing advisory capability.
- Integrate strategic procurement planning into annual planning cycle.
- Review Procurement Strategy Document.
- Review Policies and Protocols, including forms and templates.
- Establish achievements and course correction against Action Plan.

\* Actions listed assume a dedicated strategic resource is in place over this time period

## Procurement Governance Framework

Classification:	Council Policy
Policy Name:	Procurement Governance Framework
First Issued / Approved:	May 2003 – see note below
Last Reviewed:	26 June 2014 (C9763)
Next Review:	December 2017
ECM Tracking No.:	968185
Responsible Officer:	Manager, Finance and Procurement
Relevant Legislation:	Local Government Act, 1999 Independent Commissioner Against Corruption Act, 2012 Competition and Consumer Act, 2010 (Commonwealth) National Competition Policy (Commonwealth) Competition Policy Reform (South Australia) Act, 1996 Local Government (Elections) Act, 1999 – Caretaker provision Freedom of Information Act, 1991 Ombudsman Act, 1972
Related Policies:	Caretaker Code of Conduct for Council Employees Code of Conduct for Council Members Corporate Credit Card Employees, Staff and Associates - Gifts and Benefits Fraud and Corruption Prevention Risk Management Delegations Register Internal Financial Control Framework Prudential Project Management Complaint Handling Sale or Disposal of Assets Tender and Contract Engagement
Note	Policy previously called: <ul style="list-style-type: none"> <li>• Contracts and Tenders Policy (May 2003)</li> <li>• Procurement (Contracts, Tenders and OHSW) Policy (F1725, 31 August 2009)</li> <li>• Procurement Policy (October 2015)</li> </ul>

### 1. Introduction

- 1.1 This Policy is the peak document forming the governance framework for how procurement activities will be undertaken at the City of Burnside. It applies to all employees of Council directly responsible for procuring goods, works and services from suppliers.
- 1.2 It also applies to employees involved in activities that result in the procurement of goods, works and services during the course of performing their duties.

- 1.3 Whilst the primary focus for the provisions in this Policy document are directed to the conduct of Council's employees, parts of it apply to elected members in relation to provisions of the Independent Commissioner Against Corruption Act, 2012.

## **2. Strategic Plan Desired Outcomes**

- 2.1 Delivery of good governance in Council business.
- 2.2 A financially sound Council that is accountable, responsible and sustainable.

## **3. Our Approach**

- 3.1 Regularly review, update and adopt leading governance, risk management and administrative processes.
- 3.2 Provide sufficient resources to meet current and future needs of the community.

## **4. Legislative Requirements and Corporate Policy Context**

- 4.1 This Framework has been developed primarily to adhere to Section 49 of the Local Government Act 1999.
- 4.2 Section 49(a1) of the Local Government Act 1999 requires Council to develop and maintain procurement controls including policies and procedures directed towards:
  - 4.2.1 Obtaining value in the expenditure of public money; and
  - 4.2.2 Providing for ethical and fair treatment of participants; and
  - 4.2.3 Ensuring probity, accountability and transparency in procurement operations.
- 4.3 Policies developed must include provisions concerning:
  - 4.3.1 The contracting out of services; and
  - 4.3.2 Competitive tendering and the use of other measures to ensure that services are delivered cost-effectively; and
  - 4.3.3 The use of local goods and services; and
  - 4.3.4 The sale or disposal of land or other assets.
- 4.4 This Policy has also been developed in order for Council members and employees to be aware of specific provisions in the Independent Commissioner Against Corruption Act 2012 (ICAC Act) and the provisions relationship with procurement activities undertaken by a public authority, as identified by the ICAC Act



- 4.5 In particular, Section 5 of the ICAC Act specifically defines acts of corruption, misconduct and maladministration in public office.
- 4.5 Acts constituting corruption in public administration that may pertain to procurement activities include;
  - 4.6.1 Bribery of a public officer; or
  - 4.6.2 Abuse of public office; or
  - 4.6.3 Demanding or requiring benefit of public office.
- 4.6 Misconduct is characterised as the;
  - 4.7.1 Contravention of a code of conduct by a public officer while acting in his or her capacity as a public officer, that constitutes a grounds for disciplinary action against the officer; or
  - 4.7.2 Other misconduct of a public officer while acting in his or her capacity as a public officer.
- 4.7 Maladministration in public administration is characterised as the;
  - 4.7.1 Irregular and unauthorised use of public money or substantial mismanagement of public resources; or
  - 4.7.2 Conduct of a public officer involving substantial mismanagement in, or in relation to, the performance of official functions, which includes conduct resulting from impropriety, incompetence or negligence.
- 4.8 The ICAC Act specifically identifies both local government body elected members and employees as “public officers” of “public authorities” for the purposes of the provisions contained in the Act. Therefore this Policy applies to both employees and elected members and is to be read in conjunction with the City of Burnside’s;
  - 4.8.1 Code of Conduct Members Policy; and
  - 4.8.2 Code of Conduct for Employees Policy.

## **5. Interpretation**

- 5.1 For the purpose of this policy:
  - 5.1.1 “Acquisition Plan” means a document that outlines the procurement methodology and strategy to be undertaken in procuring the required works, goods or services. This plan is approved by the appropriate approving body/person before the procurement strategy has commenced.
  - 5.1.2 “Common Use Purchasing Arrangements or Alliances” is seeking tenders and establishing contracts as part of a purchasing group, aggregating demand in order to leverage economies of scale in order to make an

offering more commercially viable for Council, or accessing contracts already established in other spheres of government

- 5.1.3 “Direct Sourcing” means a procurement process undertaken by directly approaching and negotiating with one or more suppliers.
- 5.1.4 “Employee” means a person employed by, or contracted to fulfil agreed tasks for, the City of Burnside.
- 5.1.5 “Expression of Interest” means an EOI (also referred to as a Registration of Interest - ROI) is a formal market approach and the first step in a multi stage procurement process in a documented Acquisition plan. Suppliers are invited to express/register their interest in providing particular goods, works or services and the responses evaluated to develop a shortlist for future market approaches or negotiations, using a more detailed specification.
- 5.1.6 “Open Tender” means a tender is advertised to the entire market via an open invitation process e.g. SA Tenders website accompanied by an advertisement.
- 5.1.7 “Panel Contract” or “Pre-Qualified Panel Contracts” means a contractual arrangement established with at least two suppliers for the anticipated provision of goods, works or services, as and when required over a specified period of time.
- 5.1.8 “Preferred Supplier” means a Supplier that is preferred by the Council to supply certain goods, works or services, following a competitive tender process.
- 5.1.9 “Public Authority” means a local government Council, as defined by the ICAC Act Schedule 1 for the purposes of this Policy.
- 5.1.10 “Public Officer” in the context of local government means a member or an officer or employee of a local government body, as defined by the ICAC Act Schedule 1 for the purposes of this Policy.
- 5.1.11 “Purchase Order” means an official document used to authorise and record the purchase of goods, works or services.
- 5.1.12 “Quotation” means a formal request to obtain offers from one or more suppliers. This is generally used for low value purchases and therefore is not advertised publicly.
- 5.1.13 “Request for Information (RFI)” means an informal means of researching the particular good or service and the possible solutions or approaches available in the market. As such, informal market research and the gathering of intelligence through an RFI do not require any formal procurement approvals to be sought.
- 5.1.14 “Request for Proposal (RFP)” means a formal request where potential suppliers are invited to suggest ways and means of meeting an identified need, allowing scope for variety and innovation.

5.1.15 “Request for Tender (RFT)” means a publicly advertised invitation to offer based around a clearly defined and specific statement of requirements.

5.1.16 “Select Tender” or “Selective Tender” means the selection of suppliers that will be invited to tender. Selection may be from a multi-use list, a list of potential suppliers that have previously responded to an Expression of Interest (EOI) or a list of potential suppliers that have been granted a specific licence or comply with a legal requirement. Sometimes referred to as limited tendering.

## 6. Procurement Governance Principles

6.1 The following key governance principles underpin all procurement activities for all Council representatives:

6.1.1 **Value for Money** achieves the best outcome for the most appropriate price. This includes taking into account fit for purpose procurement, whole of life cost, timeliness of expected completion and flexibility to adapt to the needs of the requirement encompassing quality, sustainability, intangible costs and benefits, service, support and warranty.

6.1.2 **Transparent and Fair Competition** is ensured by providing equitable and appropriate access to Council’s procurement activities. Council recognises the commercial and economic benefits of open and effective competition. Council will encourage healthy competition in the markets from which it purchases.

6.1.3 **Ethical Behaviour and Probity** are essential in ensuring the highest professional standards are upheld in confidential business dealings conducted by both Council members and employees in relation to procurement activities. Council members and employees have a responsibility to act with integrity and impartiality and behave with fairness, independence, and professionalism to ensure probity within procurement processes. Council members and employees will observe Council’s Code of Conduct for Members and Employees, Staff and Associates respectively, throughout any involvement within procurement processes.

6.1.4 **Risk Management** ensures that appropriate risk management practices are in place for procurement activities including risk identification, assessment, and implementation of risk mitigation controls.

6.1.5 **Financial Responsibility** ensures that Council employees procure goods, works or services where there is an approved and allocated budget for that purchase, and where a Council employee with the appropriately delegated financial authority approves the purchase.

6.1.6 **Compliance with Statutory Obligations** refers to the obligation to comply with all legal and common law obligations.

6.1.7 **Social, Economic and Environmental Sustainability** refers to Council’s commitment to maximising the positive impact its activities have on the

local community, its economy, and the environment. Where all other considerations are equal, Council may prefer to engage a local contractor or supplier to promote local employment opportunities and economic growth. In addition, in order to minimise Council's impact on its environment, Council will where all other factors are equal, seek to purchase to achieve the following:

- 6.1.7.1 Environmentally friendly or recycled products;
- 6.1.7.2 Conservation of natural resources;
- 6.1.7.3 Integrate principles of waste minimisation and energy reduction; and
- 6.1.7.4 Provide leadership to local business and the community in promoting the use of environmentally sensitive goods, works or services.

## **6.2 Recognised Procurement Methods**

- 6.2.1 Council will purchase goods, works or services in accordance with accepted methods of procurement.
- 6.2.2 The determination of the procurement method will be undertaken in strict accordance with the *Tenders and Contracts Engagement Policy*, subordinate to this framework Policy.
- 6.2.3 Primarily a purchasing Acquisition Plan details why the procurement method chosen is the most appropriate, in accordance with the Procurement Thresholds Matrix, for that purchase for subsequent approval by the appropriate delegate prior to proceeding.
- 6.2.4 An acquisitions overall estimated cost, complexity and risk will generally determine the procurement method to engage a contractor.
- 6.2.5 Accepted formal procurement methods include;
  - 6.2.5.1 Direct Negotiation
  - 6.2.5.2 Request for Quotation (RFQ)
  - 6.2.5.3 Request for Proposal (RFP)
  - 6.2.5.4 Request for Tender (RFT)
  - 6.2.5.5 Select RFP or RFT
  - 6.2.5.6 Expression of Interest (EOI) followed by RFP or RFT.
- 6.2.6 Relatively small purchases can be made either by direct sourcing facilitated by petty cash, invoice or corporate credit card.

- 6.2.7 Purchases more complex in nature are executed subsequent to market testing in the form of gaining a number of supplier quotations dependent on the inherent risk and the proposed cost of the procurement.
- 6.2.6 Dependent on the procurement risk and cost, the minimum amount of quotations required of suppliers will range from at least one (1) to at least three (3).
- 6.2.7 Where at least three (3) quotations are required or there are higher risk factors inherent within a purchase, a formal contract will be required.
- 6.2.9 Highly complex purchases resulting in sophisticated risk management assessments will generally be subject to either a Select or Open Tender process, usually culminating in the execution of a formal contract with the preferred supplier.
- 6.2.10 The evaluation of the responses from suppliers will be documented, typically in an Evaluation Plan for delegate approval. All amounts quoted are to be annualised amounts for any supply to Council.
- 6.2.11 The accepted methods of procurement are subject to a dedicated Council Policy, the *Tender and Contract Engagement Policy*, detailing how and when each procurement type is to be activated when planning to engage suppliers.
- 6.2.12 In the event that a report to Council highlights the timing of Procurement involvement, the responsibility of communicating and liaising with the Procurement team lies with the report writer prior to the report being presented to Council.

### **6.3 Purchase Order Governance**

- 6.3.1 Purchase Orders must be raised for the purchase of goods, works or services prior to the purchase being made.
- 6.3.2 Single one-off purchases shall be the total or estimated amount of the purchase (excluding GST).
- 6.3.3 For any particular contract, cumulative ongoing purchases over a period of time shall not breach the original total amount (excluding GST) contained in the applicable contract terms and conditions.
- 6.3.4 Splitting of purchases to bring expenditure within lower limits of delegated authority is strictly prohibited.
- 6.3.5 If it is discovered a supplier's executed contracted amount or agreed payment milestones (excluding GST) have been disaggregated to reduce invoice amounts, this shall be reported to the Manager, Finance and Procurement for further investigation and disciplinary action if required.

#### **6.4 Delegations**

- 6.4.1 Appropriate levels of authority to approve procurement activities are detailed in Council's Delegations Register.
- 6.4.2 As with the current approval structure for delegated authorities, procurement approval limits will be strictly adhered to with the onus being on the individual employee to ensure those limits are not breached or abused.
- 6.4.3 Any proposal to amend those authorisation levels, or an authorisation level for a new position, will require approval from Council or the appropriate employee within Council's administration as appropriate.
- 6.4.4 In line with these provisions, all purchase order requisition requests directed to an employee, whose position does not hold the required level of authorisation according to the amount of the requisition will be refused and redirected to the officer holding the appropriate level of authorisation.

#### **6.5 Panel Contracts - Prequalification of Suppliers**

- 6.5.1 Where possible, Council will establish contracts by conducting a pre-qualification process for contractors. Each of these prequalification processes will be conducted in accordance with the appropriate Registration of Interest process.
- 6.5.2 Participation in this process will allow contractors to become a Preferred Supplier for particular types of goods, works and services.
- 6.5.3 Contracts established under this method will require quotations or tenders as appropriate to be sought from contractors for each individual project and constitute a standing offer.
- 6.5.4 Pre-qualified panel contracts may be appropriate where there is sufficient demand and supply of goods, works and services and there is a commercial advantage in Council having a choice of supplier.

#### **6.6 Common Use Purchasing Arrangements or Alliances**

- 6.6.1 Purchases can also be arranged through common use arrangements with the aim of:
  - 6.6.1.1 Reducing direct and indirect purchasing costs; and/or
  - 6.6.1.2 Providing tangible benefits through joint purchasing; and/or
  - 6.6.1.3 Improving delivery and/or quality of outcomes to residents; and/or
  - 6.6.1.4 Attract more competition or a more suitable field of providers to respond to the tender call.



- 6.6.2 Council currently leverages alliances with entities such as LGA Procurement (LGAP), Procurement Australia (PA), Council Solutions (CS), along with other local, state and federal government entities.

## **6.7 Dispensations from Policy**

- 6.7.1 Dispensations from the procurement processes and requirements outlined in this Policy may be approved as follows:

- 6.7.1.1 Up to the value of \$100,000, General Managers may approve; and
- 6.7.1.2 Above the value of \$100,000, the Chief Executive Officer (CEO) may approve.

- 6.7.2 Dispensations from this, or other procurement Policies listed in the *Related Policies* section above, may be either general dispensations from specific provisions of procurement Policies, or a single source supply dispensation, including emergency supplies in extenuating circumstances.

- 6.7.3 Single source supply dispensations may be considered where at least one of the following reasons applies:

- 6.7.2.1 There are only a limited number of suppliers with the capability, experience, and suitability to meet needs and no alternative exists;
- 6.7.2.2 No submissions are received in a procurement process or the submissions received did not meet the specification requirements;
- 6.7.2.3 The need for compatibility with existing systems or services;
- 6.7.2.4 Obligations under warranty or other contractual arrangements requiring the supply of goods, works or services from a particular supplier;
- 6.7.2.5 An absence of competition due to technical reasons, including but not limited to exclusive licence, proprietary information, or protection of intellectual property;
- 6.7.2.6 Value in the procurement process will not be achieved by the prescribed market approach, and there is demonstrated advantage in amending the approach; and
- 6.7.2.7 A response to a Council resolution with limited timeframes.

- 6.7.3 If a procurement is deemed and approved as an emergency supply, in these cases;

- 6.7.3.1 Expenditure must be within the employee's delegated financial authority.
- 6.7.3.2 Expenditure must be limited to that required to alleviate the emergency situation only.
- 6.7.3.3 The employee must ensure that appropriate methods of purchase are resumed as soon as practicable.
- 6.7.4 All dispensation requests, regardless of their cause, must be made in writing and must outline the reasons for the request and any risks which may be involved in the approach.
- 6.7.5 Where a funding agreement specifies that Council must follow a prescribed tendering or selection process which differs from that outlined in this Policy, the project funded under that agreement must follow the tendering or selection process outlined in the funding agreement and records of this must be recorded in Council's records management system.

## **6.8 Conflicts of Interest**

- 6.8.1 Council members shall at all times act in accordance with the conflicts of interest requirements in the Local Government Act 1999, specifically Section 73 detailing when a member will be required to disclose an interest in a matter.
- 6.8.2 Similarly employees shall at all times act in accordance with the conflicts of interest provisions in Section 120 of the Act, when a staff member or contractor will be required to disclose an interest in a matter.
- 6.8.3 In addition, Council members and employees shall observe the specific provisions concerning conflicts of interest outlined in their respective Codes of Conduct.

## **6.9 Outsourcing**

- 6.9.1 Any proposal to purchase by outsourcing any service or function currently performed predominantly by an employee, or group of employees, must be approved by the Chief Executive Officer or under resolution by Council respectively.

## **6.10 Public Consultation**

- 6.10.1 Where a purchase requires public consultation, then such consultation must be conducted in accordance with Council's Community Engagement Policy.



## **6.11 Complaints**

- 6.11.1 Complaints about any procurement process shall be subject to Council's Complaint Handling Policy and any accompanying procedures.

## **6.12 Work Health and Safety**

- 6.12.1 The City of Burnside will only engage contractors and suppliers who are able to maintain an appropriate level of health, safety and welfare acceptable to Council for the contract they are engaged to complete.
- 6.12.2 As a minimum, this will entail compliance with all applicable legislation, regulations, project requirements, standards, and Council policies, and as specified in terms and conditions of contractual arrangements.

## **7. Availability**

- 7.1 The Policy is available to be downloaded, free of charge, from Council's website [www.burnside.sa.gov.au](http://www.burnside.sa.gov.au)
- 7.2 The Policy will be available for inspection without charge at the Civic Centre during ordinary business hours and a copy may be purchased at a fee as set annually by Council.

City of Burnside Civic Centre  
401 Greenhill Road, Tasmore SA 5065

Telephone; 8366 4200  
Fax; 8366 4299  
Email; [burnside@burnside.sa.gov.au](mailto:burnside@burnside.sa.gov.au)

Office hours: Monday to Friday, 8.30am to 5.00pm (except public holidays)

## Tender & Contract Engagement Policy

Classification:	Council Policy
Policy Name:	Tender and Contract Engagement Policy
First Issued / Approved:	New Policy
Last Reviewed:	New Policy
Next Review:	November 2017
ECM Tracking No.:	
Responsible Officer:	Manager, Finance and Procurement
Relevant Legislation:	Local Government Act, 1999 Independent Commissioner Against Corruption Act, 2012
Related Policies:	Procurement Governance Framework Code of Conduct for Council Employees Code of Conduct for Council Members Employees, Staff and Associates - Gifts and Benefits Fraud and Corruption Prevention Risk Management Delegations Register Customer Service Internal Financial Controls Framework Prudential Project Management Complaint Handling Sale or Disposal of Assets

### 1. Introduction

- 1.1 This Policy provides a framework relating to accepted procurement methods for engaging the market in order to complete goods, works or services initiatives, in accordance with Section 49(1)(a), (b) and (c) of the Local Government Act 1999 prescribing Council have such a Policy.
- 1.2 This Policy must be read in conjunction with Council's over-arching Procurement Governance Framework outlining high level principles which will be observed and adhered to when Council employees and Elected Members, where applicable, are involved in Council procurement activities and decision making.

### 2. Strategic Plan Desired Outcomes

- 2.1 Delivery of good governance in Council business.
- 2.2 A financially sound Council that is accountable, responsible and sustainable.

### **3. Our Approach**

- 3.1 Regularly review, update and adopt leading governance, risk management and administrative processes.
- 3.2 Provide sufficient resources to meet current and future needs of the community.

### **4. Legislative Requirements and Corporate Policy Context**

- 4.1 This Policy has been developed and adopted in accordance with Section 49 of the Local Government Act 1999.
- 4.2 Section 49(a1) of the Local Government Act 1999 requires Council to develop and maintain a procurement Policy on contracts and tenders, including policies, practices, and procedures on:
  - 4.2.1 Obtaining value in the expenditure of public money; and
  - 4.2.2 Providing for ethical and fair treatment of participants; and
  - 4.2.3 Ensuring probity, accountability and transparency in procurement operations.
- 4.3 Specifically at Sections 49(1)(a), (b) and (c) in the context of its procurement activities Council must develop and maintain a Policy regarding the contracting out of services, outlines methods of procurement to ensure cost effective outcomes and use of local goods and services.
- 4.4 This Policy underpins and supports the Procurement Governance Framework. As such, the procurement governance principles outlined in that policy should be observed at all times throughout any stage of procurement activities with potential or current suppliers.

### **5. Interpretation**

- 5.1 For the purpose of this policy:
  - 5.1.1 “Acquisition Plan” means a document that outlines the procurement methodology and strategy to be undertaken in procuring the required works, goods or services. This plan is approved by the appropriate approving body/person before the procurement strategy has commenced.
  - 5.1.2 “Direct Sourcing” means a procurement process undertaken by directly approaching and negotiating with one or more suppliers.
  - 5.1.3 “Employee” means a person employed by, or contracted to fulfil agreed tasks for, the City of Burnside.
  - 5.1.4 “Expression of Interest” means an EOI (also referred to as a Registration of Interest - ROI), which is a formal market approach and the first step in a multi stage procurement process in a documented Acquisition plan.

Suppliers are invited to express/register their interest in providing particular goods or services and the responses evaluated to develop a shortlist for future market approaches or negotiations, using a more detailed specification.

- 5.1.5 “Open Tender” means a tender is advertised to the entire market via an open invitation process e.g. SA Tenders website accompanied by an advertisement.
- 5.1.6 “Panel Contract” or “Pre-Qualified Panel Contracts” means a contractual arrangement established with at least two suppliers for the anticipated provision of goods, works or services, as and when required over a specified period of time.
- 5.1.7 “Preferred Supplier” means a Supplier that is preferred by the Council to supply certain goods, works or services, following a competitive procurement process.
- 5.1.8 “Project Manager” means the Council officer responsible for initiating and overseeing the procurement of goods, works or services for the purposes of achieving a desired outcome, in consultation with Procurement where required.
- 5.1.9 “Public Authority” means a local government Council, as defined by the ICAC Act Schedule 1 for the purposes of this Policy.
- 5.1.10 “Purchase Order” means an official document used to authorise and record the purchase of goods, works or services.
- 5.1.11 “Quotation” means a formal request to obtain offers from one or more suppliers. This is generally used for low value purchases and therefore is not advertised publicly.
- 5.1.12 “Request for Information (RFI)” means an informal means of researching the particular goods, works or service and the possible solutions or approaches available in the market. As such, informal market research and the gathering of intelligence through an RFI do not require any formal procurement approvals to be sought.
- 5.1.13 “Request for Proposal (RFP)” means a formal request where potential suppliers are invited to suggest ways and means of meeting an identified need, allowing scope for variety and innovation.
- 5.1.14 “Request for Tender (RFT)” a formal request seeking responses from the market place, either in an open, select or selective manner, based on a clearly defined and specific statement of requirements.
- 5.1.15 “Select Tender” or “Selective Tender” means the selection of suppliers that will be invited to tender. Selection may be from a multi-use list, a list of potential suppliers that have previously responded to an Expression of Interest (EOI) or a list of potential suppliers that have been granted a specific licence or comply with a legal requirement. Sometimes referred to as limited tendering.

## 6. Procurement Thresholds and Methods

- 6.1 The following types of procurement engagement are accepted methods for Council employees to initiate the process of sourcing goods, works or services from suppliers through the completion of an Acquisition Plan, if required.
- 6.2 Each value tier and its corresponding procurement method represents the minimum procurement activity that must be undertaken in order for Council to engage with suppliers.
- 6.3 All values stated are exclusive of any applicable GST.
- 6.4 Supplies up to \$2k - Direct Sourcing
  - 6.4.1 This form of procurement are for low risk, low value supplies where a written quotation is not required prior to engaging with the supplier.
  - 6.4.2 For the predominant form of direct sourcing, the use of a corporate credit card, Council has a dedicated Policy governing the use of corporate credit cards, directly supported by a management Protocol.
  - 6.4.3 Other less common forms of direct purchasing are purchases made via petty cash or direct invoicing for supplies of goods, works or services of a low risk nature.
  - 6.4.4 Whilst it is not a requirement to obtain a written quote for this procurement method, if one is supplied then the details shall be recorded as per the provisions of Council's Records Management Policy.
- 6.5 Supplies between \$2k to \$100k – Written Quotations
  - 6.5.1 In order to achieve the procurement governance principles, particularly best value for money, procurements in this value range will be subject to a competitive process.
  - 6.5.2 The value ranges determining the minimum written quotations required is as follows, as tabled in the *Procurement Thresholds Matrix* (Appendix 1);
    - 6.5.2.1 One (1) Written Quotation - \$2,001 up to \$10k.
    - 6.5.2.2 Two (2) Written Quotations - \$10,001 up to \$30k.
    - 6.5.2.3 Three (3) Written Quotations - \$30,001 up to \$100k.
  - 6.5.3 On receiving all quotations from suppliers, they are to be evaluated with the preferred option being the most advantageous to Council, in considering all procurement governance principles outlined in Council's *Procurement Governance Framework* this Policy is subordinate to.

- 6.5.4 The evaluating officer, or Panel if required, will make a recommendation for acceptance and forward all documentation to the appropriate delegated authorising officer for approval.
- 6.5.5 The delegated authorising officer may approve or not approve the recommendation. If the officer does not approve the recommendation, the authorising officer may opt to approve another supplier not recommended by the evaluation party, or suspend the procurement process until such time as a more suitable supplier sourcing option can be identified.
- 6.5.6 Alternatively the authorising officer may request the quotation process be reinstated to test the market for more suitable options.
- 6.5.7 If alternative quotations are received then the delegated authorising officer may approve one of these quotations, providing written justification for the alternative approval process undertaken.
- 6.6 Supplies between \$100,001 to \$200k – Select or Open Tender
  - 6.6.1 There are a number of procurement options open to Council staff for engaging contractors for procurements falling within this value range.
  - 6.6.2 At the discretion of the delegated authorising officer responsible for approving the procurement process, either a formal invitation requesting tenders (RFT) or quotations (RFQ) from suppliers is to be arranged by Council in accordance with Council's tender and contract management Protocols, supporting this Policy.
  - 6.6.3 The procurement process may be undertaken by approaching the market via an Open Tender or Select Tender process.
  - 6.6.4 Circumstances may arise where it is less advantageous for Council to engage in an Open RTF or RFQ process, relative to selecting known suppliers that have performed similar tasks to a satisfactory level previously.
  - 6.6.5 In these cases a Select Request for Tender (RFT) or Request for Quotation (RFQ) process may be undertaken to engage with known suppliers for the purposes of receiving a tender or quotation response by those suppliers.
  - 6.6.6 When undertaking a Select Tender or Quotation process, then a minimum of three (3) quotations must be obtained, prior to Council staff engaging in a formal evaluation process.
  - 6.6.7 If for whatever reason, at least three (3) quotations are not able to be obtained from selected suppliers, then the reasons for this are to be agreed, and documented by the procurement Evaluation Panel.
  - 6.6.8 This is to be advised to the line General Manager for consideration of further actions required.



## 6.7 Supplies over \$200,001 – Open Tender

- 6.7.1 All procurements over this value threshold will be subject to an Open Tender process through public advertisement for responses, with no predetermined limitation on the amount of suppliers responding to the invitation.
- 6.7.2 An Open Tender process may take the form of an initial Expression of Interest (EOI) that may lead to a Request for Tender (RFT) or a Request for Quotation (RFQ) from prospective suppliers.
- 6.7.3 Council also has the option of initiating the procurement process by a RFT or RFQ, eliminating the requirement for an EOI.

## 6.8 Delegated Threshold Approval Levels

- 6.8.1 In accordance with the Procurements Threshold Matrix, the initiation of any procurement process must be approved by the appropriate authorising officer or body.
- 6.8.2 For relatively low value, low risk procurements approval may rest with a Council Line Manager.
- 6.8.3 However for more complex procurements, a senior officer or body such as a General Manager, CEO or Executive Group will be required to approve the initiation of the procurement process.
- 6.8.4 In exceptional circumstances, where procurements result in large capital projects totalling \$4m over five (5) years, or where expenditure exceeds 20% of the average of Council's previous five (5) financial year's operating expenses, a Report will be prepared for Council.
- 6.8.5 For further provisions regarding Council's statutory requirements in planning and managing large, complex projects please refer to its dedicated *Prudential Project Management Policy*.

## 6.9 Pre-Qualification of Suppliers

- 6.7.1 Council employees will follow the above provisions when planning to engage a contractor for goods, works or services. However there are some circumstances in the procurement planning stage, where unilateral or open requests for quotes, proposals or tenders, may not represent the best value for money in consideration of overall procurement costs to Council at that time.
- 6.7.2 In these circumstances the prescribed methods of procurement below may be undertaken, whilst still adhering to the appropriate procurement thresholds levels above. Those circumstances are;
- 6.7.3 Pre-Qualified Panel Contracts

- 6.7.3.1 Council may enter in agreements where contractors complete a pre-qualification process in order to carry out specific tasks on its behalf.
- 6.7.3.2 In these circumstances the contractor will have successfully demonstrated their ability to meet set minimum criteria that would normally be tested through a once-off procurement.
- 6.7.3.3 Each of these pre-qualification processes will be conducted in accordance with Council's Registration of Interest policies and procedures.
- 6.7.3.4 Typically projects or tasks undertaken through arrangements with a pre-qualified contractor are of a regular nature and/or are required to be carried out at short notice.
- 6.7.3.5 Pre-qualified Panel Contracts may also be referred to as 'period contracts', 'standing offers' or 'pre-qualified panels'.
- 6.7.4 Preferred Supplier Arrangements
  - 6.7.4.1 Another form of procurement Council may engage in is through preferred supplier arrangements through leveraging other local, state or federal government procurements.
  - 6.7.4.2 These common use arrangements come about either through mandatory arrangements with peak organisations, or through opting into strategic alliances with specialist procurement entities.
  - 6.7.4.3 Currently Council have strategic alliances with the following procurement peak entities in order to leverage economies of scale advantages these entities over individual Councils;
    - 6.7.4.3.1 Local Government Association of South Australia Procurement (LGAP) and;
    - 6.7.4.3.2 Procurement Australia (PA) and;
    - 6.7.4.3.3 Council Solutions and;
    - 6.7.4.3.4 Vendor Panel (VP) Australia and;
    - 6.7.4.3.5 Other arrangements such as joint purchasing arrangements with other local (such as the Eastern Regional Alliance - ERA), state and federal entities when demand requires.
- 6.7.5 Dependent on the value of the procurement involved, the request for a waiver from undertaking an open market approach, will be approved by the appropriate line manager, in line with the normal procurement delegations.
- 6.7.6 An approval for a waiver prescribed above at 6.7.3 is not to be deemed as a policy dispensation request, as outlined in the Procurement Governance



Framework. The two events are mutually exclusive in nature and shall be treated as such.

## 6.8 Procurement Lifecycle Elements

6.8.3 Each procurement of goods, works or services involves common elements at each stage of the procurement lifecycle, prior to engaging or executing a contract.

6.8.4 These elements are crucial to ensure a balance of the governance principles outlined above. At a high level the elements are highlighted in order to achieve those principles throughout every stage of the procurement process;

6.8.4.1 Planning the procurement's desired outcome (including budget approval);

6.8.4.2 Requesting information from the market segment required;

6.8.4.3 Approaching the market;

6.8.4.4 Evaluating market responses;

6.8.4.5 Recommending successful responder;

6.8.4.6 Contract Negotiation;

6.8.4.7 Contract Execution;

6.8.4.8 Contract Performance Management.

6.8.4.9 Contract Close Out.

6.8.5 Council staff shall recognise these as the critical steps in a contract's lifecycle with a supplier and adhere to the management processes outlined in the following Protocols supporting this Policy;

(a) *Tenders and Contract Management – Planning and Evaluation Protocol.*

(b) *Tenders and Contract Management – Contract Execution Protocol*

(c) *Tenders and Contract Management – Contractor Performance Protocol.*

## 7. Availability

7.1 The Policy is available to be downloaded, free of charge, from Council's website [www.burnside.sa.gov.au](http://www.burnside.sa.gov.au)

- 7.2 The Policy will be available for inspection without charge at the Civic Centre during ordinary business hours and a copy may be purchased at a fee as set annually by Council.

City of Burnside Civic Centre  
401 Greenhill Road, Tusmore SA 5065

Telephone; 8366 4200

Fax; 8366 4299

Email; [burnside@burnside.sa.gov.au](mailto:burnside@burnside.sa.gov.au)

Office hours: Monday to Friday, 8.30am to 5.00pm (except public holidays)

DRAFT

# Procurement Thresholds Matrix

Functional Input Requirement	Value	Method	Agreement	Documentation Requiring Completion	Delegated Approval Levels
<b>PROCUREMENT FUNCTION INVOLVEMENT NOT MANDATORY</b> Save Quotes to ECM (Quick Add Profile – Minor Quotes)	<b>\$0 ≥ \$2k</b>	<b>Direct Sourcing</b>	<b>Commercial Terms / Credit Card / Purchase Order</b>	<ul style="list-style-type: none"> <li>Receive &amp; archive completed transaction invoice or receipt.</li> </ul>	Team Leader or Corporate Credit Cardholder
	<b>\$2,001 ≥ \$10k</b> <b>(previously 2-5k)</b>	<b>Minimum 1 Written Quote</b>	<b>Purchase Order</b>	<ul style="list-style-type: none"> <li>Short Form Quote Template</li> <li>Recommendation Authorisation</li> </ul>	Line Manager initiating the Procurement
	<b>\$10,001 ≥ \$30k</b> <b>(previously 5-15k)</b>	<b>Minimum 2 Written Quotes</b>	<b>Purchase Order or Contract</b>	<ul style="list-style-type: none"> <li>Short Form Quote Template</li> <li>Attach Short Form Quote Conditions via Web</li> <li>Nominated Tender Participant</li> <li>Short Form Quote Authorisation Template</li> </ul>	Line Manager initiating the Procurement
<b>PROCUREMENT FUNCTION INVOLVEMENT MANDATORY</b>	<b>\$30,001 ≥ \$100k</b> <b>(previously 15-100k)</b>	<b>Minimum 3 Written Quotes</b> RFQ or RFP	<b>Contract</b>	<ul style="list-style-type: none"> <li>Acquisition Plan</li> <li>Nominated Tender Participant</li> <li>Specification Template</li> <li>Schedule of Rates</li> <li>Evaluation Panel Declaration</li> <li>Contract Recommendation Template</li> <li>Long Form Quote Template</li> <li>Conditions of Contract</li> </ul>	Line Manager initiating the Procurement noted by General Manager
	<b>\$100,001 ≥ \$200k</b> <b>(no change)</b>	<b>Select Tender</b> RFT or RFQ	<b>Contract</b>	<ul style="list-style-type: none"> <li>Acquisition Plan</li> <li>Nominated Tender Participant</li> <li>Specification Template</li> <li>Schedule of Rates</li> <li>Evaluation Panel Declaration</li> <li>Contract Recommendation Template</li> <li>Request For Tendering Template</li> <li>Conditions of Contract</li> </ul>	General Manager noted by Chief Executive Officer
	<b>\$200,001 ≥</b> <b>(no change)</b>	<b>Open Tender</b> RFT, RFQ & EOI	<b>Contract</b>	<ul style="list-style-type: none"> <li>Acquisition Plan</li> <li>Specification Template</li> <li>Schedule of Rates</li> <li>Evaluation Panel Declaration</li> <li>Contract Recommendation Template</li> <li>Request For Tendering Template</li> <li>Conditions of Contract</li> </ul>	Chief Executive Officer noted by Executive  Refer to Prudential Management Policy for Council Report considerations

**Disclaimer: This Matrix is to be used as a guide only – for any queries or clarifications please contact the Procurement Team**

February 2016

In line with Council's **Procurement Governance Framework** threshold amounts are to be interpreted as the cumulative amount over the predicted life of the contract for the purposes of determining the appropriate procurement method and approval levels. (i.e. a proposed procurement with estimated budget of \$200k per annum exc. GST over 2 years will be subject to Open Tender as the cumulative amount over predicted life of the contract will be \$400k exc. GST in totality).

## Unsolicited Proposal Treatment Policy

Classification:	Council Policy
Policy Name:	Unsolicited Proposal Treatment Policy
First Issued / Approved:	New Draft Policy
Last Reviewed:	New Draft Policy
Next Review:	March 2018
ECM Tracking No.:	
Responsible Officer:	General Manager, Corporate Services
Relevant Legislation:	Local Government Act, 1999
Related Policies and Protocols:	Procurement Governance Framework Code of Conduct for Council Members Code of Conduct for Council Employees Code of Conduct for Volunteers Employees, Staff and Associates Gifts and Benefits Policy Fraud and Corruption Prevention Policy ICAC Application and Awareness Policy Internal Financial Control Framework Risk Management Policy Sale or Disposal of Assets Policy Tender and Contract Engagement Policy Unsolicited Proposal Treatment Protocol

### 1. Introduction

- 1.1 This Policy oversees how Council treats approaches by the market place proposing to undertake particular projects that intend to provide unique and innovative outcomes for Council and the community.
- 1.2 Whilst the primary focus for this Policy is directed to the conduct of Council's employees, parts of it may apply to elected members and in certain circumstances may apply to volunteers.

### 2. Strategic Plan Desired Outcomes

- 2.1 Delivery of good governance in Council business.
- 2.2 A financially sound Council that is accountable, responsible and sustainable.

### 3. Our Approach

- 3.1 Regularly review, update and adopt leading governance, risk management and administrative processes.
- 3.2 Provide sufficient resources to meet current and future needs of the community.

#### **4. Legislative Requirements and Corporate Policy Context**

- 4.1 This Policy has been developed in to order provide guidance as to the treatment of aspirational approaches initiated by the market to Council, with the aim of successfully being awarded contracts with Council for the provision of goods, works or services.
- 4.2 Section 49(a1) of the *Local Government Act, 1999* (the Act) requires Council to develop and maintain procurement controls including policies and procedures directed towards:
  - 4.2.1 Obtaining value in the expenditure of public money; and
  - 4.2.2 Providing for ethical and fair treatment of participants; and
  - 4.2.3 Ensuring probity, accountability and transparency in procurement operations.
- 4.3 Policies developed must include how Council manages:
  - 4.3.1 The contracting out of services; and
  - 4.3.2 Competitive tendering and the use of other measures to ensure that services are delivered cost-effectively; and
  - 4.3.3 The use of local goods and services; and
  - 4.3.4 The sale or disposal of land or other assets.
- 4.4 In the main, these Policies are conventionally predicated towards Council ensuring it engages with the market, as the initiator of the engagement process to acquire goods, works or services from an external party.
- 4.5 However, currently there is no formal legislative or statutory framework Council is obligated to comply with in dealing with market-place initiated proposals.
- 4.6 With regards to any unsolicited proposal to Council pertaining to the disposal of land or assets, reference to Council's dedicated *Sale or Disposal of Assets Policy*, specifically required under the Act, will be required as part of the assessment of that particular proposal.
- 4.7 State Government Context
  - 4.7.1 The Department of Premier and Cabinet (DPC) has developed guidelines in how it treats unsolicited proposals by potential suppliers for specific initiatives.

4.7.2 The guidelines outline essential steps in the processing and assessment of such proposals.

4.7.3 Whilst Council is not obliged to adhere to these steps and indeed some of those are not directly applicable within a local government context, they are provided below for reference only, as to how the State treats such proposals;

- (a) Requirement to complete online forms and templates;
- (b) Formal lodgement of the proposal via an electronic portal;
- (c) Present an initial proposal if certain qualification criteria are met;
- (d) Perform a detailed feasibility proposal if initial proposal criteria are met;
- (e) Undertake contract negotiation if the detailed proposal warrants this.

4.7.4 The guidelines for unsolicited proposals to State government can be found at <http://www.sa.gov.au/topics/business-industry-and-trade/doing-business-with-government/unsolicited-proposals>.

4.7.5 This Policy draws on these essential stages to assist in how Council manages and treats unsolicited proposals.

## **5. Interpretation**

5.1 For the purpose of this policy:

5.1.1 “Chief Executive Officer” or “CEO” means Councils most senior executive officer.

5.1.2 “Employee” means any person who is employed by the Council, but also includes any contractors, volunteers and consultants undertaking work for, or on behalf of Council.

5.1.3 “Expression of Interest” means an EOI (also referred to as Registration of Interest – ROI), which is a formal market approach and the first step in a multi stage procurement process in a documented Acquisition plan.

5.1.4 “Request for Proposal (RFP)” means a formal request where potential suppliers are invited to suggest ways and means of meeting an identified need, allowing scope for a variety and innovation.

5.1.5 “Request for Tender (RFT)” means a formal request seeking responses from the market place, either in an open, select or selective manner, based on a clearly defined and specific statement of requirements.

5.1.6 “Volunteer” means a person performing services for, or on behalf of, Council of their own free will and for no compensation in return.

## 6. Policy

### 6.1 Definition

6.1.1 An unsolicited proposal is a unique or innovative proposal initiated by the private sector to deliver outcomes that are desirable to Council, without being formally requested by Council through a recognised market engagement process.

6.1.2 For the purposes of this Policy, an unsolicited proposal as defined at clause 6.1.1 initiated by an existing or prospective supplier to Council will constitute an unsolicited proposal, regardless of the nature or value associated with the proposal.

### 6.2 Assessment

6.2.1 In order to ensure an unsolicited proposal received by Council does not usurp or duplicate a current or previous procurement evaluation process initiated by Council, it will verify that the proposal is unique and requiring further assessment.

6.2.2 The principles of probity and fair and equitable procurement activities will be observed when making this assessment. These and other underlying procurement principles are outlined and defined in Council's *Procurement Governance Framework (Policy)*.

### 6.3 Value Thresholds and Responsibility

6.3.1 In line with value thresholds currently adopted by Council to formally approve procurements initiated by Council, unsolicited proposals shall be administered and managed according to the following strata, once received from the market-place;

- (a) \$2,001 ≥ \$100,000 – the Line Manager responsible for an officer, or individually receiving the proposal themselves. The Line Manager must notify their direct General Manager of the proposal being received.
- (b) \$100,001 ≥ \$200,000 – the General Manager responsible for an officer, or individually receiving the proposal themselves. The General Manager must notify the CEO of the proposal being received.
- (c) \$200,001 ≥ – the CEO of any Council officer receiving an unsolicited proposal. The CEO must notify Council's Executive Group of the proposal being received.

6.3.2 All unsolicited proposals made to Council under the value of \$2,000 will not be considered under the provisions of this Policy. In line with *Council's Tender and Contract Engagement Policy*, officers are able to directly negotiate contracts up to this amount through default procurement methods in order to engage with the market place.



#### 6.4 Exclusivity

6.4.1 Council's default procurement method will be to invite or request proposals from the market, and apply procurement governance principles in assessing and evaluating any proposals it subsequently receives in response to invites or requests.

6.4.2 However there may be unique occasions when an unsolicited proposal represents an opportunity where a desired outcome can be attained by negotiating exclusively with the proponent/s of that proposal.

6.4.3 If Council wishes to enter into exclusive negotiations with a proponent of an unsolicited proposal, the proposal must;

- (a) Be solely limited to the proponent/s for the purposes of developing the specific unsolicited proposal.
- (b) Be granted for a limited time period.

6.4.4 During the period of the exclusive negotiation, similar rights will not be granted to another proponent if that other proponent happens to offer a proposal that is substantially similar to that for which exclusive negotiations have already commenced.

6.4.5 However, Council may enter into negotiations with more than one proponent if it has received multiple unsolicited proposals, concerning the substantially same subject matter, prior to ultimately selecting a successful proponent if warranted.

#### 6.5 No Other Competing Proposals

6.5.1 The criteria for evaluating an unsolicited proposal is substantially the same as those outlined in Council's *Procurement Governance Framework (Policy)*.

6.5.2 Underpinning the criteria is the principle of achieving value for money propositions, culminating in desired outcomes for Council and the community.

6.5.3 This premise guiding Council undertaking the procurement of goods, works or services supplied by the market place is not waived through the consideration of an unsolicited proposal.

6.5.4 Nevertheless, there are distinctive evaluation characteristics that an unsolicited proposal shall be measured against, that may not be applicable to default procurement methods predominantly initiated and undertaken by Council.

6.5.5 The predominant characteristic is that there are no other competing proposals from the market place through default procurement methods, such as a RFT, RFQ or EOI.



6.5.6 Council reserves the right not to enter into any form of negotiations with any proponent of an unsolicited proposal, if it can be shown the proposal is substantially similar to a proposal under current consideration, or has been previously considered and evaluated.

6.5.7 The previously considered proposal may have been received through either conventional means of procurement engagement, outlined in Council's *Tenders and Contract Engagement Policy*, or receipt of another similar unsolicited proposal.

## 6.6 Evaluation Criteria

6.6.1 Provided the proposal has no other competition, Council will evaluate the proposal based on the following criteria.

### 6.6.2 Unique and Innovative

6.6.2.1 Primarily a proposal is unique if it is able to demonstrate it provides Council with a strategic outcome desired by it and the community.

6.6.2.2 It must be innovative in how the proposal plan is developed and undertaken and be able to present Council with a rare opportunity for consideration.

6.6.2.3 The proponent may possess particular assets, such as real property or intellectual property rights (IP), that other likely competitors do not possess, that could bring about the strategic outcome.

6.6.2.4 The proponent must be able to demonstrate that the sole possession of those rights would limit an outcome sought through a competitive evaluation process initiated by Council.

### 6.6.3 Community Need

6.6.3.1 The unsolicited proposal must promote economic, social and/or environmental outcomes for Council and the community and provide a clear and demonstrable link with its strategic community plans.

6.6.3.2 Council shall also consider whether the proposal would require the reallocation or reprioritisation of capacity at its disposal and whether this has congruency with Council's strategic objectives.

### 6.6.4 Capability

6.6.4.1 The proponent must be able to demonstrate that it can leverage the unique and innovative rights at its disposal to achieve the outcome and timings it is proposing to Council.

6.6.4.2 Council reserves its right to perform any due-diligence it deems necessary of a proposal and its proponent, as part of the evaluation process.

## 6.7 Assessment Progression

6.7.1 If the criteria outlined above have been met to the satisfaction of Council, it will undertake an assessment process according to the stages summarised below.

6.7.2 Further elaboration on the details underpinning the progression of an unsolicited proposal through Council's management and administrative arm is provided in the accompanying *Unsolicited Proposal Treatment Protocol*.

#### 6.7.3 Preliminary Meeting

6.7.3.1 Parties may wish to meet prior to formally registering an unsolicited proposal with Council.

6.7.3.2 Whilst a non-compulsory stage of the assessment process, both parties may find this useful, primarily to ascertain if the high level attributes of the proposal indicate it may be assessed further, as a consequence of formal lodgement.

6.7.3.3 If confidential aspects to the proposal are discussed, these shall be remain so between those parties at the meeting, or their representative entities, regardless of whether the proposal is considered worthy of further assessment.

#### 6.7.4 Stage One – Formal Lodgement and Initial Assessment

6.7.4.1 This stage of the assessment process primarily measures the attributes of the proposal against those deemed to be appropriate for classifying the proposition as a definitive unsolicited proposal.

6.7.4.2 Formal lodgement of the proposal must be completed before the assessment of the proposal can commence. The Council portal [unsolicitedproposals@burnside.sa.gov.au](mailto:unsolicitedproposals@burnside.sa.gov.au) is the only vehicle by which the proposal can be formally lodged and registered.

6.7.4.3 Proposals offered to Council or its officers through any other medium will not be regarded as unsolicited proposals and will not be addressed by Council.

6.7.4.4 Initially the details of the proposal will be considered by commensurate Council bodies and/or officers dependent on the value of the proposal according to criteria outlined above, to determine its compatibility to Council's assessment criteria above and its exclusivity.

6.7.4.5 Further assessment criteria are outlined in the accompanying *Unsolicited Proposal Treatment Protocol*.

6.7.4.6 At the completion of the initial assessment, the proposal may be considered for further assessment and progression to Stage Two – Detailed Assessment. Alternatively the proposal may be deemed inappropriate for further consideration and assessment.

6.7.4.7 In any case, the proponent will be advised of the outcome of the initial assessment by the commensurate Council body or officer responsible for managing and overseeing the proposal.

6.7.4.8 Only after the initial assessment has been complete and the proponent has been advised of the outcome, will Council communicate any information regarding to the proposal the public.

#### 6.7.5 Stage Two – Detailed Assessment

6.7.5.1 If warranted, the second assessment phase involves testing the feasibility of delivering the proposal in a practical, prudent and timely manner.

6.7.5.2 The proponent and Council will work collaboratively to undertake feasibility testing where cost and benefit assumptions and their margins of error are agreed, along with timings for potential delivery confirmed.

6.7.5.3 Council will also consider delivery options and the implications for budgeting, resourcing and impacts on the community throughout a proposed implementation and completion phase.

6.7.5.4 Any further assessment criteria and the level of detail required by Council will be advised to the proponent at the commencement and if required, throughout the course of this stage, based on Council's *Unsolicited Proposal Treatment Protocol*.

#### 6.7.6 Stage Three – Contract Negotiation

6.7.6.1 If an unsolicited proposal successfully progresses through the assessment stages outlined above, Council may wish to enter into negotiations with the proponent to deliver the proposal outcomes.

6.7.6.2 Those negotiations shall be undertaken according to current Council Policy and Protocols concerning contract negotiation and execution.

6.7.6.3 Reference to the *Tenders and Contract Engagement Policy* along with supporting management Protocols is highly recommended at this stage.

6.7.6.4 At no stage throughout the negotiations will Council be bound to the proponent until such time as a binding contract has been executed between parties.

6.7.6.5 In addition, the progressive completion of the assessment stages outlined in this Policy shall not bind Council to any parties in any way, prior to or subsequent to the execution of a contract between parties.

#### 6.7.7 Proponent's Rights Recognised

6.7.7.1 If Council decides to act on an unsolicited proposal but does not engage with the proponent directly, Council will ensure that any request for information as part of a resulting default method of procurement (RFT, RFP or RFQ), will not compromise the intellectual property or moral rights of the proponent or the unsolicited proposal.

6.7.7.2 Intellectual Property rights owned by a proponent may consist of registered or unregistered designs, patents, utility models, drawings, specifications or technology, inventions, software, methods or techniques.

6.7.7.3 Individual and non-transferrable moral rights of a person associated with an unsolicited proposal will be observed by Council when interacting with the individual.

6.7.7.4 In particular, in situations where Council decides to act on an unsolicited proposal but does not engage with the proponent directly, Council will ensure an individual's moral rights are not breached should it consider approaching the market in relation to the subject matter of the unsolicited proposal.

6.7.7.5 This means ensuring Council does not attribute false authorship to documentation to tender and expression of interest documentation made public in relation to the subject matter.

6.7.7.6 Council will seek legal advice before proceeding with a tender or expression of interest in relation to the circumstances outlined above.

#### 6.8 Probity

6.8.1 At all times, Council and its officers will adhere to the Procurement Governance principles outlined in Council's *Procurement Governance Framework (Policy)*.

6.8.2 Council and its officers must also continue to observe Codes of Conduct and other Policies and Protocols providing guidance on potential conflicts of interest, fair and transparent business transactions and undertaking risk averse decision making, in consideration of all aspects of a proposal.

6.8.3 The management of, or engagement in a process concerning, an unsolicited proposal does not waive Council, or any of its officers, of the obligation to observe these principles at all times.

#### 6.9 Policy Review and Acknowledgements

6.9.1 Given both the overarching and complementary nature of this Policy to other risk management Council Policies, when a review of complementary Policies is undertaken, it shall be completed with a view to reviewing or

amending if necessary, any provisions in this Policy, for consistent application across Council activities and operations.

6.9.2 In compiling this Policy reference material available on the State Government Department for Premier and Cabinet website, has been accessed and referenced.

## **7. Availability**

7.1 The Policy is available to be downloaded, free of charge, from Council's website [www.burnside.sa.gov.au](http://www.burnside.sa.gov.au). The Policy will be available for inspection without charge at the Civic Centre during ordinary business hours and a copy may be purchased at a fee as set annually by Council.

City of Burnside Civic Centre  
401 Greenhill Road, Tasmore SA 5065

Telephone; 8366 4200

Fax; 8366 4299

Email; [burnside@burnside.sa.gov.au](mailto:burnside@burnside.sa.gov.au)

Office hours: Monday to Friday, 8.30am to 5.00pm (except public holidays).



**Item No:** 5.2  
**To:** Audit Committee  
**Date:** 6 June 2016  
**Author:** Karishma Dutta – Manager, Finance and Procurement  
**General Manager and Division** Martin Cooper – General Manager, Corporate Services  
**Contact:** 8366 4202  
**Subject:** ECONOMIC ASSUMPTIONS AND FINANCIAL INDICATORS  
**Attachments:** Nil  
**Prev. Resolution:** A04035, 4/4/16

---

### **Officer's Recommendation**

1. That the Report be received.
  2. That the Audit Committee provides the Administration with feedback on the financial parameters to be considered for inclusion in the Economic Assumptions and Financial Indicators Policy, which will inform the 2016/17 Long Term Financial Plan.
- 

### **Purpose**

1. That the Audit Committee provides the Administration with feedback on the financial parameters to be considered for inclusion in the Economic Assumptions and Financial Indicators Policy, which will inform the 2016/17 Long Term Financial Plan.

### **Strategic Plan**

2. The following Strategic Plan provision is relevant:

*"A financially sound Council that is accountable, responsible and sustainable"*

### **Communications/Consultation**

3. The following communication / consultation has been undertaken:
  - 3.1 Discussions were held with the Audit Committee in April 2016 where an initial draft of the 2016/2017 LTFP was tabled for feedback.
  - 3.2 Discussions with key stakeholders within Council.
  - 3.3 Feedback received from the Annual Business Plan survey as well as from the Community information sessions held on 18, 19 and 21 May 2016.
  - 3.4 An Elected Member workshop has been scheduled for 19 July 2016 where discussions will be held with the Elected Members around Council's view on key economic assumptions and financial indicators.

**Statutory**

4. The following legislation is relevant in this instance:

*Local Government Act 1999*

**Policy**

5. There are no policy implications or requirements associated with this recommendation.

**Risk Assessment**

6. Financial sustainability is one of Council's key strategic risks and applying a sound suite of financial ratios and measures is the best way to monitor and manage that risk.

**Finance**

7. Refer to 'Discussion' section below.

**Discussion**

8. The Long Term Financial Plan (LTFP) is Council's essential tool for planning and modelling the future financial implications of Council decisions and policies. Historically, Council has not specifically endorsed its economic assumptions and financial indicators but has instead included them as part of the Long Term Financial Plan each year.
9. It is considered good governance practice for Council, however, to separately consider and establish these strategic financial indicators and assumptions in a stand-alone publicly available policy, rather than as part of an annually endorsed long term financial plan document.
10. At the 4 April 2016 meeting, the Audit Committee considered the draft Long Term Financial Plan 2017-2026 and resolved, in part, that (A04035):
3. *That steps be taken to gain Council's input into key financial assumptions including an appropriate level of debt.*
11. Based on the feedback received, the Administration is developing a Financial Indicators and Economic Assumptions Policy which will guide the economic assumptions and ratios to be used by Council in the development of a financially sustainable Annual Budget / Business Plan, Long Term Financial Plan and other strategic plans.
12. This report discusses the assumptions and indicators that are currently used for Council's Long Term Financial Plan and seeks input from the Audit Committee around the relevance, applicability and recommended target amounts. Feedback is also sought specifically around the introduction of additional assumptions and targets around debt levels, debt repayment terms, holding a minimum cash reserve and the use of CPI/LGPI in financial forecasting.



Financial Sustainability

13. Council is committed to achieving financial sustainability and developing a stand-alone policy on the key financial assumptions and indicators will help ensure that this objective is met in the short and long term.
14. The commitment to financial sustainability is comprised of three key elements:
  - 14.1. Program Sustainability — ensuring the maintenance of high priority programs including the renewal and replacement of infrastructure;
  - 14.2. Rate Stability – ensuring a reasonable degree of stability and predictability in the overall rate burden; and
  - 14.3. Intergenerational Equity – ensuring a fair sharing in the distribution of resources and financial burdens between current and future users of services and infrastructure.
15. Key principles currently used by Council in ensuring financial sustainability include:
  - 15.1. Balanced Operating and Capital Budgets — Council aims to fully fund the cost of its services, including depreciation of its infrastructure and assets, to ensure an equitable sharing between current and future service users. Council recognises that insufficient funding of today's services shifts the burden on to future users in the form of higher rates or reduced services;
  - 15.2. Infrastructure and Asset Management — Council aims to maintain its infrastructure and assets to the predetermined requisite standard to ensure delivery of services to agreed standards. This involves developing and integrating long-term infrastructure and asset management plans with the LTFP to provide for the continued investment in renewal and replacement of asset stock;
  - 15.3. Rate predictability — Council aims to provide its community with a reasonable degree of predictability for rates over the medium term by ensuring ratepayers are fully informed about future rates and the corresponding services provided; and
  - 15.4. Debt — Council aims, all other things being equal, to keep its Net Financial Liabilities low having regard to the principles of financial sustainability. Council will use debt, when appropriate, to invest in new long-term assets.

Economic Assumptions

16. Councils Long Term Financial Plan is reviewed each year to ensure that the underlying parameters and assumptions are reasonable given the economic conditions and expectations at the time.

17. The economic assumptions used in the 2015/2016 Long Term Financial Plan were as follows:

Key Driver	Assumption for period of LTFP 2017-2025	Based on	Adopted Target
General Rates Increase	2.0% to 3.0% plus 0.5% growth	Financial Modelling and targets set by the Audit Committee	Average rates increases determined to achieve an operating surplus ratio no greater than 2.0% in years 6-10
Key Driver	Assumption for period of LTFP 2017-2025	Based on	Adopted Target
Organic Growth	0.5% all years	Actual historical results	None
Consumer Price Index	2.4% to 2.6%	Adelaide CPI	Proposed below
Wages/ Salaries	3.0 to 3.5%	Workplace Agreement plus increase in superannuation guarantee (if any)	None
Materials	2.9% to 3.1%	Adelaide CPI plus 0.5% differential	Proposed below
Debt Levels and Repayment Terms	Borrowings have been used to fund new Capital only  Assumed at 4.8% interest rate over a 20 year period	LGFA interest rates	Proposed below

#### General Rates Increase

18. For 2016/17, a general rates increase of 0.90% (plus 0.5% growth) has been proposed in line with the Local Government Price Index movement for the previous year. In accordance with the 2015/16 LTFP, Years 2-10 assume rates to be within 2.0% - 2.5%. A target for General Rates Increase was set by the Audit Committee at its April 2015 meeting whereby it was recommended that the average rates increases be determined to achieve an operating surplus ratio no greater than 2.0% in years 6-10.

#### Consumer Price Index

19. The cost index for other income as well as materials expenditure is based on the Consumer Price Index / Local Government Price Index. Whilst the Consumer Price Index (CPI) drives non-rates income, expenditure on materials is based on the Local Government Price Index (LGPI). The CPI is regarded as a key measure of household expenditure inflation and is designed to provide a general measure of price inflation for household purchases whilst the LGPI is considered more suitable for measuring the inflation of Local Government sector services. Historically, there has been a difference

between the LGPI and CPI. However, for the past few quarters, the difference has been negligible.

20. It is considered prudent for Council to determine a methodology for incorporating CPI/LGPI assumptions into the LTFP; either based on past results or based on expected forecasts.

*Option 1 – Forecast Indices*

21. Years 2-10 of the 2015/16 LTFP were based on the relative movements forecast in the South Australian CPI forecast sourced from Deloitte Access Economics Business Outlook. This equated to between 2.40% to 2.90%. However, the risk with this methodology is that it is only a forecast and likely to be higher than actual movements.

*Option 2 – Historical Indices*

22. The other alternative is to base the LTFP on the December Local Government Price Index (LGPI). The risk in this case may be that actual LGPI movements are higher and hence the budget would be understated.
23. A third option would be to use an average of the two.

*Debt Levels and Repayment Terms*

24. A major component of services Council provides are asset intensive which often requires a large investment, initially for acquisition of assets and ongoing as a result of maintenance and renewal of those assets. Without the use of debt, it is very difficult for Council to finance the acquisition of new assets, while at the same time finance planned and requisite asset renewals. In the absence of adequate debt, Council would have to charge current ratepayers a high charge relative to the benefit derived. This would also lead to issues with intergenerational equity since Council would charge current ratepayers high rates whilst future ratepayers would continue to derive the benefit of the assets. Using debt, when done equitably and responsibly, will help alleviate these issues of intergenerational equity.
25. The debt repayment term incorporated in the 2015/16 LTFP was based on a 20 year period, which is a conservative and reasonable timeframe for Council to aim at repayment of its debt. In addition, the debt levels within the 2015/16 LTFP have been based on a treasury management position of drawing down on loans when required and repaying loans when excess cash is available. A Council policy position on both of these matters will be incorporated into the new 'Economic Assumptions and Financial Indicators Policy'.

Financial Indicators

26. A key component to assess and manage Council's financial sustainability is to utilise a suite of relevant and understandable financial indicators.
27. Essentially, Council is in the business of raising revenue on an annual basis (primarily via taxation) to deliver services to the community. Some of those services involve direct cost service delivery and some of those services involve the upfront investment, perpetual maintenance and the eventual renewal of assets over long (but not infinite) useful lives. Whilst the service benefit from these long lived assets is linear in nature year by year, the renewal expenditure on assets is not linear and in aggregate (across all assets) can vary significantly from year to year.
28. There is a multitude of financial indicators that Council could potentially use and consider; however any indicator(s) that Council uses should be directly relevant to the business of Council. It would seem counter-productive to expend energy and

resources monitoring indicators that are not relevant to Council's business model or strategic goals and even worse, monitoring indicators that are not suitable for the intended purpose thus putting Council inadvertently at financial risk.

29. The Local Government Association, through the Model Set of Financial Statements prescribed under the regulations, mandates the use of three ratios, being:

29.1. Operating Surplus Ratio;

29.2. Net Financial Liabilities Ratio; and

29.3. Asset Sustainability Ratio.

30. Whilst it is a requirement that all councils calculate and report the three mandated industry ratios, councils are free to develop and use any number of financial indicators that they believe will assist them in decision making and monitoring and maintaining their financial health.

31. The table below outlines the mandated ratios currently reported on by Council:

Key Determinant	Related Financial Indicator	LGA Mandated Ratio	LGA Target	Financial Sustainability Element
Is Council generating enough annual operating revenue to cover annual service delivery costs	Operating Result Ratio	✓	Between 0% -10%	Program Sustainability Rate Stability
Council's level of debt	Net Financial Liabilities Ratio	✓	Between 0 - 100%	Intergenerational equity
Is Council replacing and renewing assets at the rate outlined in the agreed Asset Management Plans or other programs	Asset Sustainability Ratio	✓	Between 90% - 110%	Program Sustainability

## 32. Additional ratios for consideration:

Key Determinant	Related Financial Indicator	Calculated as:	Financial Sustainability Element
Is Council generating enough cash to repay debt taken out in accordance with its established timeframe.	Debt Repayment Term	Amount of time (in years) over which the repayment of existing debt and debt taken is funded based on forecast surplus cash from operations. Surplus cash is calculated as cash from operations excluding non-cash and one off items.	Intergenerational equity
The amount of discretionary operating revenue spent on servicing interest costs associated with debt.	Interest Coverage Ratio	Net interest expense expressed as a percentage of rates income	Intergenerational equity Rate Stability
The amount of cash resources available as working capital	Minimum Cash Reserve	Minimum cash at bank to be held at the end of the financial year	Program Sustainability

## 33. Council's financial ratio results for the past three years and that forecast for 2016/17 has been included below:

Description	Target amount (LGA Recommended Target)	Audited Actuals 2013/14 \$('000)	Audited Actuals 2014/15 \$('000)	Forecast Budget 2015/16 \$('000)	Proposed Budget 2016/17 \$('000)
Operating Surplus/(Deficit) (including subsidiaries)	Operating Surplus position	(895)	1,143	442	1,409
Operating Surplus/(Deficit) Ratio (including subsidiaries)	0 – 10%	(3%)	3%	1%	4%
Net Financial Liabilities	Less than Total Annual Operating Revenue	3,851	10,694	15,986	17,474
Net Financial Liabilities Ratio	Between 0 - 100%	10%	25%	42%	40%
Asset Sustainability Ratio	Greater than 90% but less than 110%	78%	142%	120%	109%

	Within the target range
	Outside the target range

*Conclusion*

34. Council is now in a financially sustainable position and can turn its mind for the first time to a number of questions including what level of surplus is appropriate and how that surplus should be utilised. The establishment of a suite of economic assumptions and financial ratios will provide Council with a framework to achieve consistency and to measure and report on its financial sustainability and financial health. This will in turn assist to ensure that future decisions around rating, service levels and operating results are financially sustainable and responsible.

**Item No:** 5.3  
**To:** Audit Committee  
**Date:** 6 June 2016  
**Author:** Karishma Dutta – Manager, Finance and Procurement  
**General Manager and Division** Martin Cooper – General Manager, Corporate Services  
**Contact:** 8366 4202  
**Subject:** 2016/17 ANNUAL BUSINESS PLAN UPDATE (OPERATIONAL)  
**Attachments:** A. 2016/17 Annual Business Plan and Budget Timetable  
B. 2016/17 Annual Business Plan and Budget Survey  
**Prev. Resolution:** A04031. 15/2/16  
C10534, 23/2/16

---

### Officer's Recommendation

That the Report be received.

---

### Purpose

1. To provide the Audit Committee with an update on the progress made with regards to the 2016/17 Annual Business Plan and Budget.

### Strategic Plan

2. The following Strategic Plan provisions are relevant:

*"Our community is actively engaged and involved in shaping the city's future"*

*"A financially sound Council that is accountable, responsible and sustainable"*

### Communications/Consultation

3. Since the endorsement of the Draft 2016/17 Annual Business Plan and Budget, the following public consultation activities have been undertaken:
  - 3.1. Notification of the public consultation process in the Messenger by separate advertisement.
  - 3.2. Notice of the commencement of the engagement, and of the public meetings, via Twitter, Councils website and eNews'.
  - 3.3. A consultation specifically on the proposed introduction of a 150% differential rating on Vacant Land.
  - 3.4. During the public consultation period (27 April until 25 May), three public consultation meetings were held as follows:
    - 3.4.1. Wednesday 18 May 2016 at 6.30 pm at the Civic Centre (central);
    - 3.4.2. Thursday 19 May at 1.00 pm at Kensington Garden Cricket Club (North);  
and

3.4.3. Saturday 21 May at 2.00 pm at Glenunga Hub (South).

- 3.5. The public were also invited to submit comments either by post, email, telephone or via the Burnside Council website.
- 3.6. The 'engage.burnside' online consultation tool was used to survey residents.
- 3.7. A double sided information sheet was also distributed to all residents within the City and all ratepayers that live externally to the City.
- 4. An additional Council Budget Workshop will be held for Elected Members on 16 June 2016 to review the results of the consultation process prior to the submission of the final Annual Business Plan and Budget for adoption at the 28 June 2016 meeting of Council.

### **Statutory**

- 5. The following legislation is relevant in this instance:

*Local Government Act 1999*

### **Policy**

- 6. There are no policy implications or requirements associated with this recommendation.

### **Risk Assessment**

- 7. The following risks have been identified:
  - 7.1. Material misstatement of forecast financial data and/or a significant change in economic conditions.
  - 7.2. Not achieving the financial ratios and targets recommended by the Local Government Association – Financial Sustainability Information paper No.1.

### **Finance**

- 8. The draft 2016/17 Annual Business Plan sets the budget for the year, which also then forms Year 1 of the 2016/2017 Long Term Financial Plan.

### **Discussion**

- 9. Under Section 123 of the *Local Government Act 1999*, Council is required to develop a budget for each financial year.
- 10. The Council must prepare, as part of its budget development process, an Annual Business Plan. Prior to adoption of the Annual Business Plan, the Act requires Council to undertake a public consultation process that, as a minimum, meets the requirement of Section 123(4) of the Act.

### **Timetable and Progress Made**

- 11. At the 15 February 2016 meeting, the Audit Committee was presented with the 2016/17 ABP and Budget Timetable (Attachment A).



12. As noted in Attachment A, Council concluded its community consultation on 25 May 2016.
13. For the first time, three community consultation sessions were held to provide an increased opportunity for the community to suggest ideas for inclusion in the draft Annual Business Plan. All ideas, along with responding comments from Council, have been presented on the Council website.
14. In addition, Council also consulted with the community through the engage.burnside portal as well as providing hard copy surveys along with a reply paid envelope to all residents within the City and all ratepayers that live externally to the City. As a result, 1,072 responses have been received and are in the process of being assimilated. A copy of the survey questions has been included as Attachment B to this report.
15. In compiling the survey questions, the Administration has made a conscious effort to get feedback from the community on strategic issues such as delivery of services, rates increases and level of debt.
16. Preliminary responses suggest that 53 per cent of the respondents are supportive of a 0.90% rate increase whilst 27 per cent would support a higher rate increase and 20 per cent would support a lower rate increase.
17. The responses also suggest that the majority of respondents support the proposed introduction of differential rating on Vacant Land properties.
18. In addition, preliminary results indicate that 81 per cent of the respondents were supportive of the Council's responsible continued use of debt to fund investment in new infrastructure with most of them preferring a 15-20 year repayment timeframe.
19. A detailed review is currently being undertaken on the responses and will be presented at the Council Budget Workshop held for Elected Members on 16 June 2016.
20. The 2016/17 Annual Business Plan and Budget will thereafter be presented to Council for adoption at the 28 June 2016 meeting.

### *Conclusion*

21. The 2016/17 Annual Business Plan and Budget has progressed in line with the Timetable as endorsed by the Audit Committee in February 2016. Council has encouraged the community to provide feedback through a number of channels and this has resulted in valuable input which will inform the 2016/17 Annual Business Plan and Budget to be adopted on 28 June 2016.

## 2016/17 Annual Business Plan and Budget Timetable – Key EM Decision Points

Description	2016/17 Timeframe
✓ <b>Annual Community Survey</b> conducted	November 2015
✓ <b>Elected Members Budget Proposals</b>	17 December 2015 – 15 January 2016
✓ <b>The Year That Was and The Year Ahead</b> (Evaluation & Strategic Planning)	Elected Member Workshop 4 February 2016
✓ Elected Members provided all <b>shortlisted Operating and Capital Project Budget Bids and budget information pack</b>	Late February New Operating and Capital Project Business Cases provided via Elected Member Information Document prior to Budget Workshop
✓ <b>Results of Annual Community Survey and Civic Centre Redevelopment</b>	Elected Member Workshop 18 February 2016
✓ Administration to present their <b>Draft 2016/17 Departmental Programs</b> defining how each department contributes to the Strategic Community Plan and the Operating functions and services being delivered.	8 March Council Meeting
✓ <b>Elected Member Budget Workshop 1</b> <b>Topics to be covered;</b> <ul style="list-style-type: none"> <li>• Overall Budget Process</li> <li>• Incorporating results of Annual Community Survey into the draft Budget</li> <li>• Operating and Capital Budget Overview</li> <li>• Proposed Operating and Capital Projects</li> <li>• Rating Scenarios</li> <li>• Community engagement proposal for annual business plan and budget consultation</li> </ul>	17 March 2016  <i>Mon 14<sup>th</sup> March – Adelaide Cup</i> <i>Fri 25<sup>th</sup> March – 28<sup>th</sup> March – Easter</i>
✓ <b>Adoption of Draft 2016/17 Annual Business Plan and Budget for community consultation and engagement</b> including Long Term Financial Plan and Fees and Charges.	4 April Audit Committee 12 April Council Meeting
✓ <b>Community Engagement / Consultation</b> of Annual Business Plan and Budget including a <b>public meeting</b> .	Consultation period: 27 April – 25 May 2016 Public Meetings: 18 May, 19 May & 21 May 2016
<b>Elected Member Budget Workshop 2</b> <b>Topics to be covered;</b> <ul style="list-style-type: none"> <li>• Results of Community Engagement</li> <li>• How results from community engagement have been incorporated into the draft Annual Business Plan and Budget</li> <li>• Presentation of final draft Annual Business Plan and Budget, Long Term Financial Plan and Fees and Charges.</li> </ul>	16 June 2016

Description	2016/17 Timeframe
<b>Adoption of final draft 2016/17 Annual Business Plan and Budget</b> , Long Term Financial Plan and Fees and Charges	28 June 2016 Council Meeting
Summary brochure of adopted 2016/17 Annual Business Plan & Budget distributed with 1 <sup>st</sup> Quarter Rates notice.	Mid July 2016

**2016/17**

# Draft Business Plan and Budget

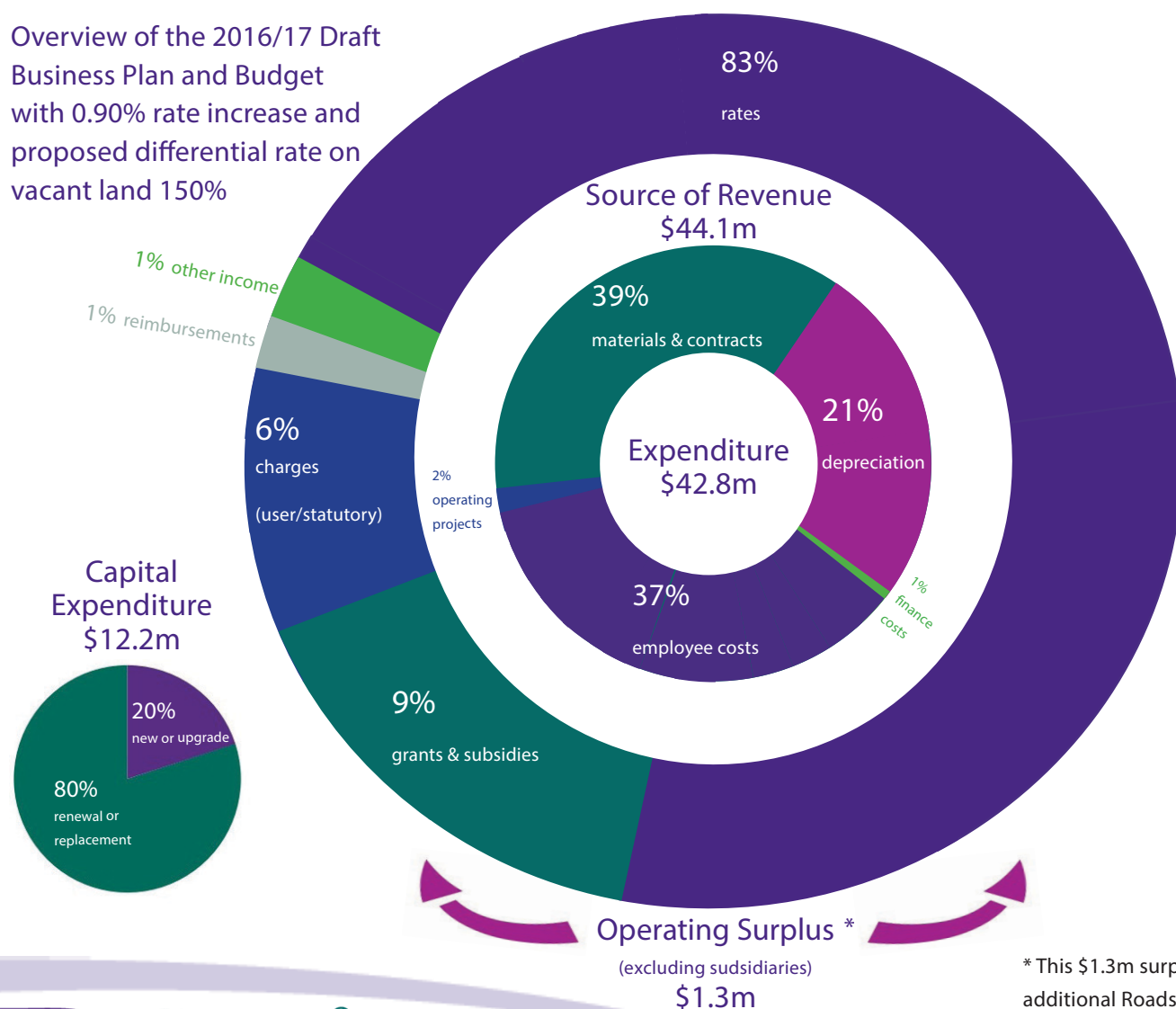
The Draft Annual Business Plan and Budget sets out the proposed services, functions and projects that the City of Burnside will provide to our community in the 2016/17 financial year.

Community feedback received through the November 2015 Annual Community Survey has assisted in the development of this Draft Business Plan and Budget.

The enclosed survey is another opportunity for you

to have your say on the community services and infrastructure important to you. Your feedback will help Council make informed decisions that balance community aspirations for new services and facilities with the ongoing need to strengthen essential services (such as waste collections, library and verge and park maintenance) and maintain existing, ageing assets (such as community centres and sporting facilities).

Overview of the 2016/17 Draft Business Plan and Budget with 0.90% rate increase and proposed differential rate on vacant land 150%



\* This \$1.3m surplus includes an additional Roads to Recovery Grant payment of \$789k. The normalised surplus on removal of this additional payment equates to \$531k.



**Have Your Say  
From 27 April until  
5 pm 25 May 2016**

## Your voice

**There are many ways to have your say on the Draft Business Plan and Budget as set by community input from the Annual Community Survey.**



**Write:**  
Complete the survey and  
return using the enclosed Reply  
Paid envelope by  
Wednesday 25 May 2016



**Attend a community session.**  
Three session times available:

Wednesday 18 May 2016  
6.30 pm - 8.30 pm  
City of Burnside Civic Centre  
401 Greenhill Road, Tasmore  
Tea and coffee served

Thursday 19 May 2016  
1 pm - 3 pm  
Kensington Gardens Tennis and  
Bowling Club Inc  
Cnr The Parade and East Terrace  
Kensington Gardens  
Tea and coffee served

Saturday 21 May 2016  
2 pm - 5 pm  
Glenunga Hub  
Conyngham Street, Glenunga  
Sausage sizzle



**Online:**  
[engage.burnside.sa.gov.au](http://engage.burnside.sa.gov.au)  
Complete a survey, download  
information



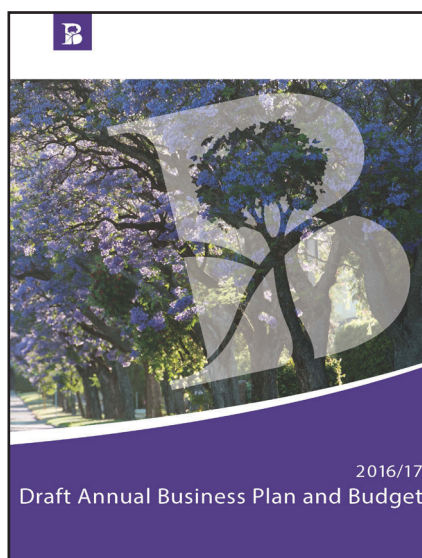
**Email:**  
[burnside@burnside.sa.gov.au](mailto:burnside@burnside.sa.gov.au)



**Write:**  
Bernie Auricht  
Reply Paid 9  
Glenside SA 5065



**Phone:**  
Bernie Auricht  
8366 4200



The 2016/17  
Draft Business  
Plan and Budget  
will be available  
online and at the  
Civic Centre from  
Wednesday  
27 April 2016



# Shape your community

## Have your say

### Financial sustainability for the City of Burnside: where do you stand?

Financial sustainability represents the most significant and often debated policy question in our council deliberations and within our community.

Please take a moment to consider our current financial position. Have your say by completing this survey (return by using the enclosed reply paid envelope), or go online to [engage.burnside.sa.gov.au](http://engage.burnside.sa.gov.au).

#### 1. Rates - 0.9 per cent the lowest in 10 years

Council is proposing a 0.9 per cent rate increase, the lowest in over 10 years, while still providing quality services that meet the needs of the community. To achieve this Council has to be effective and efficient. That is, Council must look for new ways to deliver quality services; improve its use of resources (eg people, materials, plant and equipment, infrastructure, buildings) and redirect savings to finance new or improved services.

##### A) Please tick your preferred viewpoint:

- ☐ I support a rate increase of 0.9 per cent which will maintain current services with minor enhancements. Please proceed to section 2.
- ☐ I support a rate increase of less than 0.9 per cent which, to remain financially sustainable, will require a reduction in current services. Please proceed to section 2.
- ☐ I support a rate increase of greater than 0.9 per cent which could enable faster debt repayment and/or provide opportunity for an increase in new projects and infrastructure. Please proceed to question B and C below.

##### B) If you support a rate increase of greater than 0.9 per cent\* please indicate your preferred value range:

- ☐ 1.0 - 2.0 per cent (an additional 83 cents a month on average)
- ☐ 2.1 - 3.0 per cent (an additional \$2.25 a month on average)
- ☐ 3.1 - 4.0 per cent (an additional \$3.67 a month on average)

\* The average rate for 2016/17 for all categories (except vacant land) is \$1,707 per year.

##### C) If you support a rate increase of greater than 0.9 per cent how would you allocate the additional resources?

- ☐ repayment of debt
- ☐ new projects and infrastructure
- ☐ a proportion of both debt repayment and new projects and infrastructure

#### 2. Proposed introduction of differential rates on vacant land

Council is proposing to introduce a higher rating on vacant land to encourage development and preserve the high standard of street appeal in the City of Burnside. The City of Burnside is one of only three metropolitan Councils that do not have a differential rating strategy. Introducing a differential rate will not increase Council's total rate revenue but will redistribute the existing rates burden across the community. Ratepayers, other than owners of vacant land, will pay correspondingly less in rates. Council is proposing the introduction of a 150 per cent differential rate for vacant land, which will result in the following average rate increases:

- vacant land \$549 per annum (33.36 per cent)
- residential and other categories \$9 pa (0.58 per cent)

##### A) Do you support this proposal?

- ☐ Yes
- ☐ No

# Shape your community

## Have your say

### 3. Delivery of services - How can Council innovate?

**A) Thinking back over the last 12 months, can you identify ways in which the City of Burnside could be more efficient in how we deliver our services to you?**

.....

.....

.....

.....

### 4. Debt - Council debt is not the same as household debt

Compared to numerous metropolitan Councils, the City of Burnside has a low level of debt (29 per cent of its annual income) relative to the value and number of its assets. Debt is not used to fund ongoing operational expenditure. Our current debt is a result of investment in the George Bolton Swimming Centre and the Glenunga Hub.

Sensible use of debt can help spread the cost of funding new and existing infrastructure over time sharing the financial burden between current and future users - spreading the cost of long lived assets across generations.

**A) Do you support the responsible continued use of debt to fund investment in new infrastructure (eg footpaths, stormwater harvesting, community hubs and sporting facilities)?**

- ☐ Yes
- ☐ No

**B) Council currently budgets for new borrowings to be paid off over a 20 year period. Which of the following debt repayment terms would you support?**

- ☐ 5 years
- ☐ 5-10 years
- ☐ 10-15 years
- ☐ 15-20 years
- ☐ greater than 20 years

### 5. Other comments?

.....

.....

.....

.....

.....

.....

### 6. About you - Individual responses and your details remain confidential

Anonymous responses will not be included in results.

Name .....

Address .....

Email .....

Phone .....

Please complete this survey and return using the enclosed Reply Paid envelope by **5 pm Wednesday 25 May**.

**Thank you for participating**





**Item No:** 5.4  
**To:** Audit Committee  
**Date:** 6 June 2016  
**Author:** Karishma Dutta – Manager, Finance and Procurement  
**General Manager and Division** Martin Cooper – General Manager, Corporate Services  
**Contact:** 8366 4202  
**Subject:** REGIONAL SUBSIDIARY 2015/16 PERIODICAL FINANCIAL RESULTS AND DRAFT BUDGETS FOR 2016/17 (OPERATIONAL)  
**Attachments:** A. EHA Third Budget Review for 2015/2016  
B. East Waste December Quarter Financial Report 2015/2016  
C. HLA Draft Budget for 2016/2017  
D. EHA Draft Annual Business Plan 2016/17  
E. East Waste Draft Budget for 2016/17  
**Prev. Resolution:** A04032, 15/02/16

---

### Officer's Recommendation

1. That the Report be received.
  2. That the Audit Committee notes the inclusion of the financial reports and updates on the four regional subsidiaries of the City of Burnside – Eastern Health Authority (EHA), Eastern Waste Management Authority Incorporated (East Waste), Highbury Landfill Authority (HLA) and Eastern Regional Alliance Water (ERA Water).
- 

### Purpose

1. To provide the Audit Committee Members with an updated position on the year to date operating performance for the four regional subsidiaries.

### Strategic Plan

2. The following Strategic Plan provision is relevant:

*"A financially sound Council that is accountable, responsible and sustainable"*

### Communications/Consultation

3. The following communication / consultation has been undertaken:
  - 3.1 Communication received from each of the Regional Subsidiaries

### Statutory

4. The following legislation is relevant in this instance:

*Local Government Act 1999*

## Policy

5. There are no policy implications or requirements associated with this recommendation.

## Risk Assessment

6. Council has four regional subsidiary entities whose financial results can have a significant impact on the financial performance of the City of Burnside. Furthermore, Council is contractually liable for any debts incurred by these entities. Accordingly, it is in Council's best interest to monitor the actual and forecast financial performances for these entities throughout the year. Failure to do so may adversely impact the financial sustainability of the City of Burnside.

## Finance

7. Consistent equity accounting treatments have been adopted for each regional subsidiary in accordance with Australian Accounting Standards. Details are provided for each regional subsidiary in this Report.

## Discussion

8. Under Section 43 of the *Local Government Act 1999*, the City of Burnside recognises four regional subsidiary entities, these being:
  - 8.1 Eastern Health Authority;
  - 8.2 Eastern Waste Management Authority Incorporated;
  - 8.3 Highbury Landfill Authority; and
  - 8.4 Eastern Region Alliance Water.
9. In accordance with regulation 9 of the *Local Government (Financial Management) Regulations 2011*, a Council, Council subsidiary or regional subsidiary must prepare and consider reports which show a forecast of its operating and capital investment activities for the relevant financial year compared with the estimates for those activities set out in the budget.
10. Accordingly, the purpose of this Report is to provide an update on the year to date operating results and forecast for each entity.
11. Australian Accounting Standard AASB 128, '*Investments in Associates and Joint Ventures*' requires that, under the equity method, Council recognises the investment in a Joint Venture at cost and then increases or decreases the carrying value based on the subsidiaries profit and loss.
12. In line with AASB 128, Council recognises any movements in the subsidiary's budgeted profit / loss through its Budget Review process.
13. Based on the financial updates received from Council's subsidiaries (refer Attachments A-C), the following table notes Council's share of the annual Net Surplus / (Deficit) for the 2015/2016 financial year:

Entity	Source	Subsidiary's Forecast Surplus / (Deficit) for 2015/16	City of Burnside Share %	City of Burnside Share \$	Surplus/ Deficit	Variation to City of Burnside's Forecast
EHA	2015/16 Third Budget Review	\$10,083	25.0%	\$2,521	Surplus	\$8,750
East Waste	2015/2016 Dec Quarter Report	\$102,315	17.0%	\$17,394	Surplus	\$6,287
HLA	2016/17 Draft Budget	\$402,768	50.0%	\$201,384	Surplus	\$117,082
<b>Total</b>		<b>\$515,166</b>		<b>\$221,299</b>	<b>Surplus</b>	<b>\$132,119</b>

14. The following commentary provides an update on the financial performance of the regional subsidiaries.

*Eastern Health Authority (EHA)*

15. EHA has reported a variation to its Forecast position, from a Net Deficit of \$24,917 to a revised Net Surplus of \$10,083. As a result, the impact on Council's Q3 Forecast has been a favourable movement of \$8,750.
16. EHA's Third Budget Review forecasts a Net Surplus for 2015/16 of \$10,083. The \$35,000 variation relates primarily to reduced employee costs (\$70k) partly offset by reduced revenue from expiation fines and food inspections (\$50k).
17. The City of Burnside's proportional share of this revised surplus equates to \$2,521, which is a variation of \$8,750 compared to Council's Q2 Forecast. An adjustment to this effect has been approved by Council as part of the Third Quarter Budget Review adopted at the 10 May 2016 meeting.
18. EHA's Board of Management held a budget workshop on 16 March 2016 to consider the 2016/17 Annual Business Plan and Budget (Attachment D). Per the Draft 2016/17 Budget, EHA has forecast a balanced operating budget. An adjustment to this effect will be included in Council's Draft budget to be presented at the 28 June 2016 meeting.

Entity	Per City of Burnside Draft 2016/17 Budget	Per Subsidiary's Draft 2016/17 Budget	City of Burnside share	Adjustment required
EHA	(\$6,229)	\$0	\$0	\$6,229

*Eastern Waste Management Authority Incorporated (East Waste)*

19. East Waste has also reported a variation to its Forecast Position from a Net Surplus of \$65,333 to a revised Net Surplus of \$102,315. As a result, the impact on Council's Q3 Forecast has been a favourable movement of \$6,287.
20. The increase in Surplus is due to a net \$159,000 variation resulting from a reduction of annual leave accrual expenses (\$209,000) partly offset by an increase in costs related to re-branding of the East Waste fleet as per the 28 January 2016 Board resolution (\$50,000).
21. At the East Waste Board Meeting on 31 March 2016, the Draft 2016/2017 Annual Plan and Budget (Attachment E) was considered and sent to the member Councils for endorsement. Per the Draft 2016/17 Budget, East Waste is forecasting a Net Surplus

of \$66,816. A minor adjustment to this effect will be included in Council's Draft budget to be presented at the 28 June 2016 meeting.

<i>Entity</i>	<i>Per City of Burnside Draft 2016/17 Budget</i>	<i>Per Subsidiary's Draft 2016/17 Budget</i>	<i>City of Burnside share</i>	<i>Adjustment required</i>
East Waste	\$11,107	\$66,816	\$11,359	\$252

#### *Highbury Landfill Authority*

22. HLA has also reported a variation to its Forecast Position from a Net Surplus of \$168,605 to a revised Net Surplus of \$402,768. As a result, the impact on Council's Q3 Forecast has been a favourable movement of \$117,082.
23. This increase in Net Surplus relates to a positive variance of \$239,939 in its Provision expense and relates to the difference between the actual opening balance of the Post Closure provision as at 1 July 2015 and the estimated opening balance when the 2015-2016 budget was determined.
24. The HLA Board have reviewed the Draft Budget for 2016/17 and referred it to the member Councils for their approval. Per the Draft budget (Attachment C), HLA is forecasting a Net Deficit of \$38,129. An adjustment to this effect will be included in Council's Draft Budget to be presented at the 28 June 2016 meeting.

<i>Entity</i>	<i>Per City of Burnside Draft 2016/17 Budget</i>	<i>Per Subsidiary's Draft 2016/17 Budget</i>	<i>City of Burnside share</i>	<i>Adjustment required</i>
HLA	\$84,303	(\$38,129)	(\$19,065)	\$103,367

25. In addition, HLA have also indicated that member councils will need to budget for a capital amount of \$267,000 in total towards commissioning and installing a Lo Cal flare due to insufficient gas being produced. The flare will be owned by HLA and the management of the gas field and maintenance of the flare will be undertaken by McMahon Services. A proportionate amount of Capital Budget will be included in the Council's 2016/17 Draft Budget and will be presented at the 28 June 2016 meeting.

#### *Eastern Region Alliance Water*

26. At the ERA Water Board Meeting held on 4 March 2016, the Draft 2016/17 Annual Business Plan and Budget was considered. However, the Draft Budget was not in a format consistent with the Model Financial Statements and did not specifically identify the subsidiary's Net Surplus. As such, the City of Burnside has offered to assist with the compilation of the 2016/17 Budget. At this stage, the Budgeted Statements are in the process of being reviewed and finalised.

#### *Conclusion*

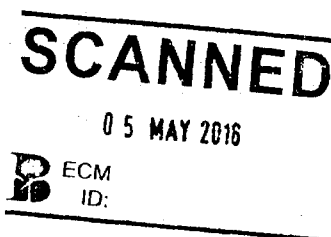
23. The variations noted above with regards to the 2015/16 Net Surplus positions for the subsidiaries have already been accounted for as part of the City of Burnside's Third Quarter Budget Review which was presented to Council on 10 May 2016. The adjustments required to Council's 2016/17 Draft Budget to reflect the subsidiaries respective Forecasts will be incorporated into the Draft Budget and presented at the 28 June 2016 Council meeting.

## Attachment A

Our Ref: AF15/10

3 May 2015

Mr Paul Deb  
Chief Executive Officer  
Burnside City Council  
PO Box 9  
GLENSIDE SA 5065



Dear Paul

**RE: Eastern Health Authority (EHA) March 2016 (Third and Final) Budget Review for 2015/2016**

In accordance with regulation 9 of the Local Government (Financial Management) Regulations 2011, a regional subsidiary of a council must prepare and consider at least three separate budget review reports annually. The reports are required to comply with sub regulation 1 (a) and (b) in terms of content and timing.

In the event that its budget requires amendment, EHA must seek approval from the Constituent Councils pursuant to clause 25 (3) of Schedule 2 of the Local Government Act. A written request for the approval of the amendments must be sent to all Constituent Councils which must be accompanied by the proposed amendments. If the Constituent Councils grant approval then EHA may officially resolve to amend the budget and upon making that resolution, the amended budget will be effective.

At EHA's Board of Management meeting held on 27 April 2016, a Budget Review report was presented to members. The report requested a number of variations to the revised budget. The net effect of the variations equates to a \$35K improvement to the estimated budget result. The estimated result is a surplus of \$10,083 compared to the previous estimate of a deficit of \$24,917.

Please find enclosed a copy of the report and subsequent resolutions which detail the proposed variations.

The Board of Management resolved at the meeting that I correspond with the Constituent Councils requesting that the amended budget resulting from these variations be approved. If approval is received from all Constituent Councils a report to the Board of Management will be made requesting the official adoption of the amended budget.

It would be appreciated if the budget review is considered by your council and a response provided to EHA prior to 8 June 2016.

If you need any more information or would like to discuss this further, please contact me on telephone 8132 3611.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Michael Livori', written in a cursive style.

Michael Livori  
**Chief Executive Officer**

## 6.2 FINANCE REPORT AND THIRD (MARCH 2016) BUDGET REVIEW FOR 2015/2016

Author: Michael Livori  
Ref: AF15/10

### Summary

So that members can ensure that Eastern Health Authority (EHA) is operating according to its adopted budget, financial performance is regularly monitored and statutory budget reviews are considered.

In accordance with regulation 9 of the *Local Government (Financial Management) Regulations 2011*,

- (1) *A council, council subsidiary or regional subsidiary must prepare and consider the following reports:*
  - (a) *at least twice, between 30 September and 31 May (both dates inclusive) in the relevant financial year (where at least 1 report must be considered before the consideration of the report under sub regulation (1)(b), and at least 1 report must be considered after consideration of the report under sub regulation (1)(b))—a report showing a revised forecast of its operating and capital investment activities for the relevant financial year compared with the estimates for those activities set out in the budget presented in a manner consistent with the note in the Model Financial Statements entitled Uniform Presentation of Finances;*
  - (b) *between 30 November and 15 March (both dates inclusive) in the relevant financial year—a report showing a revised forecast of each item shown in its budgeted financial statements for the relevant financial year compared with estimates set out in the budget presented in a manner consistent with the Model Financial Statements.*

This report provides the third and final of the budget reviews required in accordance with regulation 9 (1) and relates to the financial performance of EHA between 1 July 2015 and 31 March 2016. It provides the opportunity to amend the adopted budget in line with revised projections of income and expenditure for the 2015/2016 financial year.

### Report

The report below gives a simple analysis of year to date income, expenditure and operating result.

Eastern Health Authority - Financial Statement (Level 1)				
1 July 2015 to 31 March 2016				
	Actual	Budgeted	\$ Variation	% Variation
Total Income	\$ 1,955,263	\$ 2,000,776	\$ (45,513)	-2%
Total Expenditure	\$ 1,533,288	\$ 1,653,461	\$ (120,172)	-7%
Operating Result	\$ 421,975	\$ 347,315	\$ 74,660	21%



The report shows that for the reporting period income was \$45,513 (-2.0%) less than budgeted and expenditure was \$120,172 (-7%) less than budgeted.

The net result is a variation of \$74,660 on the budgeted year to date comparative operating result.

A more detailed report is provided as attachment 1. The report provides detail on year to date performance of individual budget lines. Any variation greater than \$5,000 is detailed in the table below with explanatory comments.

Summary Table of Funding Statement Variations				
Favourable variances are shown in <b>black</b> and unfavourable variances are shown in <b>red</b> .				
Description	YTD Budget	YTD Actual	Variation	Comment
<b>Income</b>				
Food Inspection Fees	\$60,000	\$43,671	(\$16,329)	Delay in appointment of staff to budgeted positions. <b>-10K</b> variation requested.
Fines and Expiations	\$67,500	\$17,882	(\$49,618)	Decrease in expiations issued. <b>-40K</b> variation requested.
City Of Unley	\$69,500	\$90,438	\$20,938	SRF license investigations and approval. <b>20K</b> variation requested.
<b>Expenditure</b>				
Employee Costs	\$1,074,000	\$1,015,437	(\$58,563)	Delay in appointment of staff to budgeted positions. <b>-70K</b> variation requested.
Maintenance	\$48,750	\$41,822	(\$6,928)	<b>-5K</b> variation requested at this point in time.
Printing and Stationery	\$22,500	\$13,439	(\$9,061)	<b>-5K</b> variation requested.
Income Protection	\$16,000	\$10,953	(\$5,047)	Reduction in premium for this FY due to staff levels. <b>-5K</b> reduction requested.
Website Upgrade	\$-	\$-		<b>20K</b> variation requested for website upgrade.

The total of the operating budget variations requested in relation to the above table result see a \$35K improvement to the estimated budget



result. The estimated result is a surplus of \$10,083 compared to the previous estimate of a deficit of \$24,917.

It is requested that the variations resulting from the changes to operating budget lines are incorporated into a revised financial statement for 2015/2016.

A summary of the variations requested within the Financial Statements are provided in the following table. Variations are only required to the Statement of Comprehensive Income.

Revised Statement of Comprehensive Income				
	Adopted Budget	Variation	Revised Budget	Comment
<b>Income</b>				
Statutory Charges	194,000	(50,000)	144,000	Decrease in fines issued
User Charges	307,000	20,000	327,000	Extra income from SRF contract
<b>Total Income</b>	<b>2,270,806</b>	<b>(30,000)</b>	<b>2,240,806</b>	
<b>Expenses</b>				
Employee Costs	1,526,000	(70,000)	1,456,000	See comments in body of report
Material, contracts and other expenses	666,200	5,000	671,200	See comments in body of report
<b>Total Expenses</b>	<b>2,295,723</b>	<b>(65,000)</b>	<b>2,230,723</b>	
<b>Operating Surplus/(Deficit)</b>	<b>(24,917)</b>	<b>35,000</b>	<b>10,083</b>	
Revised Statement of Cash Flows				
	Adopted Budget	Variation	Revised Budget	Comment
<b>Net Increase (Decrease) In Cash Held</b>				
<b>Cash and Cash Equivalents at End of Reporting period</b>	<b>589,815</b>	<b>35,000</b>	<b>624,971</b>	
Revised Statement of Financial Position				
	Adopted Budget	Variation	Revised Budget	Comment
<b>Current Assets</b>				
<b>Cash and cash Equivalents</b>	<b>589,815</b>	<b>35,000</b>	<b>624,971</b>	
<b>Total Current Assets</b>	<b>752,243</b>	<b>35,000</b>	<b>787,243</b>	
<b>Net Current Assets(Current Liabilities)</b>	<b>356,395</b>	<b>35,000</b>	<b>391,395</b>	
<b>Net Assets</b>	<b>290,698</b>	<b>35,000</b>	<b>325,698</b>	



Revised Statement of Financial Position (cont.)				
Equity				
	Adopted Budget	Variation	Revised Budget	Comment
Accumulated Surplus/(Deficit)	290,698	35,000	325,698	
<b>Total Equity</b>	<b>290,698</b>	<b>35,000</b>	<b>325,698</b>	
Revised Statement of Change in Equity				
	Adopted Budget	Variation	Revised Budget	Comment
Accumulated Surplus				
Net Surplus/(Deficit)	(24,917)	35,000	10,083	
<b>Balance at End of Period</b>	<b>290,699</b>	<b>35,000</b>	<b>325,699</b>	
<b>Total Equity</b>	<b>290,699</b>	<b>35,000</b>	<b>325,699</b>	

Included as Attachment 2 is a copy of the revised 2015/2016 Budgeted Statutory Financial Statements which include the:

- Revised Statement of Comprehensive Income
- Revised Statement of Cash flows
- Revised Statement of Financial Position
- Revised Statement of Changes in Equity

A Bank Reconciliation and Available Funds report for the period ending 30 March 2016 is provided as attachment 3. It shows that at 30 March 2016 available funds were \$746,090 in comparison with \$284,031 on 30 December 2015.

Pursuant to clause 25 (3) of Schedule 2 of the Local Government Act, EHA must seek approval from its Constituent Councils before amending its budget. A written request for the approval of the amendments must be sent to all Constituent Councils which must be accompanied by the proposed amendments.

If the Constituent Councils grant approval then EHA may officially resolve to amend the budget and upon making that resolution, the amended budget will be effective.

## RECOMMENDATION

That:

1. The Finance Report and Third (March 2016) Budget Review Report for 2015/2016 be received.
2. Correspondence is forwarded to EHA's Constituent Councils requesting that the amendments to the Budgeted Financial Statements as detailed in attachment 2 are approved.



Eastern Health Authority - Financial Statement (Level 3) 1 July 2015 to 31 March 2016				
Income	Actual	Budgeted	\$ Variation	% Variation
<b>Constituent Council Income</b>				
City of Burnside	\$415,037	\$415,037	\$0	0%
City of Campbelltown	\$389,840	\$389,840	\$0	0%
City of NPS	\$490,646	\$490,646	\$0	0%
City of Prospect	\$219,621	\$219,621	\$0	0%
Town of Walkerville	\$94,162	\$94,162	\$0	0%
<b>Total Constituent Council Contributions</b>	<b>\$ 1,609,306</b>	<b>\$ 1,609,306</b>	<b>\$ -</b>	<b>0%</b>
<b>Statutory Charges</b>				
Food Inspection fees	\$43,671	\$60,000	<b>(-\$16,329)</b>	<b>-27%</b>
Legionella registration and Inspection	\$13,894	\$13,334	\$560	4%
SRF Licenses	\$867	\$0	\$867	0%
Fines	\$17,882	\$67,500	<b>(-\$49,618)</b>	<b>-74%</b>
<b>Total Statutory Charges</b>	<b>\$ 76,314</b>	<b>\$ 140,834</b>	<b>\$ (64,520)</b>	<b>-46%</b>
<b>User Charges</b>				
Immunisation - non funded vaccines	\$30,912	\$33,750	<b>(-\$2,838)</b>	<b>-8%</b>
Immunisation - Worksites	\$1,875	\$0	\$1,875	0%
Food Auditing	\$51,491	\$48,000	\$3,491	7%
City of Unley	\$90,438	\$69,500	\$20,938	30%
Food Safety Training	\$455	\$1,500	<b>(-\$1,045)</b>	<b>-70%</b>
<b>Total User Charges</b>	<b>\$ 175,170</b>	<b>\$ 152,750</b>	<b>\$ 22,420</b>	<b>15%</b>
<b>Grants, Subsidies, Contributions</b>				
School Based immunisation Program	\$42,266	\$42,250	\$16	0%
Child Immunisation register	\$33,068	\$30,136	\$2,932	10%
<b>Total Grants, Subsidies, Contributions</b>	<b>\$ 75,334</b>	<b>\$ 72,386</b>	<b>\$ 2,948</b>	<b>4%</b>
<b>Investment Income</b>				
Interest on investments	\$12,043	\$15,000	<b>(-\$2,957)</b>	<b>-20%</b>
<b>Total Investment Income</b>	<b>\$ 12,043</b>	<b>\$ 15,000</b>	<b>\$ (2,957)</b>	<b>(0)</b>
<b>Other Income</b>				
Motor Vehicle re-imbursements	\$3,075	\$6,000	<b>(-\$2,925)</b>	<b>-49%</b>
Sundry Income	\$4,022	\$4,500	<b>(-\$478)</b>	<b>-11%</b>
<b>Total Other Income</b>	<b>\$ 7,097</b>	<b>\$ 10,500</b>	<b>\$ (3,403)</b>	<b>-32%</b>
<b>Total of non Constituent Council Income</b>	<b>\$ 345,957</b>	<b>\$ 391,470</b>	<b>\$ (45,513)</b>	<b>-12%</b>
<b>Total Income</b>	<b>\$ 1,955,263</b>	<b>\$ 2,000,776</b>	<b>\$ (45,513)</b>	<b>-2%</b>



Eastern Health Authority - Financial Statement (Level 3)				
1 July 2015 to 31 March 2016				
Expenditure	Actual	Budgeted	\$ Variation	% Variation
<b>Employee Costs</b>				
Salaries & Wages	\$918,723	\$970,500	\$ (51,777)	-5%
Superannuation	\$81,714	\$88,500	\$ (6,786)	-8%
Workers Compensation	\$15,000	\$15,000	\$ -	0%
<b>Total Employee Costs</b>	<b>\$ 1,015,437</b>	<b>\$ 1,074,000</b>	<b>\$ (58,563)</b>	<b>-5%</b>
<b>Prescribed Expenses</b>				
Auditing and Accounting	\$12,600	\$16,000	\$ (3,400)	-21%
Insurance	\$26,006	\$26,000	\$ 6	0%
Maintenance	\$41,822	\$48,750	\$ (6,928)	-14%
Vehicle Leasing/maintenance	\$46,870	\$51,750	\$ (4,880)	-9%
<b>Total Prescribed Expenses</b>	<b>\$ 127,298</b>	<b>\$ 142,500</b>	<b>\$ (15,202)</b>	<b>-45%</b>
<b>Rent and Plant Leasing</b>				
Electricity	\$6,226	\$7,500	\$ (1,274)	-17%
Plant Leasing Photocopier	\$4,653	\$4,275	\$ 378	9%
Rent	\$74,865	\$75,750	\$ (885)	-1%
Water	\$211	\$0	\$ 211	0%
Gas	\$1,714	\$1,875	\$ (161)	-9%
<b>Total Rent and Plant Leasing</b>	<b>\$ 87,669</b>	<b>\$ 89,400</b>	<b>\$ (1,731)</b>	<b>-2%</b>
<b>IT Licensing and Support</b>				
IT Licences	\$10,364	\$11,250	\$ (886)	-8%
IT Support	\$63,320	\$67,500	\$ (4,180)	-6%
Internet	\$990	\$1,500	\$ (510)	-34%
IT Other	\$1,944	\$1,500	\$ 444	30%
<b>Total IT Licensing and Support</b>	<b>\$ 76,618</b>	<b>\$ 81,750</b>	<b>\$ (5,132)</b>	<b>-6%</b>
<b>Administration</b>				
Administration Sundry	\$2,472	\$5,250	\$ (2,778)	-53%
Accreditation Fees	\$2,317	\$3,000	\$ (683)	-23%
Board of Management	\$10,691	\$13,000	\$ (2,309)	-18%
Bank Charges	\$2,551	\$2,250	\$ 301	13%
Public Health Sundry	\$3,423	\$3,750	\$ (327)	-9%
Fringe Benefits Tax	\$11,379	\$11,250	\$ 129	1%
Health promotion	\$5,513	\$5,000	\$ 513	10%
Legal	\$11,922	\$15,000	\$ (3,078)	-21%
Printing & Stationery & Postage	\$13,439	\$22,500	\$ (9,061)	-40%
Telephone	\$10,709	\$11,250	\$ (541)	-5%
Work Health Safety & Injury Management	\$642	\$2,000	\$ (1,358)	-68%
Rodenticide	\$2,233	\$1,500	\$ 733	49%
Staff Amenities	\$2,153	\$5,250	\$ (3,097)	-59%
Staff Training	\$12,737	\$16,500	\$ (3,763)	-23%
Human Resource Sundry	\$5,914	\$9,750	\$ (3,836)	-39%
Doubtful Debts Expense	\$2,256	\$0	\$ 2,256	0%
<b>Total Administration</b>	<b>\$ 100,351</b>	<b>\$ 127,250</b>	<b>\$ (26,899)</b>	<b>-21%</b>

Eastern Health Authority - Financial Statement (Level 3 cont.) 1 July 2015 to 31 March 2016				
Expenditure	Actual	Budgeted	\$ Variation	% Variation
<b>Immunisation</b>				
Immunisation SBP Consumables	\$6,671	\$6,000	\$ 671	11%
Immunisation clinic vaccines	\$19,540	\$22,500	\$ (2,960)	-13%
Immunisation worksite vaccines	\$869	\$1,000	\$ (131)	0%
<b>Total Immunisation</b>	<b>\$ 27,080</b>	<b>\$ 29,500</b>	<b>\$ (2,420)</b>	<b>-8%</b>
<b>Uniforms/Income protection</b>				
Income Protection	\$10,953	\$16,000	\$ (5,047)	-32%
<b>Total Uniforms/Income protection</b>	<b>\$ 10,953</b>	<b>\$ 16,000</b>	<b>\$ (5,047)</b>	<b>-32%</b>
<b>Sampling</b>				
Legionella Testing	\$4,572	\$9,000	\$ (4,428)	-49%
Food Sampling	\$0	\$750	\$ (750)	0%
<b>Total Sampling</b>	<b>\$ 4,572</b>	<b>\$ 9,750</b>	<b>\$ (5,178)</b>	<b>-49%</b>
<b>Total Materials, contracts and other expen</b>	<b>\$ 434,540</b>	<b>\$ 496,150</b>	<b>\$ (61,610)</b>	<b>-12%</b>
Depreciation	\$ 60,639	\$ 60,638	\$ 1	0%
Finance Costs	\$ 22,672	\$ 22,672	\$ -	0%
<b>Total Operating Expenditure</b>	<b>\$ 1,533,288</b>	<b>\$ 1,653,461</b>	<b>\$ (120,172)</b>	<b>-7%</b>
<b>Total Operating Income</b>	<b>\$ 1,955,263</b>	<b>\$ 2,000,776</b>	<b>\$ (45,513)</b>	<b>-2%</b>
<b>Operating Result</b>	<b>\$ 421,975</b>	<b>\$ 347,315</b>	<b>\$ 74,660</b>	<b>21%</b>



EASTERN HEALTH AUTHORITY STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDING 30 JUNE 2016						
ACTUAL 2014/2015	ADOPTED BUDGET 2015/2016	SEPTEMBER REVIEW	DECEMBER REVIEW	MARCH REVIEW	REVISED BUDGET 2015/2016	
\$	\$					\$
	INCOME					
1,576,605	1,609,306	-	-	-	-	1,609,306
157,329	194,000	-	-	(50,000)	-	144,000
303,449	307,000	-	-	20,000	-	327,000
117,983	126,500	-	-	-	-	126,500
20,871	20,000	-	-	-	-	20,000
6,607	14,000	-	-	-	-	14,000
2,182,844	2,270,806	-	-	(30,000)	-	2,240,806
	EXPENSES					
1,353,987	1,616,000	(30,000)	(60,000)	(70,000)	-	1,456,000
608,512	576,200	30,000	60,000	5,000	-	671,200
24,016	22,672	-	-	-	-	22,672
83,705	80,851	-	-	-	-	80,851
2,070,220	2,295,723	-	-	(65,000)	-	2,230,723
112,624	(24,917)	-	-	35,000	-	10,083
-	-	-	-	-	-	-
112,624	(24,917)	-	-	35,000	-	10,083



EASTERN HEALTH AUTHORITY STATEMENT OF CASH FLOWS						
FOR THE YEAR ENDING 30 JUNE 2016						
ACTUAL 2014/2015	ADOPTED BUDGET 2015/2016	SEPTEMBER REVIEW	DECEMBER REVIEW	MARCH REVIEW	REVISED BUDGET 2015/2016	
\$	\$					\$
<u>Receipts</u>						
2,159,499	2,250,806	-	-	(30,000)	2,220,806	
25,557	20,000	-	-	-	20,000	
<u>Payments</u>						
(2,036,294)	(2,192,200)	-	-	65,000	(2,107,200)	
(25,237)	(22,672)	-	-	-	(22,672)	
123,525	55,934	-	-	35,000	90,934	
Net Cash Provided/(Used) by Operating Activities						
CASH FLOWS FROM FINANCING ACTIVITIES						
-	-	-	-	-	-	
(53,369)	(55,934)	-	-	-	(55,934)	
(53,369)	(55,934)	-	-	-	(55,934)	
Net Cash Provided/(Used) by Financing Activities						
CASH FLOWS FROM INVESTING ACTIVITIES						
<u>Receipts</u>						
-	-	-	-	-	-	
<u>Payments</u>						
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	(200,000)	-	-	-	(200,000)	
Net Cash Provided/(Used) by Investing Activities						
-	(200,000)	-	-	-	(200,000)	
70,156	(200,000)	-	-	35,000	(165,000)	
719,815	759,815	30,156	-	-	789,971	
789,971	559,815	30,156	-	35,000	624,971	
CASH AND CASH EQUIVALENTS AT BEGINNING OF REPORTING PERIOD						
CASH AND CASH EQUIVALENTS AT END OF REPORTING PERIOD						



EASTERN HEALTH AUTHORITY STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDING 30 JUNE 2016						
ACTUAL 2014/2015	ADOPTED BUDGET 2015/2016	SEPTEMBER REVIEW	DECEMBER REVIEW	MARCH REVIEW	REVISED BUDGET 2015/2016	
\$	\$					\$
789,971	559,815	30,156		35,000		624,971
162,272	178,512	(16,240)				162,272
-	-					-
952,243	738,327	13,916		35,000		787,243
108,708	181,322	(72,614)		-		108,708
236,220	251,094	(14,874)				236,220
55,934	50,920			-		50,920
-	-					-
400,862	483,336	(87,488)		-		395,848
551,381	254,991	101,404		35,000		391,395
441,095	363,098	(2,854)				360,244
-	-					-
441,095	363,098	(2,854)		-		360,244
41,662	43,218	(1,556)		-		41,662
435,198	384,279					384,279
476,860	427,497	(1,556)		-		425,941
515,616	190,592	100,106		35,000		325,698
515,616	190,592	100,107		35,000		325,699
515,616	190,592	100,107		35,000		325,699



EASTERN HEALTH AUTHORITY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDING 30 JUNE 2016						
ACTUAL 2014/2015		ADOPTED BUDGET 2015/2016	SEPTEMBER REVIEW	DECEMBER REVIEW	MARCH REVIEW	REVISED BUDGET 2015/2016
	ACCUMULATED SURPLUS					
402,992	Balance at beginning of period	415,509	100,107			515,616
112,624	Net Surplus/(Deficit)	(24,917)	-	-	35,000	10,083
-	Distribution to Constituent Councils	(200,000)	-	-	-	(200,000)
515,616	Balance at end of period	190,592	100,107	-	35,000	325,699
515,616	TOTAL EQUITY	190,592	100,107	-	35,000	325,699

## Eastern Health Authority

### Bank Reconciliation as at 31 March 2016

**Bank SA Account No. 141/0532306840**

Balance as per Bank Statement 31 March 2016	\$291,501.66
Plus Outstanding cheques	\$ -
Add Outstanding deposits	\$ -
 BALANCE PER General Ledger	 <u>\$291,501.66</u>

### GST October - March 2016

GST Collected	\$87,093.86
GST Paid	<u>\$8,888.24</u>
Net GST Claimable (Payable)	<u><u>\$78,205.62</u></u>

### Funds Available March 2016

Account	31-Mar-16	31-Dec-16	Variance
Bank SA Cheque Account	\$ 291,502	\$ 184,234	\$107,268
Local Government Finance Authority	\$ 785,861	\$ 384,069	\$401,792
Net GST Claimable (Payable)	(\$78,206)	(\$2,290)	(\$75,916)
Long Service Leave Provision	(\$162,784)	(\$162,784)	\$ -
Annual Leave Provision	(\$90,283)	(\$119,200)	\$ 28,917
<b>TOTAL FUNDS</b>	<b>\$ 746,090</b>	<b>\$ 284,029</b>	<b>\$462,061</b>



Member Councils • Adelaide Hills Council • City of Burnside • City of Norwood, Payneham & St Peters  
• City of Campbelltown • Corporation of The Town of Walkerville • City of Mitcham

## Agenda Item 6.1

---

REPORT SUBJECT:	Financial Report
REPORT AUTHOR:	General Manager
MEETING DATE:	Thursday 31 March 2016
ATTACHMENTS:	December Quarter Financial Report Profit Loss Year to Date - summarised Profit Loss Extrapolated - summarised 2016 Budget Review - Revised Forecast

---

### Purpose of the Report

To provide the Board with a report on the financial performance of the Subsidiary.

### Report

#### *December Quarter Financial Report*

A review of the financial performance of the Subsidiary over the reporting period (October – December 2015) reveals that the Subsidiary continues to perform strongly, with a resulting \$282,648 operating surplus. This surplus is primarily due to a continuation of the depressed diesel fuel price, and some efficiencies in maintenance of the collection fleet. Annual Leave (\$59,750 positive variance) accruals will be the subject of a proposed budget variation for the East Waste Board Directors consideration at their 31 March 2016 Board Meeting (refer 2016 Budget Review Revised Forecast).

Wages are a negative variance for the quarter, which is a result of continued permanent workforce participation through the Christmas period, as opposed to historically utilising casual labour through this period, and an overall increase in driver's overtime which is being addressed by the Operations Manager and General Manager.

Three such efficiency operational matters will both commence in April 2016, being;

- Trial use of Lynton Transfer Station (City of Mitcham) for green organics bulking up and haulage. This is anticipated to reduce unproductive travel time, potentially reducing wages and consumable costs by \$3,000 - \$4,000 per month.
- The use of Heathfield Depot (Adelaide Hills Council) to park collection vehicles servicing Adelaide Hills Council commencing April 2016. This has been approved by Adelaide Hills Council and is expected to reduce unproductive travel time, potentially reducing wages and consumable costs by \$11,250 per month.
- Introduction of a truckwasher/refueller commencing on an afternoon shift to reduce payments to drivers for performing this unskilled and unproductive task during overtime hours

A review of the Common Fleet Costing results indicate that four (4) Member Councils continue to track positive variances, being Adelaide Hills Council, City of Campbelltown, City of Mitcham, and City of Norwood, Payneham and St Peters. City of Burnside and Town of Walkerville common fleet costs remain negative in variance against budget for the reporting period, and are a result of increased utilisation of collection time (as a GPS %). City of Burnside have requested further use of the smaller rear lift collection fleet to service residential streets, and some community facilities. This has resulted in an increase in GPS% time. The Town of Walkerville negative variance is being monitored by the General Manager.



**Member Councils • Adelaide Hills Council • City of Burnside • City of Norwood, Payneham & St Peters  
• City of Campbelltown • Corporation of The Town of Walkerville • City of Mitcham**

*Profit Loss Year to Date (summarised)*

This figure details the income and expenditure position year to date (Quarter 1 and Quarter 2) of the Subsidiary, against the revised Budget.

*Profit Loss Extrapolated (summarised)*

Based on the Profit Loss year to date, the Profit Loss Extrapolated (summarised) details the full year extrapolation if income and expenditure conditions remain the same for the remainder of the financial year.

This report is provided for indicative purposes only. It does not take into account any natural fluctuations or variances, such as the collection fees negative variance – which is due to the at-call hard waste service being delivered more efficiently than budgeted, or the interest repayments which occur at set intervals throughout the financial year. It is expected that total interest payments will closely match budget. The extrapolation also assumes the depressed diesel fuel price will be intact for the remainder of the financial year.

*Budget Review Revised Forecast*

The 2016 Budget Review table details the revised forecast endorsed by the East Waste Board at Budget Review 1, and the proposed revised forecast after the East Waste Board considers Budget Review 2 at the 31 March 2016 East Waste Board Meeting. The proposed Budget Review 2 revisions include a reduction in the Annual Leave Accruals, and the introduction of a new expense line due to a resolution of the East Waste Board to rebrand the entire fleet with new livery (logo). The Budget Reviews are detailed in this document against the original 2015/2016 Budget, and the Audited FY15 figures.

The General Manager is proposing two Budget Review Variations, being;

- A reduction in Annual Leave Accrual expenses by \$209,000
- An increase of \$50,000 for the rebranding of East Waste fleet as per the Board Resolution on 28 January 2016

This new reporting format will host Budget Review 1, 2 and 3, against the adopted budget and the most recent audited financial figures.

**RECOMMENDATION**

**That the East Waste Budget is varied as per the Report**

## Statement of Financial Position

	Q2 2015/2016	Q2 2014/2015	Variance %
<b>Assets</b>			
Cash & Equivalents	\$1,892,780	\$1,979,411	-4.4%
Trade Receivable	\$408,635	\$449,376	-9.1%
Other Current Assets	\$123,995	\$183,714	-32.5%
<b>Total Current Assets</b>	<b>\$2,425,410</b>	<b>\$2,612,501</b>	<b>-7.2%</b>
Infrastructure, Plant & Equipment	\$5,593,924	\$5,792,319	-3.4%
Other Non-Current Assets	\$509,960	\$0	-
<b>Total Non-Current Assets</b>	<b>\$6,103,884</b>	<b>\$5,792,319</b>	<b>5.4%</b>
<b>Total Assets</b>	<b>\$8,529,294</b>	<b>\$8,404,820</b>	<b>1.5%</b>
<b>Liabilities</b>			
Short Term Borrowings	\$747,266	\$1,304,679	-42.7%
Trade Payable	\$599,169	\$940,149	-36.3%
GST Liability	\$0	-\$2,180	100.0%
Other Current Liabilities	\$1,623,271	\$9,663	16,699.6%
<b>Total Current Liabilities</b>	<b>\$2,969,706</b>	<b>\$2,252,311</b>	<b>31.9%</b>
Long Term Borrowings	\$4,103,155	\$4,881,055	-15.9%
Other Non-Current Liabilities	\$753,868	\$579,058	30.2%
<b>Total Non-Current Liabilities</b>	<b>\$4,857,023</b>	<b>\$5,460,114</b>	<b>-11.0%</b>
<b>Total Liabilities</b>	<b>\$7,826,729</b>	<b>\$7,712,425</b>	<b>1.5%</b>
<b>Equity</b>			
Retained Earnings	\$276,764	\$73,172	278.2%
Current Earnings	\$580,546	\$619,223	-6.2%
Other Equity	-\$154,746	\$0	-
<b>Total Equity</b>	<b>\$702,564</b>	<b>\$692,395</b>	<b>1.5%</b>
<b>Total Liabilities &amp; Equity</b>	<b>\$8,529,294</b>	<b>\$8,404,820</b>	<b>1.5%</b>

## Statement of Changes in Equity

	Q2 2015/2016	Q1 2015/2016	Variance
Balance at End of Previous Reporting Period	\$696,681	\$293,029	\$403,652
Adjustments Due to Compliance		\$0	\$0
Other Adjustments	\$0	(\$16,265)	\$16,265
Restated Opening Balance	\$696,681	\$276,764	\$419,916
Net Surplus / (Deficit)	\$282,648	\$297,898	(\$15,250)
Gain on Revaluation of Property, Plant & Equipment	\$0	\$0	\$0
Transfers Between Reserves	\$0	\$0	\$0
Capital Contributed by Members	\$0	\$122,018	(\$122,018)
Distributions to Members	(\$276,764)	\$0	(\$276,764)
Balance at End of Current Reporting Period	\$702,564	\$696,681	\$5,883



# Cash Flow Summary

	Q2 2015/2016	Q1 2015/2016	Variance
<b>Operating Cash Flow</b>			
Total Income	\$3,442,111	\$3,396,671	\$45,439
Total Cost Of Operations	(\$2,273,413)	(\$2,211,644)	(\$61,769)
Total Expenses Less Depreciation	(\$450,996)	(\$463,224)	\$12,228
Total Other Income	(\$11,812)	\$18,354	(\$30,167)
Cash Tax Paid	(\$8,826)	\$33,548	(\$42,375)
Change In Trade Payable	(\$409,445)	\$216,520	(\$625,965)
Change In Other Current Liabilities	(\$8,392)	(\$268,526)	\$260,134
Change In Trade Receivable	\$179,256	(\$340,292)	\$519,549
Change In Other Current Assets	\$106,210	(\$246,392)	\$352,602
<b>Operating Cash Flow Total</b>	<b>\$564,693</b>	<b>\$135,016</b>	<b>\$429,677</b>
<b>Free Cash Flow</b>			
Change In Infrastructure, Plant & Equipment Less Depreciation	\$7,075	(\$69,278)	\$76,353
Change in Other Non-Current Assets	(\$32,604)	(\$10,825)	(\$21,779)
<b>Free Cash Flow Total</b>	<b>\$539,163</b>	<b>\$54,912</b>	<b>\$484,251</b>
<b>Net Cash Flow</b>			
Net Interest (after Tax)	(\$20,595)	(\$16,902)	(\$3,693)
Change in Other Non-Current Liabilities	\$519	\$3,457	(\$2,938)
Change in Retained Earnings & Other Equity	(\$276,764)	\$122,018	(\$398,783)
Adjustments	\$0	\$0	\$0
<b>Net Cash Flow Total</b>	<b>\$242,323</b>	<b>\$163,485</b>	<b>\$78,838</b>
<b>Net Cash Flow Resulting From</b>			
Change In Cash On Hand	(\$227)	(\$203,188)	\$202,962
Change In Short Term Debt	\$130,932	\$84,307	\$46,625
Change In Long Term Debt	\$111,618	\$282,366	(\$170,749)
<b>Net Cash Flow Total</b>	<b>\$242,323</b>	<b>\$163,485</b>	<b>\$78,838</b>

# Income & Expense Budget Analysis

	Q2 2015/2016	Budget	Variance
<b>Income</b>			
Collection Fees	\$3,442,111	\$3,421,328	\$20,783
<b>Total Income</b>	<b>\$3,442,111</b>	<b>\$3,421,328</b>	<b>\$20,783</b>
<b>Cost of Operations</b>			
Disposal Fees - G/O	\$249,059	\$225,000	(\$24,059)
Disposal Fees - HARD	\$47,976	\$47,256	(\$720)
Disposal Fees - Waste	\$195,129	\$187,500	(\$7,629)
Dumping Fees- Contamination	\$0	\$12,500	\$12,500
Fuel: Gas & Oil	\$194,497	\$289,924	\$95,427
Maintenance: Bins	\$59,949	\$49,388	(\$10,562)
Maintenance: Trucks	\$226,738	\$293,545	\$66,808
Regist'n & Insurance: Trucks	\$66,373	\$68,006	\$1,633
Sorting Fees	\$0	\$12,500	\$12,500
Superannuation	\$77,547	\$67,799	(\$9,749)
Wages & Salaries	\$995,661	\$905,399	(\$90,262)
Wages: Casual Agency	\$117,216	\$177,323	\$60,107
Workers Compensation	\$43,269	\$33,209	(\$10,061)
<b>Total Cost of Operations</b>	<b>\$2,273,413</b>	<b>\$2,369,348</b>	<b>\$95,935</b>
<b>Operating Surplus (Deficit)</b>	<b>\$1,168,698</b>	<b>\$1,051,980</b>	<b>\$116,717</b>
<b>Expenses</b>			
Account Fees	\$113	\$250	\$137
Accounting & Audit	\$5,100	\$8,750	\$3,650
Annual Leave Accrued	\$519	\$59,750	\$59,231
Bank Charges	\$472	\$500	\$28
Board Fees	\$6,650	\$6,375	(\$275)
Burnside 2nd Bin Reimbursement	\$4,838	\$1,050	(\$3,788)
Communications	\$17,856	\$25,619	\$7,763
Conference	\$1,489	\$1,500	\$11
Consulting	\$11,016	\$18,750	\$7,734
Depreciation	\$393,820	\$453,171	\$59,352
Education & Training	\$2,629	\$3,750	\$1,121
Entertainment	\$0	\$125	\$125
Equipment Hire	\$19,000	\$40,210	\$21,210
Fire / Security Service	\$2,958	\$2,925	(\$33)
GPS Monthly Tracking	\$13,436	\$9,875	(\$3,561)
Insurance	\$5,840	\$6,250	\$410
Kerbside Audits	\$1,800	\$2,500	\$700
Lease: Two-way Radio	\$1,005	\$1,217	\$212
Legal Fees	\$600	\$4,988	\$4,388
Licence Fees	\$780	\$585	(\$195)
LSL Accrued	\$0	\$10,000	\$10,000
Maintenance: Motor Vehicle	\$9,652	\$7,500	(\$2,152)
Maintenance: Trucks Contract	\$2,755	\$0	(\$2,755)
Other Items - Mitcham Waste	\$0	\$2,475	\$2,475
Other Items - Ottoway	\$8,743	\$12,700	\$3,957
Outgoings Ottoway Depot	\$0	\$11,250	\$11,250
Power	\$12,799	\$7,993	(\$4,806)
Print/Stationery/Post/Courier	\$7,369	\$10,160	\$2,791
Promotion & Advertising	\$14,905	\$7,600	(\$7,305)



# Income & Expense Budget Analysis

Protective Clothing	\$2,069	\$6,571	\$4,502
Recycling Rebate to Councils	\$201,972	\$177,663	(\$24,309)
Rent - Ottoway	\$45,825	\$43,125	(\$2,700)
Risk Management Expenses	\$4,864	\$2,500	(\$2,364)
Staff Amenities	\$14,702	\$11,225	(\$3,477)
Staff Medical	\$0	\$250	\$250
Subscriptions	\$2,271	\$1,575	(\$696)
Sundry Items	\$7,142	\$4,089	(\$3,054)
Telephone	\$11,589	\$10,688	(\$901)
Tools, Minor Equipment	\$8,240	\$12,750	\$4,510
<b>Total Expenses</b>	<b>\$844,816</b>	<b>\$988,252</b>	<b>\$143,436</b>
<b>Surplus (Deficit) After Overheads</b>	<b>\$323,882</b>	<b>\$63,729</b>	<b>\$260,153</b>
<b>Other Income</b>			
Sundry Income	\$1,678	\$2,500	(\$822)
Profit / Loss on Sale of Asset	(\$13,490)	\$11,250	(\$24,740)
<b>Total Other Income</b>	<b>(\$11,812)</b>	<b>\$13,750</b>	<b>(\$25,562)</b>
<b>Net Surplus (Deficit) Before Interest</b>	<b>\$312,070</b>	<b>\$77,479</b>	<b>\$234,591</b>
<b>Interest Income</b>			
Interest	\$15,380	\$10,082	\$5,297
<b>Total Interest Income</b>	<b>\$15,380</b>	<b>\$10,082</b>	<b>\$5,297</b>
<b>Interest Expenses</b>			
Interest Expense	\$37,860	\$88,668	\$50,809
Interest - AHC Bins	\$6,942	\$6,631	(\$311)
<b>Total Interest Expenses</b>	<b>\$44,801</b>	<b>\$95,299</b>	<b>\$50,498</b>
<b>Total Comprehensive Income</b>	<b>\$282,648</b>	<b>(\$7,738)</b>	<b>\$290,386</b>

# Common Fleet Costing

Q2 2015/2016

<b>Total Expenses</b>	<b>\$3,163,030</b>
Less:	
Disposal Fees - Waste	\$195,129
Disposal Fees - G/O	\$249,059
Interest - Equity Loan	\$0
Maintenance: Bins	\$59,949
Sundry Items	\$7,142
Mitcham Waste	\$3,808
Fixed Admin (Revenue)	\$68,838
Hard Waste Expenses	\$84,479
Litter Expenses	\$65,138
Bins Expenses	\$14,205
Dumping Fees- Contamination	\$0
Sorting Fees	\$0
<b>Total Member Council Non-Collection Costs</b>	<b>\$747,747</b>
<b>Total Collection Costs</b>	<b>\$2,415,283</b>

		Actual	D Fees - Cont	Sorting Fees	Total Costs	Budget	Variance
<b>Overhead Allocation</b>							
Adelaide Hills	24.11%	\$582,325	\$0	\$0	\$582,325	\$622,593	\$40,268
Burnside	20.44%	\$493,684	\$0	\$0	\$493,684	\$439,663	(\$54,020)
Campbelltown	19.94%	\$481,607	\$0	\$0	\$481,607	\$501,533	\$19,925
Mitcham	15.17%	\$366,318	\$0	\$0	\$366,318	\$387,050	\$20,732
Norwood	16.36%	\$395,140	\$0	\$0	\$395,140	\$400,934	\$5,794
Walkerville	3.98%	\$96,209	\$0	\$0	\$96,209	\$84,035	(\$12,173)
<b>Total</b>	<b>100%</b>	<b>\$2,415,283</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,415,283</b>	<b>\$2,435,809</b>	<b>\$20,526</b>

## Activity Based Income & Expenses

	Bins	Hard Waste	Litter
<b>Total Income</b>	<b>\$16,145</b>	<b>\$84,479</b>	<b>\$71,897</b>
<b>Expenses</b>			
Depreciation	\$14,205	\$10,708	\$8,318
Disposal Fees - HARD	\$0	\$36,496	\$0
Disposal Fees - Waste	\$0	\$0	\$9,324
Education & Training	\$0	\$0	\$0
Equipment Hire	\$0	\$0	\$640
Fuel: Gas & Oil	\$0	\$3,543	\$4,883
GPS Monthly Tracking	\$0	\$226	\$502
Interest - AHC Bins	\$0	\$0	\$0
Interest - Mitcham Bins	\$0	\$0	\$0
Interest - Norwood Bins	\$0	\$0	\$0
Interest Expense	\$0	\$0	\$0
Maintenance: Trucks	\$0	\$3,535	\$14,039
Print/Stationery/Post/Courier	\$0	\$0	\$0
Promotion & Advertising	\$0	\$910	\$0
Protective Clothing	\$0	\$168	\$0
Regist'n & Insurance: Trucks	\$0	\$1,046	\$2,025
Resource Transfers	\$0	\$0	(\$21,389)
Staff Amenities	\$0	\$0	\$0
Staff Medical	\$0	\$0	\$0
Sundry Items	\$0	\$0	\$95
Superannuation	\$0	\$2,167	\$3,090
Wages & Salaries	\$0	\$21,213	\$51,467
Wages: Casual Agency	\$0	\$2,946	\$0
Workers Compensation	\$0	\$1,521	\$1,561
<b>Total Expenses</b>	<b>\$14,205</b>	<b>\$84,479</b>	<b>\$74,556</b>
<b>Net Profit/(Loss)</b>	<b>\$1,940</b>	<b>\$0</b>	<b>(\$2,659)</b>

## Profit Loss YTD and Extrapolated (Summarised) 2015/2016

Profit Loss Budget Analysis	Budget		Variance YTD	Variance Extrapolated	
	YTD	YTD		YTD Extrapolated	Extrapolated
Collection Fees (Total Income)	\$6,838,782	\$6,904,698	-\$65,916	\$13,677,564	-\$131,832
Total Cost of Operations	\$4,485,057	\$4,738,696	\$253,639	\$8,970,114	\$507,278
Operating Surplus (Deficit)	\$2,353,725	\$2,166,002	\$187,723	\$4,707,450	\$375,446
Total Expenses	\$1,726,153	\$1,976,504	\$250,351	\$3,452,306	\$500,702
Surplus (Deficit) After Overheads	\$627,572	\$189,498	\$438,074	\$1,255,144	\$876,148
Total Other Income	\$6,542	\$27,500	-\$20,958	\$13,084	-\$41,916
Net Surplus (Deficit) Before Interest	\$634,114	\$216,998	\$417,116	\$1,268,228	\$834,232
Total Interest Income	\$20,431	\$20,164	\$267	\$40,862	\$534
Total Interest Expenses	\$73,999	\$200,665	-\$126,666	\$147,998	-\$253,332
Total Comprehensive income	\$580,546	\$36,497	\$544,049	\$1,161,092	\$1,088,098

## 2016 Budget Review Revised Forecast

### 2016 Budget Review - Income Statement

Audited Financials 2015 FY	Approved Budget 2016 FY	Budget Review September	Budget Review December	Revised Budget 2016 FY
<b>Income</b>				
\$13,908,937	\$12,655,880	\$1,023,834	\$0	\$13,679,714
\$202,812	\$208,896	\$0	\$0	\$208,896
\$3,853,511	\$3,705,964	\$0	\$0	\$3,705,964
\$1,337,670	\$750,000	\$0	\$0	\$750,000
\$2,243,270	\$2,243,270	\$0	\$0	\$2,243,270
\$805,896	\$900,000	\$0	\$0	\$900,000
\$35,688	\$0	\$0	\$0	\$0
\$3,190,422	\$3,191,626	\$0	\$0	\$3,191,626
(\$16,550)	\$0	\$0	\$0	\$0
\$9,771	\$4,200	\$0	\$0	\$4,200
\$233,959	\$280,000	\$27,100	\$0	\$307,100
\$1,909	\$0	\$0	\$0	\$0
\$190,647	\$64,578	\$0	\$0	\$64,578
\$111,660	\$0	\$0	\$0	\$0
\$190,466	\$0	\$0	\$0	\$0
\$32,778	\$65,850	\$0	\$0	\$65,850
\$58,691	\$65,850	\$0	\$0	\$65,850
\$35,542	\$65,850	\$0	\$0	\$65,850
\$1,461	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0
\$361,775	\$391,000	\$286,084	\$0	\$677,084
\$64,564	\$0	\$0	\$0	\$0
\$22,097	\$0	\$0	\$0	\$0
\$0	\$0	\$710,650	\$0	\$710,650
\$46,249	\$0	\$0	\$0	\$0
\$19,548	\$0	\$0	\$0	\$0
\$74,295	\$0	\$0	\$0	\$0
\$42,934	\$0	\$0	\$0	\$0
\$32,235	\$0	\$0	\$0	\$0
\$5,000	\$0	\$0	\$0	\$0
\$637	\$0	\$0	\$0	\$0
<b>\$13,908,937 Total Income</b>	<b>\$12,655,880</b>	<b>\$1,023,834</b>	<b>\$0</b>	<b>\$13,679,714</b>
<b>Costs of Operations</b>				
\$343,514	\$50,000	\$0	\$0	\$50,000
\$1,337,670	\$750,000	\$0	\$0	\$750,000
\$805,897	\$900,000	\$0	\$0	\$900,000
\$120,437	\$129,600	\$59,424	\$0	\$189,024
\$957,456	\$1,148,856	\$10,838	\$0	\$1,159,694
\$0	\$253,766	\$0	\$0	\$253,766
\$1,300,915	\$1,167,322	\$6,859	\$0	\$1,174,181
\$0	\$0	\$0	\$0	\$0
\$192,421	\$197,550	\$0	\$0	\$197,550
\$0	\$0	\$710,650	\$0	\$710,650
\$0	\$0	\$0	\$50,000	\$50,000
\$40,041	\$0	\$0	\$0	\$0
\$260,155	\$271,000	\$1,023	\$0	\$272,023
\$3,552,355	\$3,563,135	\$58,460	\$0	\$3,621,595
\$278,110	\$265,832	\$5,363	\$0	\$271,195
\$157,318	\$130,192	\$2,643	\$0	\$132,835
\$563,945	\$700,000	\$9,293	\$0	\$709,293
\$4,574	\$0	\$0	\$0	\$0
\$676,537	\$50,000	\$0	\$0	\$50,000
<b>\$10,591,345 Total Costs of Operations</b>	<b>\$9,577,253</b>	<b>\$864,553</b>	<b>\$50,000</b>	<b>\$10,491,806</b>
<b>\$3,317,592 Operating Surplus (Deficit)</b>	<b>\$3,078,627</b>	<b>\$159,281</b>	<b>(\$50,000)</b>	<b>\$3,187,908</b>
<b>23.85% Operating Surplus (Deficit) %</b>	<b>24.33%</b>	<b>(\$0)</b>	<b>(\$0)</b>	<b>23.30%</b>
<b>Expenses</b>				
\$623	\$1,000	\$0	\$0	\$1,000
\$28,845	\$35,000	\$0	\$0	\$35,000
\$1,590	\$2,000	\$0	\$0	\$2,000
\$23,850	\$25,500	\$0	\$0	\$25,500
\$9,771	\$4,200	\$0	\$0	\$4,200
\$117,013	\$75,000	\$0	\$0	\$75,000
\$8,561	\$6,000	\$0	\$0	\$6,000
\$33,306	\$102,476	\$0	\$0	\$102,476

\$592	Entertainment	\$500	\$0	\$0	\$500
\$23,625	Equipment Hire	\$15,000	\$145,840	\$0	\$160,840
\$8,272	Education & Training	\$15,000	\$0	\$0	\$15,000
\$11,462	Fire / Security Service	\$11,700	\$0	\$0	\$11,700
\$36,512	GPS Monthly Tracking	\$39,500	\$0	\$0	\$39,500
\$24,164	Insurance	\$25,000	\$0	\$0	\$25,000
\$3,500	Kerbside Audits	\$10,000	\$0	\$0	\$10,000
\$31,974	Legal Fees	\$19,950	\$0	\$0	\$19,950
\$4,608	Lease: Two-way Radio	\$4,868	\$0	\$0	\$4,868
\$1,969	Licence Fees	\$2,340	\$0	\$0	\$2,340
\$29,216	Maintenance - Motor Vehicles	\$30,000	\$0	\$0	\$30,000
\$39,303	Other Items - Ottoway	\$50,800	\$0	\$0	\$50,800
\$25,997	Power	\$31,970	\$0	\$0	\$31,970
\$33,829	Printing, Stationary, Postage & Courier	\$35,040	\$5,600	\$0	\$40,640
\$21,005	Promotion & Advertising	\$30,400	\$0	\$0	\$30,400
\$17,248	Protective Clothing	\$25,000	\$1,283	\$0	\$26,283
\$41,688	Telephone	\$42,750	\$0	\$0	\$42,750
\$27,536	Outgoings Ottoway Depot	\$45,000	\$0	\$0	\$45,000
\$142,336	Rent - Ottoway	\$172,500	\$0	\$0	\$172,500
\$212	Reallocation Expenses	\$0	\$0	\$0	\$0
\$10,500	Risk Assessment Expenses	\$10,000	\$0	\$0	\$10,000
\$39,767	Staff Amenities	\$44,900	\$0	\$0	\$44,900
\$1,525	Staff Medical	\$1,000	\$0	\$0	\$1,000
\$5,869	Subscriptions	\$6,300	\$0	\$0	\$6,300
\$61,766	Sundry Items	\$14,500	\$1,855	\$0	\$16,355
\$45,799	Tools, Minor Equipment	\$51,000	\$0	\$0	\$51,000
\$0	Other Items - Mitcham Waste	\$9,900	\$0	\$0	\$9,900
<b>\$913,833</b>	<b>Total Expenses</b>	<b>\$996,094</b>	<b>\$154,578</b>	<b>\$0</b>	<b>\$1,150,672</b>
<b>\$2,403,759</b>	<b>Operating Surplus (Deficit) After Overheads</b>	<b>\$2,082,533</b>	<b>\$4,703</b>	<b>(\$50,000)</b>	<b>\$2,037,236</b>
<b>Other Income</b>					
Other Income					
\$0	Fuel Tax Credits	\$253,766	\$0	\$0	\$253,766
\$56,466	Sundry Income	\$10,000	\$0	\$0	\$10,000
<b>\$56,466</b>	<b>Total Other Income</b>	<b>\$263,766</b>	<b>\$0</b>	<b>\$0</b>	<b>\$263,766</b>
Profit from Sale of Fixed Assets					
\$7,002	Plant & Equipment	\$45,000	\$0	\$0	\$45,000
<b>\$7,002</b>	<b>Total Profit from Sale of Fixed Assets</b>	<b>\$45,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$45,000</b>
<b>\$63,468</b>	<b>Total Other Income</b>	<b>\$308,766</b>	<b>\$0</b>	<b>\$0</b>	<b>\$308,766</b>
<b>Other Expense</b>					
Provisions					
\$102,901	Employee Entitlements - Annual Leave	\$239,000	\$0	(\$209,000)	\$30,000
\$115,699	Employee Entitlements - Long Service Leave	\$40,000	\$0	\$0	\$40,000
<b>\$218,600</b>	<b>Total Provisions</b>	<b>\$279,000</b>	<b>\$0</b>	<b>(\$209,000)</b>	<b>\$70,000</b>
<b>\$218,600</b>	<b>Total Other Expense</b>	<b>\$279,000</b>	<b>\$0</b>	<b>(\$209,000)</b>	<b>\$70,000</b>
<b>\$2,248,627</b>	<b>Net Surplus (Deficit) Before Interest &amp; Depreciation</b>	<b>\$2,112,299</b>	<b>\$4,703</b>	<b>\$159,000</b>	<b>\$2,276,002</b>
<b>Depreciation</b>					
\$7,163	Buildings & Other Structures	\$7,000	\$0	\$0	\$7,000
\$1,747,129	Plant & Equipment	\$1,800,982	\$4,703	\$0	\$1,805,685
<b>\$1,754,292</b>	<b>Total Depreciation</b>	<b>\$1,807,982</b>	<b>\$4,703</b>	<b>\$0</b>	<b>\$1,812,685</b>
<b>\$494,335</b>	<b>Net Surplus (Deficit) Before Interest</b>	<b>\$304,317</b>	<b>\$0</b>	<b>\$159,000</b>	<b>\$463,317</b>
<b>Interest Income</b>					
Bank Accounts					
\$42,728	Bank SA	\$9,129	\$31,200	\$0	\$40,329
\$0	LGFA Investment Account	\$31,200	(\$31,200)	\$0	\$0
<b>\$42,728</b>	<b>Total Bank Accounts</b>	<b>\$40,329</b>	<b>\$0</b>	<b>\$0</b>	<b>\$40,329</b>
<b>\$42,728</b>	<b>Total Interest Income</b>	<b>\$40,329</b>	<b>\$0</b>	<b>\$0</b>	<b>\$40,329</b>
<b>Interest Expense</b>					
Loans					
\$364,468	Lease & Goods Mortgage	\$367,936	(\$1)	\$0	\$367,935
\$39,168	LGFA Equity Loan	\$33,396	\$0	\$0	\$33,396
<b>\$403,636</b>	<b>Total Loans</b>	<b>\$401,332</b>	<b>(\$1)</b>	<b>\$0</b>	<b>\$401,331</b>
<b>\$403,636</b>	<b>Total Interest Expense</b>	<b>\$401,332</b>	<b>(\$1)</b>	<b>\$0</b>	<b>\$401,331</b>
<b>\$360,908</b>	<b>Net Finance Costs</b>	<b>\$361,003</b>	<b>(\$1)</b>	<b>\$0</b>	<b>\$361,002</b>
<b>\$133,427</b>	<b>Net Surplus (Deficit) before Income Tax</b>	<b>(\$56,686)</b>	<b>\$1</b>	<b>\$159,000</b>	<b>\$102,315</b>
<b>\$133,427</b>	<b>Net Surplus (Deficit)</b>	<b>(\$56,686)</b>	<b>\$1</b>	<b>\$159,000</b>	<b>\$102,315</b>

<b>Non Operating Income</b>					
(\$133,427)	Payments To/From Councils	\$56,686	(\$1)	(\$159,000)	(\$102,315)
(\$133,427)	<b>Total Non Operating Income</b>	<b>\$56,686</b>	<b>(\$1)</b>	<b>(\$159,000)</b>	<b>(\$102,315)</b>
\$0	<b>Movement in Retained Earnings</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
\$0	<b>Cumulative Retained Earnings</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## 2016 Budget Review - Balance Sheet

Audited Financials 2015 FY		Approved Budget 2016 FY	Budget Review September	Budget Review December	Revised Budget 2016 FY
<b>Current Assets</b>					
Bank Accounts					
\$643,681	Bank SA	\$927,301	\$35,240	(\$96,147)	\$866,394
\$1,452,514	LGFA Investment Account	\$1,483,714	(\$31,200)	\$0	\$1,452,514
<b>\$2,096,195</b>	<b>Total Bank Accounts</b>	<b>\$2,411,015</b>	<b>\$4,040</b>	<b>(\$96,147)</b>	<b>\$2,318,908</b>
Receivables					
\$247,599	General Trade Debtors	\$23,222	\$28,708	\$0	\$51,931
\$55,922	Fuel Tax Credits	\$69,786	\$0	\$0	\$69,786
\$0	Payments To/From Councils	\$56,686	(\$1)	(\$56,685)	\$0
<b>\$303,521</b>	<b>Total Receivables</b>	<b>\$149,695</b>	<b>\$28,707</b>	<b>(\$56,685)</b>	<b>\$121,717</b>
Payables					
\$0	Workers' Compensation	\$39,808	(\$2,643)	\$0	\$37,165
\$0	Insurance	\$0	\$0	\$0	\$0
<b>\$0</b>	<b>Total Payables</b>	<b>\$39,808</b>	<b>(\$2,643)</b>	<b>\$0</b>	<b>\$37,165</b>
Other Current Assets					
\$990	Prepayments	\$990	\$0	\$0	\$990
<b>\$990</b>	<b>Total Other Current Assets</b>	<b>\$990</b>	<b>\$0</b>	<b>\$0</b>	<b>\$990</b>
<b>\$2,400,706</b>	<b>Total Current Assets</b>	<b>\$2,601,508</b>	<b>\$30,104</b>	<b>(\$152,832)</b>	<b>\$2,478,780</b>
<b>Non Current Assets</b>					
Tangible Assets					
\$75,115	Buildings & Other Structures	\$75,115	\$0	\$0	\$75,115
\$12,873,515	Plant & Equipment	\$14,573,515	\$0	\$0	\$14,573,515
	Accumulated Depreciation				
(\$24,711)	Buildings & Other Structures	(\$31,711)	\$0	\$0	(\$31,711)
(\$6,130,913)	Plant & Equipment	(\$7,931,895)	(\$4,703)	\$0	(\$7,936,598)
<b>(\$6,155,624)</b>	<b>Total Accumulated Depreciation</b>	<b>(\$7,963,606)</b>	<b>(\$4,703)</b>	<b>\$0</b>	<b>(\$7,968,309)</b>
<b>\$6,793,006</b>	<b>Total Tangible Assets</b>	<b>\$6,685,024</b>	<b>(\$4,703)</b>	<b>\$0</b>	<b>\$6,680,321</b>
<b>\$6,793,006</b>	<b>Total Non Current Assets</b>	<b>\$6,685,024</b>	<b>(\$4,703)</b>	<b>\$0</b>	<b>\$6,680,321</b>
<b>\$9,193,712</b>	<b>TOTAL ASSETS</b>	<b>\$9,286,532</b>	<b>\$25,401</b>	<b>(\$152,832)</b>	<b>\$9,159,101</b>
<b>Current Liabilities</b>					
Payables					
\$579,162	General Trade Creditors	\$578,517	\$21,691	\$0	\$600,208
\$0	Fuel Tax Credits	\$21,148	\$0	\$0	\$21,148
\$0	Superannuation	\$22,153	\$447	\$0	\$22,600
PAYG Payable					
\$0	General PAYG Payable	\$65,289	\$0	\$0	\$65,289
\$0	Total PAYG Payable	\$65,289	\$0	\$0	\$65,289
Payroll Tax Payable					
\$74,225	General Payroll Tax Payable	\$0	\$0	\$0	\$0
<b>\$74,225</b>	<b>Total Payroll Tax Payable</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>\$653,387</b>	<b>Total Payables</b>	<b>\$687,107</b>	<b>\$22,138</b>	<b>\$0</b>	<b>\$709,245</b>
GST					
\$148,173	GST Payable	\$162,276	\$3,265	(\$1,250)	\$164,290
<b>\$148,173</b>	<b>Total GST</b>	<b>\$162,276</b>	<b>\$3,265</b>	<b>(\$1,250)</b>	<b>\$164,290</b>
Income Tax					
\$4,574	Income Tax Provision	\$0	\$0	\$0	\$0
<b>\$4,574</b>	<b>Total Income Tax</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Receivables					
\$0	Payments To/From Councils	\$0	\$0	\$8,526	\$8,526
<b>\$0</b>	<b>Total Receivables</b>	<b>\$0</b>	<b>\$0</b>	<b>\$8,526</b>	<b>\$8,526</b>
Loans Payable					
\$1,038,885	Lease & Goods Mortgage	\$1,283,569	\$0	\$0	\$1,283,569
\$61,009	LGFA Equity Loan	\$88,622	\$0	\$0	\$88,622
<b>\$1,099,894</b>	<b>Total Loans Payable</b>	<b>\$1,372,192</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,372,192</b>
Provisions					
Staff Provision					
\$254,976	Employee Entitlements - Annual Leave	\$320,869	\$0	(\$160,108)	\$160,761
<b>\$254,976</b>	<b>Total Staff Provision</b>	<b>\$320,869</b>	<b>\$0</b>	<b>(\$160,108)</b>	<b>\$160,761</b>
<b>\$254,976</b>	<b>Total Provisions</b>	<b>\$320,869</b>	<b>\$0</b>	<b>(\$160,108)</b>	<b>\$160,761</b>
Other Current Liabilities					
\$157,879	Accrued Expenses - Other	\$27,660	\$0	\$0	\$27,660
\$0	Provision - Tax Equivalents	(\$20,033)	\$0	\$0	(\$20,033)
<b>\$157,879</b>	<b>Total Other Current Liabilities</b>	<b>\$7,627</b>	<b>\$0</b>	<b>\$0</b>	<b>\$7,627</b>



\$2,318,883	<b>Total Current Liabilities</b>	\$2,550,070	\$25,402	(\$152,832)	\$2,422,641
	Non-Current Liabilities				
	Loans Payable				
\$1,038,885	Lease & Goods Mortgage	\$1,283,569	\$0	\$0	\$1,283,569
\$61,009	LGFA Equity Loan	\$88,622	\$0	\$0	\$88,622
\$1,099,894	<b>Total Loans Payable</b>	\$1,372,192	\$0	\$0	\$1,372,192
	Provisions				
	Staff Provision				
\$494,917	Employee Entitlements - Long Service Leave	\$534,917	\$0	\$0	\$534,917
\$494,917	<b>Total Staff Provision</b>	\$534,917	\$0	\$0	\$534,917
\$494,917	<b>Total Provisions</b>	\$534,917	\$0	\$0	\$534,917
\$6,598,066	<b>Total Non-Current Liabilities</b>	\$6,337,681	(\$1)	\$0	\$6,337,680
\$8,916,949	<b>TOTAL LIABILITIES</b>	\$8,887,751	\$25,401	(\$152,832)	\$8,760,320
\$276,763	<b>NET ASSETS</b>	\$398,781	\$0	\$0	\$398,781
	Capital and Reserves				
	Equity				
\$0	Prepayment Equity Loan	\$122,018	\$0	\$0	\$122,018
\$0	<b>Total Equity</b>	\$122,018	\$0	\$0	\$122,018
	Retained Earnings				
\$276,763	Retained Earnings	\$276,763	\$0	\$0	\$276,763
\$276,763	<b>Total Retained Earnings</b>	\$276,763	\$0	\$0	\$276,763
\$276,763	<b>Total Capital and Reserves</b>	\$398,781	\$0	\$0	\$398,781
\$276,763	<b>TOTAL EQUITY</b>	\$398,781	\$0	\$0	\$398,781

# 2016 Budget Review - Cash Flow Statement

Audited Financials 2015 FY	Approved Budget 2016 FY	Budget Review September	Budget Review December	Revised Budget 2016 FY
<b>Cash Inflow</b>				
Income				
\$0 General Trade Debtors	\$247,599	\$0	\$0	\$247,599
\$0 Administration	\$209,471	\$0	\$0	\$209,471
\$0 Household Refuse	\$4,102,864	\$0	\$0	\$4,102,864
\$0 Waste Disposal Income	\$829,125	\$0	\$0	\$829,125
\$0 Green Organics	\$2,480,469	\$0	\$0	\$2,480,469
\$0 G/O Disposal Income	\$1,001,545	\$0	\$0	\$1,001,545
\$0 Recyclables	\$4,222,407	\$0	\$0	\$4,222,407
\$0 Burnside 2nd Bins	\$9,735	\$0	\$0	\$9,735
\$0 Litter	\$309,838	\$27,326	\$0	\$337,164
\$0 Bin Supply - AHC	\$64,578	\$0	\$0	\$64,578
\$0 Replacement Bins - Camp/town	\$66,399	\$0	\$0	\$66,399
\$0 Replacement Bins - Norwood	\$66,399	\$0	\$0	\$66,399
\$0 Replacement Bins - Mitcham	\$66,399	\$0	\$0	\$66,399
\$0 Bin maintenance/Replacement Bins	\$0	\$0	\$0	\$0
\$0 Hard Refuse	\$427,475	\$288,468	\$0	\$715,944
\$0 Hard Refuse Disposal Income	\$14,194	\$0	\$0	\$14,194
\$0 Recyclables Rebate	\$0	\$781,715	\$0	\$781,715
\$0 Fuel Tax Credits	\$265,278	\$0	\$0	\$265,278
\$0 Sundry Income	\$11,000	\$0	\$0	\$11,000
\$0 Payments To/From Councils	\$0	\$0	(\$93,789)	(\$93,789)
<b>\$0 Total Income</b>	<b>\$14,394,776</b>	<b>\$1,097,509</b>	<b>(\$93,789)</b>	<b>\$15,398,496</b>
\$0 Interest Received	\$40,329	\$0	\$0	\$40,329
\$0 Non-Current Asset Sales	\$49,500	\$0	\$0	\$49,500
\$0 Loans Received	\$1,700,000	\$0	\$0	\$1,700,000
\$0 Equity Additions	\$122,018	\$0	\$0	\$122,018
<b>Total Cash Inflows</b>	<b>\$16,306,623</b>	<b>\$1,097,509</b>	<b>(\$93,789)</b>	<b>\$17,310,343</b>
<b>Cash Outflow</b>				
Costs				
\$0 General Trade Creditor	\$579,162	\$0	\$0	\$579,162
\$0 Audits/Contamination	\$50,416	\$0	\$0	\$50,416
\$0 Disposal Fees - Waste	\$756,250	\$0	\$0	\$756,250
\$0 Disposal Fees - G/O	\$907,500	\$0	\$0	\$907,500
\$0 Disposal Fees - Hard	\$118,800	\$54,472	\$0	\$173,272
\$0 Fuel: Gas & Oil	\$1,158,430	\$10,927	\$0	\$1,169,357
\$0 Fuel Tax Credits	\$232,618	\$0	\$0	\$232,618
\$0 Maintenance - Trucks	\$1,177,050	\$6,916	\$0	\$1,183,965
\$0 Maintenance - Contract	\$0	\$0	\$0	\$0
\$0 Maintenance - Bins	\$199,196	\$0	\$0	\$199,196
\$0 Recyclables Rebate	\$0	\$781,715	\$0	\$781,715
\$0 Rebranding Fleet	\$0	\$0	\$55,000	\$55,000
\$0 Registration & Insurance - Trucks	\$273,258	\$1,032	\$0	\$274,289
\$0 Superannuation	\$243,679	\$4,916	\$0	\$248,595
\$0 Workers' Compensation	\$170,000	\$0	\$0	\$170,000
\$0 Wages: Casual Agency	\$705,833	\$9,371	\$0	\$715,204
\$0 Sorting Fees	\$50,416	\$0	\$0	\$50,416
\$0 Account Fees	\$1,008	\$0	\$0	\$1,008
\$0 Accounting & Audit	\$35,291	\$0	\$0	\$35,291
\$0 Bank Charges	\$2,016	\$0	\$0	\$2,016
\$0 Board Fees	\$23,375	\$0	\$0	\$23,375
\$0 Burnside 2nd Bin Reimbursement	\$3,850	\$0	\$0	\$3,850
\$0 Consulting	\$75,625	\$0	\$0	\$75,625
\$0 Conference	\$6,050	\$0	\$0	\$6,050
\$0 Communications	\$103,330	\$0	\$0	\$103,330
\$0 Entertainment	\$504	\$0	\$0	\$504
\$0 Equipment Hire	\$15,125	\$147,055	\$0	\$162,180
\$0 Education & Training	\$15,125	\$0	\$0	\$15,125
\$0 Fire / Security Service	\$11,798	\$0	\$0	\$11,798
\$0 GPS Monthly Tracking	\$39,829	\$0	\$0	\$39,829
\$0 Insurance	\$27,500	\$0	\$0	\$27,500
\$0 Kerbside Audits	\$10,083	\$0	\$0	\$10,083
\$0 Legal Fees	\$20,116	\$0	\$0	\$20,116
\$0 Lease: Two-way Radio	\$4,908	\$0	\$0	\$4,908
\$0 Licence Fees	\$2,360	\$0	\$0	\$2,360

\$0	Maintenance - Motor Vehicles	\$30,250	\$0	\$0	\$30,250
\$0	Maintenance - Trucks Contract	\$0	\$0	\$0	\$0
\$0	Other Items - Ottoway	\$51,223	\$0	\$0	\$51,223
\$0	Power	\$32,236	\$0	\$0	\$32,236
\$0	Printing, Stationary, Postage & Courier	\$35,332	\$5,646	\$0	\$40,978
\$0	Promotion & Advertising	\$30,653	\$0	\$0	\$30,653
\$0	Protective Clothing	\$25,208	\$1,294	\$0	\$26,501
\$0	Telephone	\$43,106	\$0	\$0	\$43,106
\$0	Outgoings Ottoway Depot	\$45,375	\$0	\$0	\$45,375
\$0	Rent - Ottoway	\$173,938	\$0	\$0	\$173,938
\$0	Risk Assessment Expenses	\$10,083	\$0	\$0	\$10,083
\$0	Staff Amenities	\$45,274	\$0	\$0	\$45,274
\$0	Staff Medical	\$916	\$0	\$0	\$916
\$0	Subscriptions	\$6,353	\$0	\$0	\$6,353
\$0	Sundry Items	\$14,620	\$1,871	\$0	\$16,491
\$0	Tools, Minor Equipment	\$51,425	\$0	\$0	\$51,425
\$0	Other Items - Mitcham Waste	\$10,890	\$0	\$0	\$10,890
<b>\$0</b>	<b>Total Costs</b>	<b>\$7,627,376</b>	<b>\$1,025,214</b>	<b>\$55,000</b>	<b>\$8,707,591</b>
Wages					
\$0	Generally Reporting Wages	\$3,572,071	\$58,460	\$0	\$3,630,531
<b>\$0</b>	<b>Total Wages</b>	<b>\$3,572,071</b>	<b>\$58,460</b>	<b>\$0</b>	<b>\$3,630,531</b>
Provisions					
\$0	Employee Entitlements - Annual Leave	\$173,107	\$0	(\$48,892)	\$124,215
<b>\$0</b>	<b>Total Provisions</b>	<b>\$173,107</b>	<b>\$0</b>	<b>(\$48,892)</b>	<b>\$124,215</b>
\$0	Income Tax Paid	\$4,574	\$0	\$0	\$4,574
\$0	GST Paid	\$465,002	\$9,795	(\$3,750)	\$471,047
Non-Current Asset Purchases					
\$0	Plant & Equipment	\$1,870,000	\$0	\$0	\$1,870,000
<b>\$0</b>	<b>Total Non-Current Asset Purchases</b>	<b>\$1,870,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,870,000</b>
Loan Repayments Made					
\$0	Lease & Goods Mortgage	\$2,007,401	\$0	\$0	\$2,007,401
\$0	LGFA Equity Loan	\$122,018	\$0	\$0	\$122,018
<b>\$0</b>	<b>Total Loan Repayments Made</b>	<b>\$2,129,420</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,129,420</b>
Other Assets/Liabilities					
\$0	Accrued Expenses - Other	\$130,219	\$0	\$0	\$130,219
\$0	Provision - Tax Equivalents	\$20,033	\$0	\$0	\$20,033
<b>\$0</b>	<b>Total Other Assets/Liabilities</b>	<b>\$150,252</b>	<b>\$0</b>	<b>\$0</b>	<b>\$150,252</b>
<b>\$0</b>	<b>Total Cash Outflows</b>	<b>\$15,991,802</b>	<b>\$1,093,469</b>	<b>\$2,358</b>	<b>\$17,087,629</b>
<b>\$0</b>	<b>Net Cash Inflow/(Outflow)</b>	<b>\$314,820</b>	<b>\$4,040</b>	<b>(\$96,147)</b>	<b>\$222,713</b>
<b>\$0</b>	<b>Opening Bank</b>	<b>\$2,096,195</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,096,195</b>
<b>\$0</b>	<b>Net Cash Movement</b>	<b>\$314,820</b>	<b>\$4,040</b>	<b>(\$96,147)</b>	<b>\$222,713</b>
<b>\$0</b>	<b>Closing Bank</b>	<b>\$2,411,015</b>	<b>\$4,040</b>	<b>(\$96,147)</b>	<b>\$2,318,908</b>

# HIGHBURY LANDFILL AUTHORITY

Member Councils: • City of Burnside • City of Norwood, Payneham & St Peters • Corporation of the Town of Walkerville

## Memorandum

**To:** CEOs of HLA Member Councils

Paul Deb

Mario Barone

Kiki Magro

**CC:** Board Members of HLA

Graham Webster

John Minney

**From:** Trevor Hockley, Executive Officer

**Date:** 8<sup>th</sup> April 2016

**RE:** Draft Budget 2016/ 2017

---

The Board of HLA has reviewed the draft Budget 2016/2017 and agreed to refer it to Member Councils for their approval pursuant to Clause 4.4 of the HLA Charter.

Member Councils are required to approve the draft Budget prior to the Board formally adopting the Budget by the 30th June 2016. The draft Budget is attached and for your information I provide a brief outline of the expenditure included as this will be the first year that HLA will manage the landfill gas field with a flare rather than EDL running a generator and producing green energy. Unfortunately, the gas quantity and quality is not able to power a generator past May 2016.

### **EOI process and outcomes**

Suez and the Highbury Landfill Authority(HLA) have jointly conducted an EO I process to engage a new contractor to manage the landfill gas field from 19 May 2016 when EDL leaves the site. All respondents believe there is insufficient gas being produced to drive even a smaller generator and there is no option but to install a Lo Cal Flare on site and run it 24 hours per day. This option should produce better environmental outcomes at the boundary for both sites but running costs including electricity will be approximately \$52,000 per annum.

The Lo Cal flare will cost approximately \$267,000 to commission and install. The flare will be owned by HLA and the management of the gas field and maintenance of the flare will be undertaken by McMahon Services.

The capital cost for the flare and the recurrent cost has been included in the budget. The provision spreadsheet had allowed \$500,000 for a flare and smaller generator and estimated \$60,000 for the cost to maintain equipment, monitor and manage the gas field.

Member councils were advised to include a sum of \$500,000 in last year's budget which will now be expended in the 2016/2017 year and be \$267,000 rather than \$500,000.

# HIGHBURY LANDFILL AUTHORITY

Member Councils: • City of Burnside • City of Norwood, Payneham & St Peters • Corporation of the Town of Walkerville

HLA has agreed to share costs with Suez based on the gas generated from each site and this is likely to be approximately 20% Suez and 80% HLA. The budget does not show this cost offset as a final agreement has not been reached at the time of preparing the budget

## **Provision**

The 25 year forward projections that make up the calculation for the provision in the Balance Sheet for HLA is provided with the draft Budget. The provision has been updated with the projected costs for 2016 and the budgeted costs for 2017. The 10-year bond rates have not been updated and are as at 30 June 2015. As you are aware, Member Councils currently fund that provision each year in their equity proportions based on a review of required expenditure against the projected expenditure.

In the coming financial year, the contribution required from each Member Councils for recurrent expenditure is:

Burnside:	\$92,242.98
Norwood, Payneham & St Peters	\$73,853.31
Walkerville	\$16,903.71

The contribution to purchase the flare including installation and commissioning is:

Burnside:	\$134,584.02
Norwood, Payneham & St Peters	\$107,753.19
Walkerville	\$24,662.79

## **Expenditure allowed for in the Budget**

### **Environmental Monitoring**

The Highbury Landfill is covered by an EPA Licence that requires the ongoing monitoring of groundwater and landfill gas over the site. Currently landfill gas is monitored fortnightly and groundwater monitoring is required six monthly.

### **Ministerial DPA and Public information**

The process for the rezoning of the land around the Highbury Landfill continues to be stalled. The potential developers had engaged an environmental auditor to assess the safety and suitability of residential development. An interim report was received by Planning SA and the EPA that said development could proceed with conditions.

The Board of HLA is keen to ensure that the risk profile of the site is not increased as a result of any approval to change the land use around the site. Once the operation of the flare is routine and the boundary conditions understood a revised communication strategy and website will be launched to better inform the public of the closure requirements for the landfill. HLA is required to oversee the site until steady state conditions are maintained, which could take in excess of 25 years.

### **Site Maintenance.**

The site requires ongoing maintenance for fire control, weeds, fencing and access track maintenance.

### **Management and Administration**

The existing management and administration model is maintained. Costs such as insurance, council rates, SA Water etc are also budgeted.

# HIGHBURY LANDFILL AUTHORITY

Member Councils: • City of Burnside • City of Norwood, Payneham & St Peters • Corporation of the Town of Walkerville

Should you require any further information then do not hesitate to contact the undersigned. I look forward to your Council approving the draft Budget prior to the 30th June 2016, so that the Board can formally adopt the budget in accordance with the Charter.

Regards,

**Trevor Hockley**  
**Executive Officer**

## UNIFORM PRESENTATION OF FINANCE FY2016 &amp; FY2017

	JULY - NOV 2016	Projected June 2016	Approved Budget 2016	Budget Variance	Budget 2017	Comments
<b>OPERATING ACTIVITIES:</b>	\$	\$	\$	\$	\$	
Operating Income	1,302.68	7,458	500	6,958	500	
less Operating Expenses	28,753.25	(395,309.55)	(155,371.00)	239,939	38,629	
<b>Operating Surplus / (Deficit)</b>	- 27,451	402,768	155,871	246,897	- 38,129	
<b>CAPITAL ACTIVITIES:</b>						
<b>Net Outlay on Existing Assets</b>						
Capital Expenditure on renewal & replacement of Existing Assets	-	-	-	-	-	
less Depreciation, Amortisation & Impairment	5,546.25	7,395	7,395	-	31,870	
less Proceeds from Sale of Replaced Assets						
<b>Net Outlay on Existing Assets</b>	5,546	7,395	7,395	-	31,870	
<b>Net Outlay on New &amp; Upgraded Assets</b>						
Capital Expenditure on New & Upgraded Assets	-	-	-	-	267,000	
less Amounts received specifically for New & Upgraded Assets	-	-	-	-	267,000	
less Proceeds from Sale of Surplus Assets	-	-	-	-	-	
<b>Net Outlay on New &amp; Upgraded Assets</b>	-	-	-	-	-	
<b>Net Lending / (Borrowing)</b>	- 32,997	395,373	148,476	246,897	- 69,999	

**INCOME STATEMENT BUDGET REVIEW FY2016 & FY2017**

	<b>JULY - MAR 2016</b>	<b>Projected June 2016</b>	<b>Budget 2016</b>	<b>Variance</b>	<b>Budget 2017</b>	<b>Comments</b>
<b>INCOME</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	
Sundry Income	1,303	6,822	-	6,822	-	
LGFA Bonus Received	-	-	-	-	-	
Interest Received	-	636	500	136	500	
<b>Total Revenues</b>	<b>1,303</b>	<b>7,458</b>	<b>500</b>		<b>500</b>	
<b>EXPENSES</b>						
Depreciation	5,546	7,395	7,395	-	31,870	
Movement in Provision*	23,207	402,705	162,766	239,939	6,759	
<b>Total Expenses</b>	<b>28,753</b>	<b>(395,310)</b>	<b>(155,371)</b>		<b>38,629</b>	
<b>NET SURPLUS/(DEFICIT)</b>	<b>(27,451)</b>	<b>402,768</b>	<b>155,871</b>		<b>(38,129)</b>	

**Note:** \* Movement in provision includes expenses paid from the provision:

FY 2016	\$207,000
FY 2017	\$218,100



**BALANCE SHEET BUDGET REVIEW FY2016 & FY2017**

	<b>JULY - MAR 2016</b>	<b>Projected June 2016</b>	<b>Budget 2016</b>	<b>Variance</b>	<b>Budget 2017</b>	<b>Comments</b>
<b>ASSETS</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	
<b>Current Assets</b>						
Cash and Cash Equivalents	74,471	40,579	70,660	(30,081)	10,002	
Trade and Other Receivables	7,054	4,023	3,000	1,023		
<b>Total Current Assets</b>	<b>81,525</b>	<b>44,602</b>	<b>73,660</b>		<b>10,002</b>	
<b>Non-Current Assets</b>						
Monitoring Stations	11,044	9,195	9,195	-	244,325	
<b>Total Non-Current Assets</b>	<b>11,044</b>	<b>9,195</b>	<b>9,195</b>		<b>244,325</b>	
<b>Total Assets</b>	<b>92,569</b>	<b>53,797</b>	<b>82,855</b>		<b>254,327</b>	
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Trade and other payables	14,285	15,000	15,000	-	15,000	
Provision for Closure Costs	171,000	207,000	715,000	(508,000)	485,100	
<b>Total Current Liabilities</b>	<b>185,285</b>	<b>222,000</b>	<b>730,000</b>		<b>500,100</b>	
<b>Non-Current Liabilities</b>						
Provision for Closure Costs	4,372,000	3,726,295	3,171,000	555,295	3,236,854	
<b>Total Non-Current Liabilities</b>	<b>4,372,000</b>	<b>3,726,295</b>	<b>3,171,000</b>		<b>3,236,854</b>	
<b>Total Liabilities</b>	<b>4,557,285</b>	<b>3,948,295</b>	<b>3,901,000</b>		<b>3,736,954</b>	
<b>NET ASSETS</b>	<b>(4,464,716)</b>	<b>(3,894,498)</b>	<b>(3,818,145)</b>		<b>(3,482,627)</b>	
<b>EQUITY</b>						
Accumulated surplus	(4,464,717)	(3,894,498)	(3,818,145)		(3,482,627)	
<b>Total Equity</b>	<b>(4,464,717)</b>	<b>(3,894,498)</b>	<b>(3,818,145)</b>		<b>(3,482,627)</b>	

**STATEMENT OF CHANGES IN EQUITY BUDGET REVIEW FY2016 & FY2017**

	<b>Approved Budget 2016</b>	<b>FY2016 Projected</b>	<b>Budget Variance</b>	<b>Budget 2017</b>	<b>Comments</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	
<b><u>ACCUMULATED SURPLUS</u></b>					
Balance at beginning of the year	(4,114,016)	(4,437,266)	323,250	(3,894,498)	
Change in financial position resulting from operations	155,871	402,768	(246,897)	(38,129)	
Funds from Member Councils	140,000	140,000	-	450,000	
<b>TOTAL EQUITY</b>	<b>(3,818,145)</b>	<b>(3,894,498)</b>	<b>76,353</b>	<b>(3,482,627)</b>	

STATEMENT OF CASH FLOWS BUDGET REVIEW FY2016 & FY2017

	Projected June 2016	Budget 2016	Variance	Budget 2017	Comments
	\$	\$	\$	\$	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<u>Receipts</u>					
Bank Interest & Sundry	500	500	-	500	
Highbury Levy	-				
Other Revenue	20,700	23,000	(2,300)	52,533	ATO reimbursements including GST on Flare
<u>Payments</u>					
Finance payments					
<b>Net Cash provided by (or used in) Operating Activities</b>	<b>21,200</b>	<b>23,500</b>		<b>53,033</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Payments from Provision	(212,700)	(197,916)	(14,784)	(533,610)	
<b>Net Cash paid for Investing Activities</b>	<b>(212,700)</b>	<b>(197,916)</b>		<b>(533,610)</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Funds paid by Member Councils	140,000	140,000	-	450,000	
<b>Net Cash provided by (or used in) Financing Activities</b>	<b>140,000</b>	<b>140,000</b>		<b>450,000</b>	
<b>Net Increase (Decrease) in cash held</b>	<b>(51,500)</b>	<b>(34,416)</b>		<b>(30,577)</b>	
Cash and cash equivalents at beginning of period	92,079	92,079		40,579	
<b>Cash and cash equivalents at end of period</b>	<b>40,579</b>	<b>57,663</b>	<b>(17,084)</b>	<b>10,002</b>	
<b>Total Cash and cash equivalents at end of period</b>	<b>40,579</b>	<b>57,663</b>		<b>10,002</b>	

KEY	
PY	Agreed to Prior Year Audited Financial Statements
P&L	Expenses agreed to Income Statement (excl'd. Depreciation)
CAL	As per Calculation
T	Tots Checked and Correct

Calculated	
Date	Rate
30/06/2015	2.000%
30/06/2016	1.94%
30/06/2017	1.95%
30/06/2018	2.09%
30/06/2019	2.17%
30/06/2020	2.35%
30/06/2021	2.50%
30/06/2022	2.67%
30/06/2023	2.81%
30/06/2024	2.94%
30/06/2025	3.02%
30/06/2026	3.09%
30/06/2027	3.16%
30/06/2028	3.24%
30/06/2029	3.32%
30/06/2030	3.38%
30/06/2031	3.40%
30/06/2032	3.44%
30/06/2033	3.49%
30/06/2034	3.54%
30/06/2035	3.60%
30/06/2036	3.62%

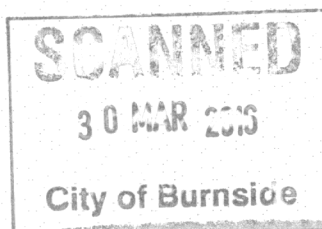
		Projected 2016	Projected 2017
CASHFLOW PAYMENT	Total	207.00	485.10
CASHFLOW PAYMENT/RECEIPT	GST	20.70	48.51

	Projected 2016	Projected 2017	
<b>RECONCILIATION</b>			
Opening	5,453,000	3,933,295	
Plus Expenses during year	207,000	218,100	Excluding flare!
Closing	4,336,000	3,715,195	
Provision required	3,933,295	3,721,954	
Movement charged to P&L	- 402,705	6,759	
	<i>DECREASE IN PROVISION</i>	<i>INCREASE IN PROVISION</i>	

Our Ref: AF16/14

23 March 2016

Mr Paul Deb  
Chief Executive Officer  
City of Burnside  
PO Box 9  
GLENSIDE SA 5065



Dear Paul

**RE: Eastern Health Authority (EHA) Annual Business Plan and Budget for 2016/2017**

EHA's Board of Management held a budget workshop on 16 March 2016 to consider the 2016/2017 Annual Business Plan and Budget.

The Board endorsed a preliminary draft Annual Business Plan and Budget, which is now provided to Constituent Councils for review and comment (enclosed). Also enclosed is a document summarising the changes to the Annual Business Plan.

The global increase in contributions for EHA operations requested from Constituent Councils for 2016/2017 based on the preliminary draft budget is 1.97% as detailed in the table below.

Table 1: Global increase in contributions requested from Constituent Councils

Total Council Contributions required		Change \$	Change %
2015/2016	\$ 1,609,306		
2016/2017	\$ 1,641,055	\$ 31,749.00	1.97%

The table below details the average annual increase (1.34%) in total Constituent Council contributions over the past 3 financial years.

Table 2: Average annual increase in total Constituent Council Contributions over last 3 financial years

Total Council Contributions required		Change \$	Change %
2013/2014	\$ 1,576,207		
2014/2015	\$ 1,576,605	\$ 398.00	0.03%
2015/2016	\$ 1,609,306	\$ 32,701.00	2.03%
2016/2017	\$ 1,641,055	\$ 31,749.00	1.97%
4 Year Total		\$ 64,848.00	4.03%
Average Annual Increase Over Last 3 Years			1.34%

As you are aware the change in contributions required from each individual council will differ from the global change (1.34%) when the charter funding formula is applied.

The table below details the change for each council using the formula contained in the current (2009) Charter.

Table 3: Constituent Council Contributions for 2016/2017 – 2009 Formula

Eastern Health Authority Constituent Council Contribution Calculations 2016-2017 - 2009 Formula							
		Burnside	Campbelltown	NPSP	Prospect	Walkerville	Total
Total Required Operating contributions 2016-2017	\$ 1,641,055						
Constituent Council Contribution proportion		26.39%	23.47%	30.39%	13.65%	6.10%	100.00%
Actual Contribution		\$ 433,140	\$ 385,131	\$ 498,646	\$ 223,979	\$ 100,159	\$ 1,641,055
Change in Contribution from previous year							
Contribution proportion		25.79%	24.22%	30.49%	13.65%	5.85%	100.00%
Actual Contribution		\$ 415,037	\$ 389,840	\$ 490,646	\$ 219,621	\$ 94,162	\$ 1,609,306
Change in Contribution Proportion from previous FY		0.60%	-0.76%	-0.10%	0.00%	0.25%	0.00%
Change in Contribution (\$)		\$ 18,103	\$ (4,708)	\$ 8,000	\$ 4,358	\$ 5,996	\$ 31,749
Change in contributions (%)		1.97%	4.36%	-1.21%	1.63%	6.37%	1.97%

The current revised Charter being considered has an amended council contribution formula when compared to the one contained within the 2009 Charter. The table below details the change in required contributions when the new formula is applied.

Table 4: Constituent Council Contributions for 2016/2017 – 2016 Formula

Eastern Health Authority Constituent Council Contribution Calculations 2016-2017 - 2016 Formula							
		Burnside	Campbelltown	NPSP	Prospect	Walkerville	Total
Total Required Operating contributions 2016-2017	\$ 1,641,055						
Constituent Council Contribution proportion		25.54%	23.10%	31.40%	13.46%	6.50%	100.00%
Actual Contribution		\$ 419,128	\$ 379,026	\$ 515,322	\$ 220,952	\$ 106,627	\$ 1,641,055
Change in Contribution from previous year							
Contribution proportion		25.79%	24.22%	30.49%	13.65%	5.85%	100.00%
Actual Contribution		\$ 415,037	\$ 389,840	\$ 490,646	\$ 219,621	\$ 94,162	\$ 1,609,306
Change in Contribution Proportion from previous FY		-0.25%	-1.13%	0.91%	-0.18%	0.65%	0.00%
Change in Contribution (\$)		\$ 4,091	\$ (10,814)	\$ 24,676	\$ 1,331	\$ 12,465	\$ 31,749
Change in contributions (%)		1.97%	0.99%	-2.77%	5.03%	0.61%	1.97%

At this point in time the formula contained within the 2009 Charter (see table 3) will be used to determine council contribution for 2016/2017. If however the Charter review is finalised prior to the adoption of the budget on 22 June 2016 the formula contained within the revised Charter will be used to determine contributions (see table 4).

Due to the effect of the charter formula, single year changes to individual council contributions can vary significantly from the average percentage value. The table below details the average annual change to your council's contributions over the last 3 years. This compares to the annual average increase of 1.34% per annum over the period detailed previously in table 2.

Table 5: Last 3 years average annual change to your council's contributions

	<b>Burnside</b>	<b>\$ change previous year</b>	<b>% Change previous year</b>
<b>2013/2014</b>	<b>\$ 400,742</b>		
<b>2014/2015</b>	<b>\$ 400,896</b>	<b>\$ 154</b>	<b>0.04%</b>
<b>2015/2016</b>	<b>\$ 415,038</b>	<b>\$ 14,142</b>	<b>3.53%</b>
<b>2016/2017</b>	<b>\$ 419,128</b>	<b>\$ 4,090</b>	<b>0.99%</b>
<b>Average</b>		<b>\$ 6,129</b>	<b>1.52%</b>

If possible it would be appreciated if feedback is received by 27 April 2015 so that it can be considered by the Board of Management at its meeting to be held on 29 April 2015.

Please note councils will be again provided with an opportunity to provide feedback on the Annual Business Plan and Budget following the April Board of Management meeting when the official draft will be considered.

If you need any more information or would like to discuss this further, please contact me on telephone 8132 3611.

Yours sincerely



Michael Livori  
**Chief Executive Officer**



## **Annual Business Plan 2016-2017**

### **Summary of Changes**

- Generally Business as usual – no significant new initiatives
- Finalise and Implement a new food safety training program.
- Continue to improve Health Manager administrative efficiency and reporting capabilities.
- Provide presentations to Constituent Council staff to actively promote and increase awareness of EHA's functions.
- Participate in Public Health week to raise awareness of public health related issues amongst the community.
- Beauty premises to be inspected on a risk based schedule.
- Monitor and identify new personal appearance practices within beauty premises. Apply the personal appearance risk assessment tool to determine if the practices require assessment.
- Implement the agreed EHA and Constituent Council Development Assessment information sharing process. Receive notifications, assess plans and structural changes to new business or to an existing business.
- Distribute advisory information to schools and kindergartens to provide information on food safety practices at special events and requirement to notify EHA.
- Collaborate with Constituent Councils to explore health promotion opportunities within SRF's.
- Review of all public immunisation clinics and consider changes to 2017 clinic timetable scheduling.
- Upgrade EHA's website to improve functionality, communication and awareness of EHA.
- Use immunisation coverage data from a range of sources to better identify residents of overdue vaccinations.
- Investigate available vaccine reminder services



- Recommend vaccinations for employees at risk of occupationally acquired vaccine preventable diseases.
- Explore further opportunities for the provision of immunisation promotion presentations to existing parent groups at Constituent Council community centres and libraries.
- Investigate communication strategies to provide information to older residents.

# Annual Business Plan 2016 - 2017

## CONTENTS

---

Introduction .....	1
About Eastern Health Authority.....	2
Overview of the Annual Business Plan .....	4
Funding the Annual Business Plan and Budget.....	6
Financial Indicators .....	9
Activities for 2016 - 2017	
1.0 - Governance and Organisational Development .....	11
2.0 - Health Education and Promotion.....	16
3.0 - Public and Environmental Health .....	19
4.0 - Immunisation.....	25
5.0 - Food Safety.....	29
6.0 - Health Care and Community Services .....	33
7.0 - Emergency Management .....	36
Eastern Health Authority Budgeted Financial Statements 2016-2017 .....	38

## INTRODUCTION

---

The Eastern Health Authority (EHA) Charter requires an Annual Business Plan to support and inform the Annual Budget. To meet its legislative and governance requirements EHA's Budget and therefore its Annual Business Plan for the ensuing financial year must be adopted prior to June 30.

EHA's Annual Business Plan:

- includes an outline of:
  - (i) EHA's objectives for the financial year
  - (ii) the activities that EHA intends to undertake to achieve those objectives
  - (iii) the measures (financial and non-financial) which EHA intends to use to assess its performance against its objectives over the financial year
- assesses the financial requirements of EHA for the financial year and taking those requirements into account, sets out a summary of its proposed operating expenditure, capital expenditure and sources of revenue
- sets out the structure for determining Constituent Council contributions for the financial year

This document presents the Annual Business Plan for EHA for the 2016-2017 financial year. The Plan, together with the Annual Budget for the 2016-2017 financial year will be presented to EHA's Board of Management for adoption on 22 June 2016.

## ABOUT EASTERN HEALTH AUTHORITY

---

EHA is a regional subsidiary established pursuant to the *Local Government Act 1999*.

Section 43 of the *Local Government Act 1999* enables two or more councils (known as Constituent Councils) to establish a regional subsidiary to perform a function of the councils in a joint service delivery arrangement. The function performed may be prescribed by the *Local Government Act 1999* or another Act.

EHA's Constituent Councils are:

- City of Burnside (Burnside)
- Campbelltown City Council (Campbelltown)
- City of Norwood Payneham and St Peters (NPSP)
- City of Prospect (Prospect)
- The Corporation of the Town of Walkerville (Walkerville)

The region that the five councils encompass is predominantly residential with retail / commercial land use and limited industrial activity. Development dates from the mid 1800s and many heritage-listed buildings remain. Major features of the area include popular dining and shopping precincts, numerous public and private schools, large sporting complexes, public swimming centres, hospitals, two national parks and a university. The River Torrens and five major creeks traverse the area.

The area covered by EHA is located in Adelaide's eastern and inner northern suburbs. EHA discharges its Constituent Councils' environmental health responsibilities that are mandated in the following legislation:

*South Australian Public Health Act 2011*

*Food Act 2001*

*Supported Residential Facilities Act 1992*

A wide range of functions are performed to protect the health and wellbeing of approximately 160,000 residents plus those people who visit the region. Functions include the provision of immunisation services, hygiene and sanitation control, licensing and monitoring of Supported Residential Facilities (SRFs) and surveillance of food premises.



The diversity and increasing complexity of environmental health makes it difficult for small organisations to have staff who are experienced and fully competent across all spheres of the profession. EHA is structured to proficiently deliver all required services on behalf of its Constituent Councils.

With the demand for local government to adopt a more cooperative focus in the structure of their organisations and the delivery of their services EHA serves as an outstanding example of shared service delivery. It is local councils working together to protect the health of their communities.

The table below provides a snapshot of the environmental health services provided for each Constituent Council.

**Table 1: Snapshot of the environmental health services provided for each Constituent Council**

Activity Data	Burnside	C/Town	NPSP	Prospect	Walkerville	Total
No. of Food Premises	273	277	462	186	47	1245
Swimming Pools	16	3	15	2	3	39
High Risk Manufactured Systems	11	7	17	7	7	49
Supported Residential Facilities	3	2	1	2	0	8
Environmental Health Complaints	64	70	80	39	15	268
Hairdresser/Beauty Treatment	71	59	109	27	9	275
No. of Yr 8 Enrolments	700	534	664	141	64	2103
Average clients receiving vaccines at public clinics	1058	1196	1387	276	200	4117

## OVERVIEW OF THE BUSINESS PLAN

---

EHA develops an Annual Business Plan for the purposes of translating strategic directions into actions, outputs and outcomes for the relevant financial year.

In preparing the Annual Business plan there are a number of key influences that are taken into consideration to ensure that EHA can continue to provide services and programs to its Constituent Councils and the community.

### Significant Influences

Significant factors which have influenced the preparation of the 2016-2017 Annual Business Plan are:

- enterprise bargaining and increment level increases for staff employment arrangements
- the continuation of the contract service to undertake immunisations and monitor Supported Residential Facilities on behalf of The City of Unley
- the continuation of the worksite immunisation program
- continuation of the service agreement with SA Health to deliver the School Immunisation Program (SIP)
- implementation and monitoring of the Regional Public Health Plan in conjunction with Constituent Councils
- support for Eastern Regional Public Health Plan Advisory Committee
- transition to cloud based computing environment.

## Priorities

EHA has set the following priorities as part of the 2016-2017 Annual Business Plan:

- to continue to provide a professional and cost effective environmental health service to its Constituent Councils and their respective communities
- support the Eastern Regional Public Health Plan Advisory Committee
- implement and monitor the Regional Public Health Plan in conjunction with Constituent Councils
- transition ICT environment from on premise to cloud based
- refine Health Manager system to provide improved reporting and gain efficiencies in on site applications
- evaluate implementation of tablets using Health Manager software for field based data capture
- finalise and introduce the new food safety training program
- review EHA WHS and IM Plan 2012 – 2015
- ongoing evolvement of performance development framework
- refine process for inducting staff
- retender for current service contracts
- use immunisation coverage data from a range of sources to better identify and remind residents of overdue vaccinations
- investigate available vaccine reminder services and apps
- explore further opportunities for presentations to residents through community centres and libraries to existing parent groups
- promotion and communication of changes to the National Immunisation Schedule affecting older residents within.



## FUNDING THE BUSINESS PLAN AND THE BUDGET

---

EHA bases its expenditure on the services required to ensure its Constituent Councils are meeting their wide range of legislative responsibilities which are mandated in a range of legislation including the South Australian *Public Health Act 2011*; *Food Act 2001*; *Supported Residential Facilities Act 1992* and the *Local Government Act 1999*.

The forecast for the 2016-2017 financial year is that EHA's expenditure to carry out its operational activities detailed in the annual business plan will equal its operating income resulting in a balanced operating budget.

To achieve this operating budget result, a total of \$1,641,055 will be raised through contributions from our Constituent Councils for operational expenditure in 2016-2017.

EHA's Charter requires Constituent Councils to contribute to its operations in accordance with a formula that calculates the estimated proportion of overall activities it requires. The calculations are based on the previous year's activities.

The Budgeted Financial Statements (found on pages 37 to 38) put the annual budget required to implement the annual business plan into a format which provides a complete picture of EHA's financial position to its member councils. They consist of a Budgeted Income Statement, Budgeted Balance Sheet, Budgeted Statement of Changes in Equity and Budgeted Statement of Cash Flows.

Sources of revenue other than Constituent Council contributions which are utilised to fund the activities of EHA are listed on the following page.

### **Statutory Charges**

Statutory Charges relate mainly to fees and fines levied in accordance with legislation and include food inspection fees, supported residential facility licences, and environmental health related fines.

### **User Charges**

User charges relate mainly to the recovery of service delivery costs through the charging of fees to users of EHA's services. These include the provision of food safety audit services, worksite immunisation programs, fee vaccines at community immunisation clinics, service delivery fee (\$40.00) for non-residents, immunisation contract services to The City of Unley and the licensing of SRFs on behalf of The City of Unley.

### **Grants**

Grants include monies received from State and Federal Governments for the purposes of funding the delivery of the programs such as immunisation services.

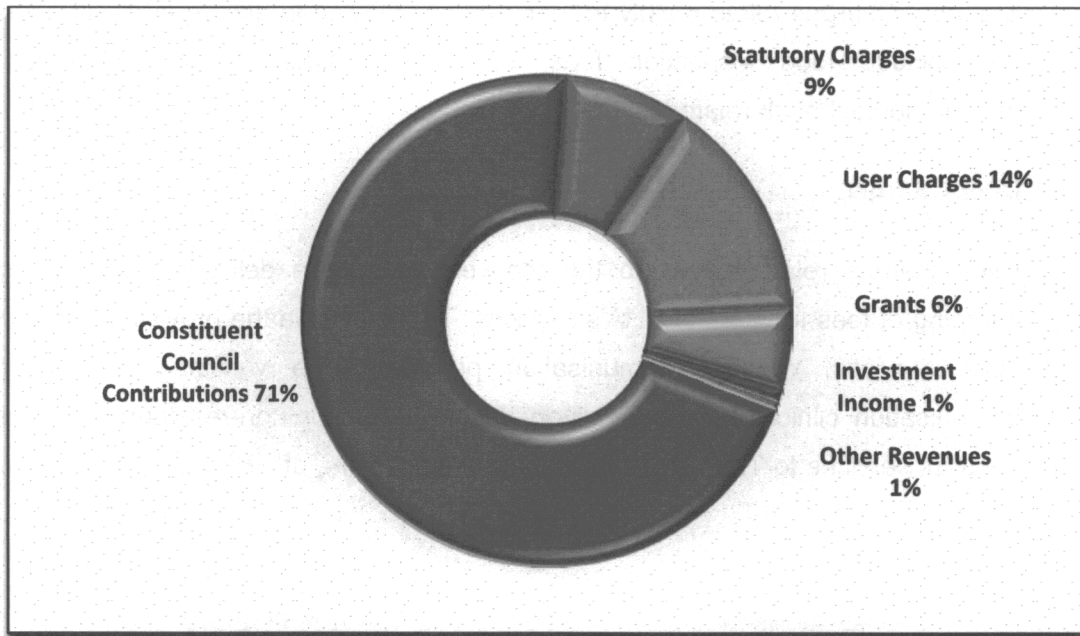
### **Investment Income**

Investment income includes interest on operating cash held with the Local Government Finance Authority.

### **Other Revenues**

Other revenues relates to a range of unclassified items which do not fit within the main income categories.

**Graph 1: Funding Sources 2016-2017**



As a guide, the table below details each Constituent Council's expenditure on Public Health services provided by EHA as a percentage of their total expenditure based on 2015/2016 budget figures.

**Table 2: Each Constituent Council's expenditure on Public Health services provided by EHA**

	Contribution 2015/2016	Total Budgeted Expenditure 2015/2016	Public Health Spend %
Burnside	\$415,037	\$40,851,000	1.02%
Campbelltown	\$389,840	\$38,544,600	1.01%
NPSP	\$490,646	\$38,060,000	1.29%
Prospect	\$219,621	\$21,383,715	1.03%
Walkerville	\$94,162	\$9,179,000	1.03%
<b>Total Constituent Council Expenditure</b>	<b>\$1,609,306</b>	<b>\$148,465,600</b>	<b>1.09%</b>

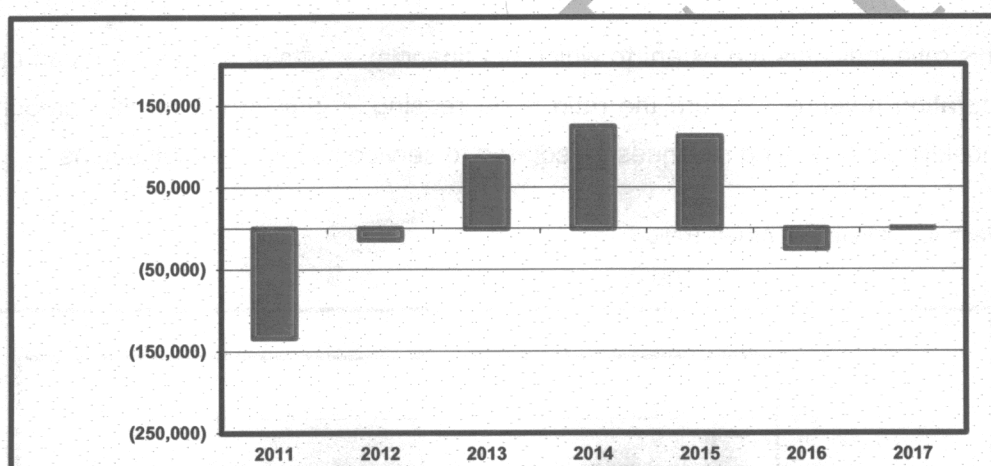
## FINANCIAL INDICATORS

A series of financial indicators have been developed by local government to assist in determining whether a local government organisation is financially sustainable or moving to a position of financial sustainability. These indicators are set out below.

### Operating Surplus (Deficit)

This graph indicates the difference between day-to-day income and expenses for the particular financial year. It shows the extent to which operating revenue is sufficient to meet all operating expenses including depreciation and consequently the quantum of expenses which is being met by Constituent Councils.

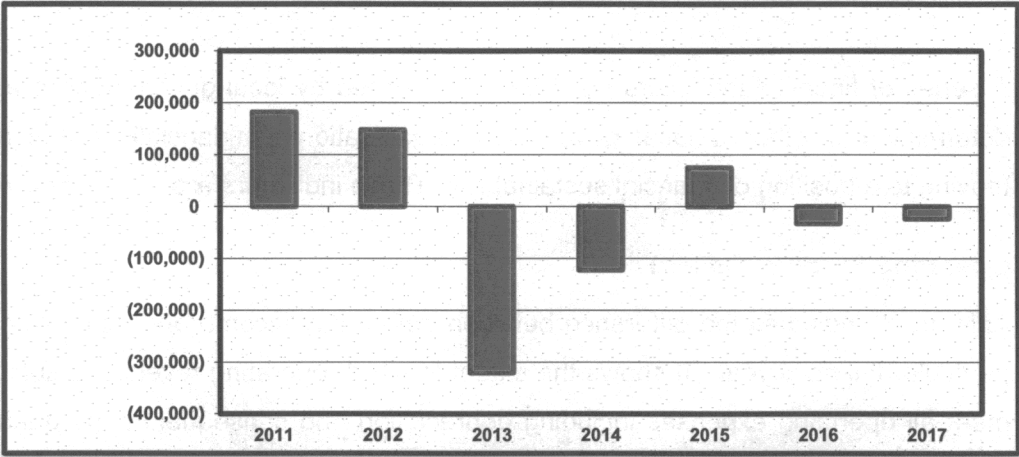
Graph 2: Operating Surplus / (Deficit)



### Net Financial Assets

This graph below indicates the money held, invested or owed to EHA less money owed to others (including provisions for employee entitlements).

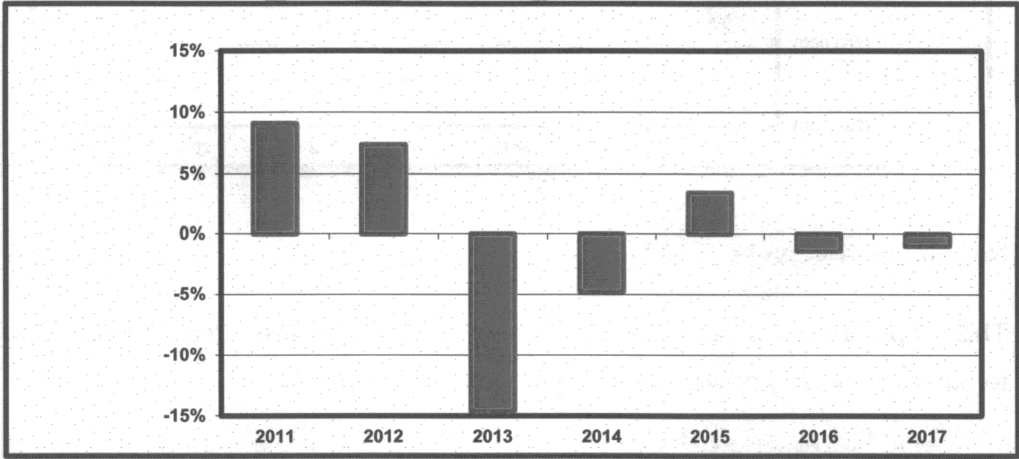
Graph 3: Net Financial Assets



**Net Financial Assets Ratio**

This ratio indicates the extent to which net financial assets of a subsidiary can meet its operating revenue. Where the ratio is decreasing, it indicates a greater amount of a subsidiary's operating revenues is required to service its financial obligations.

Graph 4: Net Financial Assets Ratio



## ACTIVITIES FOR 2015-2016

---

The following information reflects the actions which will be performed to achieve the objectives of the seven core activities of EHA over the next 12 months.

### 1.0 – Governance and Organisational Development

#### Background

EHA is governed by its Charter and the application of good governance and administration practices which ensure its requirements are met is essential.

Practices which ensure EHA conducts its business in an effective manner include the provision of appropriate support to the Board of Management and sound financial and human resource management.

The staff who are employed by EHA are its most valuable asset. It is essential that the working environment is one which nurtures and supports effective collaboration, and where knowledge and value are continually created. Professional peer support allows for the potential to build organisational capacity through the transfer and pooling of knowledge and assists in workforce retention and stability. An appropriate work environment helps to promote a dynamic and committed workforce.



**Objective 1 Administration of legislative and corporate governance requirements**

Actions	Performance Measures
1.1 Monitor the compliance of statutory requirements identified in the Charter.	Statutory requirements complied with as per Charter.
1.2 Properly convene Board meetings providing agendas and minutes. Minimum of 5 ordinary meetings conducted. Notice of meeting given 3 clear days prior to meeting. Minutes provided within 5 days of meeting.	5 meetings conducted. Appropriate notice given. Timeframe met.
1.3 Conduct election for Chair and Deputy Chair of Board of Management in February.	Election conducted at February meeting.
1.4 Annual business plan to be developed with detailed objectives for the year in consultation with Constituent Councils.	Draft considered at May meeting and adopted at June meeting.
1.5 Develop budgeted financial statements to implement the Annual Business Plan of EHA. Draft Budgeted Financial Statements considered at May meeting. Budgeted Financial Statements adopted at June meeting.	Budget and Financial Statements adopted. Copy of budget provided to CEO of Constituent Councils within 5 days of adoption.
1.6 Keep proper books of account, regularly report on the financial position of EHA, and apply prudent financial management as required by the Charter.	Financial reports provided at each Board Meeting. Budget reviews presented at October, February and May meetings.
1.7 Conduct Audit Committee meetings as required by Charter.	Audit committee meet minimum of two times per annum.
1.8 Ensure the financial statements are audited annually as per the requirements of the Charter.	Audited financial statements adopted at August meeting and provided to Constituent Councils within 5 days.
1.9 Monitor Long Term Financial Plan.	Plan reviewed annually as part of budget process.
1.10 Provide regular statistical reports to Board Members and Constituent Council.	Reports provided at scheduled Board meetings.

Actions (continued)		Performance Measures
1.11	Conduct annual review of delegations. Lead Constituent Councils in process. Resolutions and Instruments of delegation provided to Constituent Councils.	Documents provided to Constituent Councils. Delegations from EHA to CEO reviewed.
1.12	Compile annual report in relation to the operations of EHA as required by the charter.	Annual report adopted at August meeting and provided to Constituent Councils and other stakeholders.
1.13	Compile report pursuant to the <i>South Australian Public Health Act 2011</i> in relation to the operations of EHA as required by legislation.	Report adopted at relevant Board meeting and provided to Public Health Council.
1.14	Compile annual report pursuant to the <i>Food Act 2001</i> in relation to the operations of EHA as required by legislation.	Report adopted at August meeting and provided to SA Health.
1.15	Compare Annual Business Plan against performance measures.	Report presented to August meeting.
1.16	Provide delegates report to CEO of each Constituent Council following Board meetings for tabling at subsequent council meeting.	Reports provided following Board meetings.
1.17	Properly convene meetings of Constituent Council nominated contacts including providing agendas and minutes.	4 meetings conducted per year.
1.18	Maintenance of electronic records management system to properly maintain records and reference documents of EHA.	System developed to ensure appropriate standards are being met.
1.19	Explore the potential for the expansion of service provision to areas outside of its current Constituent Council areas.	Report to Board on expansion opportunities.
1.20	Complete implementation of a computer "disaster recovery system" to assist with continuity of service in the event of loss of access to computer infrastructure.	Disaster Recovery system implemented.
1.21	Maintenance of Health Manager (HM) (electronic database). Continue to expand HM's internal and external functionality, to improve inspection, complaint and administrative efficiency and reporting capabilities.	Introduce new applications and reporting capabilities where required. Continue to liaise with Open Office to discuss new applications.



<b>Actions (continued)</b>		<b>Performance Measures</b>
1.22	EHO's to continue to utilise the hand held electronic tablets with access to Health Manager during routine food inspections and complaint investigations. Expand the use of the electronic tablets in other EHO onsite field work.	Implementation of electronic tablets during routine food inspections, complaint investigations and other EHO onsite field work to improve inspection, complaint and administrative efficiency.
1.23	Provide administrative assistance to the Public Health Plan Advisory Committee and coordinate reports to the Board of Management.	Reports provided to Board Meetings as required.
1.24	Participate in the Environmental Managers Forum to address environmental health issues and promote uniformity and professional consistency.	Management to attend and participate in the Environmental Managers Forum meetings.
1.25	Continue membership and actively participate in the Eastern Adelaide Zone Emergency Management Committee to develop and finalise the Eastern Zone Emergency Management Plan.	Attend the Eastern Adelaide Zone Emergency Management Committee and actively contribute towards the development of the Eastern Zone Emergency Management Plan.

**Objective 1.1 Professional, skilled and committed staff providing valued services to the community**

<b>Actions</b>		<b>Performance Measures</b>
1.1.1	Ensure that EHA is properly staffed and resourced in order to carry out its responsibilities.	Continually review staff resources and report to Board if required.
1.1.2	Performance development framework used to support staff and link day-to-day and long term activities of staff to the Annual Business Plan and when applicable the Public Health Plan.	Performance development framework review as required.
1.1.3	Provide continuing professional development opportunities through ongoing education and training which is relevant to roles within EHA.	Training and education opportunities provided to staff.
1.1.4	Continue to foster team cohesiveness and support effective teamwork.	Training and team building activity provided to staff.
1.1.5	Encourage staff to be members of their relevant professional organisation. Support participation and EHA representation at professional Special Interest Groups.	Encourage membership and active participation.

<b>Actions (continued)</b>		<b>Performance Measures</b>
1.1.6	Maintain a multi-disciplinary approach to the distribution of tasks within teams work review process to promote experience in a range of activities and increase expertise in specialist areas.	Annual work plan reviews for all staff.
1.1.7	Provide systems for a safe working environment with appropriate Work Health and Safety (WHS) practices in place.	WHS to be discussed at all team and general staff meetings.  Provide appropriate training and equipment to new staff.
1.1.8	Review the Work Health Safety action plan outlining program of improvements required in EHA's WHS 3 Year Plan.	Action plan reviewed with input from staff.
1.1.9	Further improve EHA's induction program to ensure EHA staff are and familiar with EHA's methods of operation upon commencement of employment.	Induction program updated.

## 2.0 - Health Education and Promotion

### Background

Health education and promotion is a vital component in creating healthier living environments and communities. Traditionally local government health education and promotion activities have centred on regulatory function and infectious disease control.

The *South Australian Public Health Act 2011* (the Act) is part of a range of public health legislation designed to protect and promote the health of South Australians. The objective of Act is to 'promote and provide for the protection of the health of the public of South Australia and to reduce the incidence of illness, injury and disability'. The Act requires councils to develop a public health plan consistent with the State Public Health Plan which responds to public health challenges in the area.

A regional approach for public health planning by EHA and its Constituent Councils builds on the existing, successful collaboration for shared environmental health services through EHA as well as the initiatives of the Eastern Region Alliance (ERA). This approach improves EHA's and Council's capacity to engage with potential partner organisations and to recognise opportunities for joint advocacy.

The first Public Health and Wellbeing Plan for EHA and Constituent Councils, 'Better Living Better Health' (the Plan) was endorsed in 2015. The Plan provides a starting point for documenting the regional state of health and strategic directions for improving community wellbeing. The Plan does not address all public health issues, rather it is a 'place to start' having regard to local priorities and the State Public Health Plan.

EHA and its Constituent Councils are committed to the implementation and the continual review of the strategic directions of the Plan within each five year planning cycle.

**Objective 2 An innovative approach to public and environmental health through community education and interaction to increase awareness and understanding**

Actions	Performance Measures
2.1 Develop and maintain a comprehensive range of health education and promotion material targeting local health issues incorporating the resources of other health related agencies.	Information resources maintained.
2.2 In conjunction with health stakeholders support the promotion and delivery of a range of public health information to raise community health awareness and address priority health conditions.	Target issue to be addressed as required by stakeholders.
2.3 Provide targeted educational material in relation to recommended practices, standards and legislative requirements relevant to those responsible for public health related premises (premises with public swimming pools and spas, cooling tower systems and warm water systems, hairdressers and beauty premises, skin penetration premises, tattoo, body piercing, acupuncture).	Information distributed to be provided as required to improve compliance with legislative requirements.
2.4 Promote EHA services and educate the community on matters of public health in conjunction with Constituent Councils.	Provide information updates and articles to Constituent Councils as required.
2.5 Liaise with Constituent Councils to explore the possibilities of co-ordinating and or contributing to public health forums, to raise awareness of current public health matters.	Discuss the possibilities of public health forums with Constituent Councils.
2.6 Promote the benefits of immunisation through a variety of mediums such as council customer service centres and council publications, information kits, council and EHA websites.	Number of articles published and amount of information accessed.
2.7 Provide targeted educational material to food proprietors, food handlers and the community on food safety matters.	Educational material provided as required.
2.8 Finalise and introduce the new food safety training program.	Finalise and introduce a new food safety training program.
2.9 Participate in Food Safety week and other proactive educational initiatives that raise awareness of food safety amongst the community and improve food handler's understanding of food hygiene.	Number of proactive educational activities conducted each year (at least one per year).

<b>Actions (continued)</b>		<b>Performance Measures</b>
2.10	Participate in Public Health Week and other proactive educational initiatives that raise awareness of public health related issues amongst the community.	Number of proactive educational activities conducted each year (at least one per year).
2.11	Educate proprietors of SRFs in relation to relevant legislative requirements to ensure that adequate standards of assisted care, living standards, safety, hygiene and nutrition are maintained.	Information provided during visits to facility or as needed.
2.12	Review and update EHA's health promotion and information material to ensure information is relevant.	Review and update as required.
2.13	Monitor funding opportunities for pro-active health education and prevention programs.	Report opportunities to Board of Management.
2.14	Actively promote EHA's functions to the public, key stakeholders and the Constituent Council staff.	Quarterly Council Contact Meetings and presentations to Constituent Council staff.  Explore promotional initiatives.
2.15	Investigate and implement improvements to upgrade EHA's website to facilitate the exchange of information and feedback and improve awareness of EHA services.	Improved website functionality.



### 3.0 – Public and Environmental Health

#### Background

*'Environmental health addresses all the physical, chemical and biological factors external to a person, and all the related factors impacting behaviours. It encompasses the assessment and control of those environmental factors that can potentially affect health. It is targeted towards preventing disease and creating health-supportive environments'.*

*World Health Organisation (WHO), 2012*

The *South Australian Public Health Act 2011* (the Act) and Regulations are mechanisms employed by EHA to fulfil its duty of care on behalf of the Constituent Councils with the following public health issues:

- prevention and management of domestic squalor and hoarding
- surveillance of swimming pool, spa pool, cooling tower and warm water system operations
- assessment of hairdressing salons, beauty salons, acupuncture clinics and tattoo parlours
- approval and inspection of waste control systems
- discharge of waste to the environment
- prevention and control of notifiable diseases

The Act contains a general duty on all persons in the community who undertake activities to ensure that they take reasonable steps to 'prevent or minimise any harm to public health' that they have or might cause as a result of their actions or their failure to act: section 56(1) of the Act provides that:

*'A person must take all reasonable steps to prevent or minimise any harm to public health caused by, or likely to be caused by, anything done or omitted to be done by the person'.*

The Act establishes principles or values that guide everyone involved in administering the Act or making decisions under it, which includes orders, the exercise of other powers or general planning or policy decisions.

These principles are as follows:

- precautionary principle
- proportionate regulation principle
- sustainability principle
- principle of prevention
- population focus principle
- participation principle
- partnership principle
- equity principle

Environmental protection originated from the traditional approach of public health when the *Commonwealth Environment Protection (Impact of Proposals) Act* was introduced in 1974. Since its introduction, the definition of environment has developed from merely being 'all aspects of the surroundings of human beings, whether affecting human being as individuals or in social groupings' to 'land, air, water, organisms and ecosystems, and includes the amenity value of an area.'

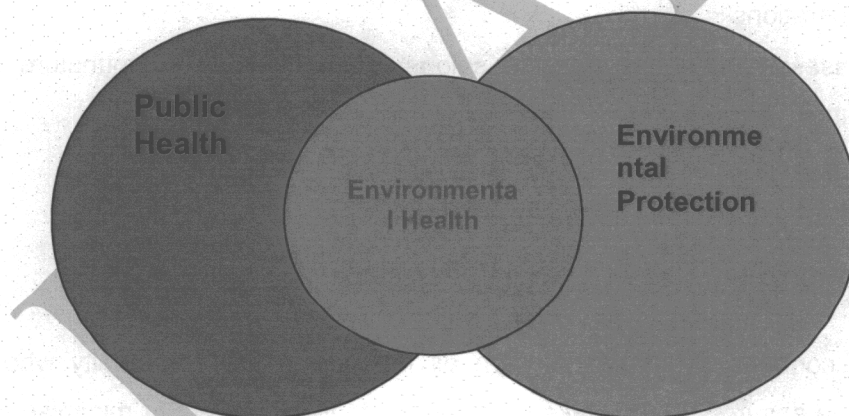


Figure 1.1 – the relationship between public health, environmental health and environmental protection

The point at which Public Health and Environmental Protection overlap is Environmental Health (Fig 1.1).

Where harm or potential harm to others cannot be shown, other statutes may offer alternative and more appropriate ways of proceeding. For example issues relating to unsightly conditions, nuisances and hazards to health or safety associated with the keeping of animals are better dealt with section 254 of the *Local Government Act 1999*.



The Environment Protection Act and Policies provide the framework to resolve issues that have a detrimental effect on our environment and subsequently our health. As the definitions of public health and environment protection overlap, it should only be expected that the legislation protecting these two areas also overlap.

Environmental health often requires a multidisciplinary approach. In the course of investigating complex issues, Environmental Health Officers work together and co-operate with other local government professionals and State government departments.

**Objective 3      Promote healthy communities by managing the risk from communicable and infectious disease and environmental impacts**

Actions	Performance Measures
<p>3.1      Compile and maintain a register of all public health related premises.</p> <p>Public Health related premises are:</p> <ol style="list-style-type: none"> <li>1.   premises with public swimming pools and spas</li> <li>2.   premises with cooling tower systems and warm water systems</li> <li>3.   hairdressers and beauty premises</li> <li>4.   skin penetration premises (tattoo, body piercing, acupuncture)</li> <li>5.   waste control systems</li> </ol>	<p>Register maintained at all times.</p>
<p>3.2      Using the SA Health assessment forms determine appropriate standards of public swimming pools and spas are maintained in accordance with the <i>South Australian Public Health (General) Regulations 2013</i>.</p>	<p>Assessments performed according to risk based schedule.</p>
<p>3.3      Using the SA Health assessment forms determine appropriate standards of cooling towers and warm water systems for the management of <i>Legionella</i> in accordance with <i>South Australian Public Health (Legionella) Regulations 2013</i>.</p>	<p>Assessments performed at least annually.</p>
<p>3.4      Collect water samples from cooling towers and warm water systems for analysis based on requirements <i>South Australian Public Health (Legionella) Regulations 2013</i>.</p>	<p>Water samples collected and sent for analysis at least annually.</p>
<p>3.5      Investigate notifiable <i>Legionella</i> incidences and high <i>Legionella</i> counts in a systematic manner in accordance with SA Health guidance and internal procedures.</p>	<p>Prompt investigation commenced in accordance with service standards.</p>

Actions (continued)	Performance Measures
3.6 Respond to complaints to ensure appropriate infection control standards at hairdressing salons are maintained in accordance with Guidelines on the Public Health standards of practice for hairdressing and other relevant legislation using Environmental Health Australia assessment form.	Investigate and respond to complaints in accordance with the customer service standards.
3.7 Respond to complaints to ensure appropriate infection control standards at beauty and skin penetration premises are maintained in accordance with Guidelines on the safe and hygienic practice of skin penetration and other and other relevant legislation using the Environmental Health Australia assessment form.	Investigate and respond to complaints in accordance with the customer service standards.
3.8 Using the SA Health assessment forms determine appropriate standards at beauty premises are maintained in accordance with Guidelines on the safe and hygienic practice of skin penetration and other and other relevant legislation.	Assessments performed according to risk based schedule.
3.9 Identify new personal appearance practices (ie. laser hair removal, tattoo removal and permanent make-up) within beauty premises. Liaise closely with SA Health to determine if these practices are required to be assessed in accordance with Guidelines on the safe and hygienic practice of skin penetration and other relevant legislation. Where required update the register and undertake assessments.	Continue to update the register when new businesses are identified.
3.10 Using the SA Health assessment forms determine appropriate standards at skin penetration premises (tattoo, body piercing, acupuncture) are maintained in accordance with Guidelines on the safe and hygienic practice of skin penetration and other relevant legislation.	Assessments performed according to risk based schedule.
3.11 Assess applications for the installation of waste control systems in accordance with <i>South Australian Public (Wastewater) Regulations 2013</i> , the <i>On-site Wastewater System Code, 2013</i> , internal procedures, and service standards.	Application managed in accordance with service standards. Compliance with legislative requirements.
3.12 Apply the <i>Public Health Act, 2011</i> to respond to complaints or concerns about standards of sanitation and hygiene of boarding and lodging houses.	Respond to complaints as required in accordance with customer service standards.

Actions (Continued)	Performance Measures
<p>3.13 Respond to public health enquiries/complaints within the built environment that give rise to a risk to health in relation to:</p> <ul style="list-style-type: none"> <li>- hoarding and squalor</li> <li>- sanitation</li> <li>- animal keeping</li> <li>- vector control</li> <li>- air quality</li> <li>- hazardous and infectious substances (asbestos and clandestine drug labs)</li> <li>- waste control</li> <li>- notifiable diseases</li> <li>- refuse storage</li> </ul> <p>Enquiries/complaints are investigated in accordance with the customer service standards. Seek to accomplish a long term solution. Co-ordinate a multi-agency response where necessary.</p>	<p>Respond to complaints as required in accordance with customer service standards.</p>
<p>3.14 Distribute advisory information via mail to households informing them of localised vermin and pest problems and how they can be minimised, e.g. rodents, mosquitoes.</p>	<p>Respond to complaints as required in accordance with customer service standards.</p>
<p>3.15 Provide advice and information materials to residents about air quality concerns including the installation, operation and standards of solid fuel burning appliances.</p>	<p>Information available to community and via website and as required. Improved management of burning appliances as required.</p>
<p>3.16 Provide rodent bait to residents upon request.</p>	<p>Rodent bait provision maintained.</p>
<p>3.17 Undertake relevant notifiable disease investigations in collaboration with SA Health.</p>	<p>Respond to disease notifications in accordance with customer service standards.</p>
<p>3.18 Assist members of the community who have a managed health condition (e.g. Diabetes) by offering approved sharps containers at cost price and free disposal of full and approved sharps containers delivered to EHA.</p>	<p>Community sharps disposal service maintained.</p>
<p>3.19 Collect syringes that have been unsafely discarded on private property.</p>	<p>Safe and timely collection of discarded syringes within customer service standards and following internal procedures.</p>
<p>3.20 Assessments and investigations are updated in Health Manager (electronic database) to ensure effective reporting to the Board of Management, Constituent Councils and SA Health.</p>	<p>Update within 5 days of assessment or action.</p>

Actions (continued)	Performance Measures
3.21 Co-ordinate the Eastern Hoarding and Squalor Committee meetings.	Coordinate the Eastern Hoarding and Squalor meetings.
3.22 Participate with Environmental Health Australia and state and local government authorities to review best practice standards and promote uniformity and professional consistency.	Attend and actively participate.
3.23 Participate in the Environmental Health Australia 'Public Health' and 'Waste Control' Special Interest Groups (SIG) to promote uniformity, professional consistency and to discuss the latest information in relation to public health and waste control issues affecting local government.	Attend and actively participate at SIG meetings.
3.24 Ensure activities and outcomes are communicated to the Board of Management, Constituent Councils and state government bodies as required via: Reports to the Board of Management, Delegates Reports and Annual Report.	Board Reports and Annual Reports compiled and distributed.
3.25 Respond to development application referrals from councils about public health related premises and activities.	Respond to all referrals in accordance with the customer service standards.
3.26 Liaise with Constituent Councils to address issues of environment and sustainability where there is a connection to human health.	Comment and input made where applicable.
3.27 Ensure providers who supply water to the public under the <i>Safe Drinking Water Act 2012</i> , meet the requirements set out by the act and <i>Safe Drinking Water Regulations 2012</i> .	Continue to monitor potential water providers to ensure compliance with the Act and associated regulations.

## 4.0 - Immunisation

### Background

Immunisation is a simple, safe and effective way of protecting people against harmful diseases that can cause serious health problems in the community. Immunisation not only protects individuals from life-threatening diseases, but also dramatically reduces transmission in the community. The more people who are vaccinated, the fewer opportunities a disease has to spread.

The Australian Government's Immunise Australia Program implements the National Immunisation Program (NIP) Schedule, which currently includes vaccines against a total of 16 diseases. These include routine childhood vaccinations against diseases that were once widely fatal, such as measles, diphtheria and whooping cough (pertussis), as well as more recently developed vaccines, such as Human Papillomavirus (HPV) and the meningococcal C vaccine. Local Government plays a significant role in the delivery of immunisation in South Australia contributing to the Immunise Australia Program.

EHA offers all vaccines on the National Immunisation Program Schedule at its public clinics as well as the Annual Influenza Vaccine. Around 200 community immunisation clinics are provided each year at 6 different locations at a variety of accessible times. Currently EHA offers catch-up vaccination history assessments to not only new residents to Australia but also to Australian children who are overdue. These clients are then able to attend an EHA Immunisation clinic for the vaccines recommended as per the National Immunisation Schedule. Each year dedicated clinics for influenza vaccination are provided promoting greater coverage against seasonal influenza disease.

As part of the Immunise Australia Program vaccines are provided to adolescents through the School Immunisation Program (SIP). Year 8 students will be vaccinated with HPV (human papillomavirus), Varicella (chicken pox) and dTpa (diphtheria, tetanus, whooping cough). EHA will undertake 57 visits to 19 high schools offering vaccinations to approximately 2100 Year 8 students.



Worksite Immunisation programs are conducted on a fee for service basis. A total of 4900 vaccinations were provided to EHA clients in 2015. EHA is working to increase the number of vaccinations provided by updating of marketing materials and active follow up of previous clients.

**Objective 4 The provision of a comprehensive, accessible and efficient immunisation service valued by the community**

Actions	Performance Measures
<p>4.1 Ensure effective governance and delivery of a public clinic immunisation program in accordance with;</p> <ul style="list-style-type: none"> <li>the current National Health and Medical Research Council (NHMRC) "Australian Immunisation Handbook"</li> <li>National Vaccine Storage Guidelines 'Strive for 5' 2<sup>nd</sup> Edition</li> <li>the <i>Controlled Substances Act 1984</i> and the <i>Controlled Substances (Poisons) Regulations 2011</i></li> <li>the Vaccine Administration Code August 2015 v. 1.2</li> <li>EHA's Work Health and Safety protocols</li> <li>South Australia's Child Protection Legislation – Child Safe Environment Guidelines.</li> </ul>	<p>Client feedback and attendance. Number of clinics and vaccinations provided. Annual Cold Chain audit and pharmaceutical refrigerator maintenance.</p> <p>Clinical performance and evaluation.</p> <p>Liaison with EHA's Consultant Medical Officer of Health.</p> <p>Completed review of Child Safe Environment Guidelines.</p>
<p>4.2 Promote EHA's public immunisation clinic program through a variety of mediums such as council customer service centres and publications, council and EHA websites.</p> <p>Mail out of the Immunisation Timetable to community organisations. Explore further opportunities for the provision of immunisation promotion presentations to existing parent groups at Constituent Council community centres and libraries.</p>	<p>Increased presentations at Constituent Councils.</p> <p>Increased number of clinic timetables required and distributed.</p> <p>Website - reports of access.</p>
<p>4.3 Conduct an annual review of EHA's public clinic venues and timetable. Implement necessary changes, including identified hazards.</p> <p>Produce and publish annual immunisation program timetable to reflect the review of the public clinics.</p> <p>Promotion and communication of changes to the National Immunisation Program Schedule affecting older residents..</p>	<p>Annual review undertaken at each venue and documented. Identified hazards actioned. Immunisation Clinic Timetable reviewed and published in November.</p> <p>Investigate communication strategies to provide information to older residents.</p>

Actions (continued)	Performance Measures
<p>4.4 Deliver SIP to students at schools within EHA's area in accordance with the SA Health Service Agreement contract with local government.</p>	<p>All students offered vaccinations. Absent consenting students offered vaccination at EHA's public clinics. Coverage rates and statistics to SA Health.</p>
<p>4.5 Liaise with school coordinators and Immunisation Section of SA Health regarding SIP implementation and evaluation of program.</p>	<p>Successful SIP implementation. Ongoing collaboration and evaluation of coverage. Representation on the SIP Working Party for review of Protocols for the program.</p>
<p>4.6 Provide a specialised Worksite Immunisation Program both within and external to the Constituent Council boundaries on a fee for service basis within the private sector (i.e. flu, Heb B, dTpa).</p> <p>Recommend vaccinations for employees at risk of occupationally acquired vaccine preventable diseases.</p> <p>Review program annually – update documents. Aim to provide a professional service and stay competitive.</p>	<p>Feedback from clients.</p> <p>Increase of new clients and regular annual clients.</p> <p>Income generated.</p>
<p>4.7 Maintain client immunisation records on EHA's Immunisation database (ImPS program).</p>	<p>Database updated within 3 days of each clinic/school/worksite sessions.</p>
<p>4.8 Use immunisation coverage data from a range of sources to better identify residents of overdue vaccinations. Investigate available vaccine reminder services</p>	<p>Review of reports available from Australian Childhood Immunisation Register, the HPV register and other sources to identify residents that are overdue.</p> <p>Investigation and review of communication and reminder services available.</p>
<p>4.9 Report immunisation statistics to SA Health and the Australian Childhood Immunisation Register (ACIR), in accordance with contractual arrangements.</p> <p>SIP statistics completed one month after the last school visit for each vaccine dose.</p> <p>Report HPV immunisation statistics to HPV Register monthly.</p>	<p>Statistics reported to ACIR within 5 days of clinics. HPV statistics reported monthly to HPV Register.</p> <p>Submit completed data to Immunisation Section SA Health via their Online Database.</p>



Actions (continued)	Performance Measures
<p>4.10 The CEO/Team Leader Immunisation lobby through LGA for appropriate funding for sustainability of local government delivery of immunisation services. Development of the Immunisation Service Provision MOU for Local Government within the new <i>SA Public Health Act 2011</i> by the State Government</p>	<p>Meet with LGA/IPN (SA) group to discuss funding and support from governments. Attend meetings in regard to the SA Public Immunisation Services between SA Health and LGA SA. MOU endorsed.</p>
<p>4.11 <u>Clinical Governance</u> Registered immunisation Nurses will participate in:</p> <ul style="list-style-type: none"> <li>• Immunisation Providers Network (SA) (IPN SA).</li> <li>• promoting best practice standards, uniformity and professional consistency.</li> <li>• a recognised SA Health authorised immunisation course.</li> <li>• maintain authorised immunisation provider status by completing 3 yearly recognised updates.</li> <li>• other professional updates – rotate participation of biannual PHAA Immunisation conference.</li> <li>• in-house education sessions and team meetings.</li> <li>• annual CPR and Mandated Notification updates.</li> <li>• complete 20 hours of valid documented Continuing Professional Development annually.</li> <li>• random audits by APHRA of RN's completed CPD hours.</li> </ul>	<p>Immunisation Nurses attend the IPN SA meetings when possible. Attend in-house education sessions and mandatory updates. Attend other professional updates. Complete and document annual CPD requirements.</p> <p>Completion by RN staff of the 3 yearly 'Understanding Vaccines and the National Immunisation Program' Certificate..</p>
<p>4.12 Ensure activities and outcomes are communicated to the Board of Management, councils and state government bodies as required. Statistical and written reports to the Board of Management as per meetings. Annual Reports as required by the Board of Management and the <i>South Australian Public Health Act 2011</i>.</p>	<p>Statistical reports, Board Reports and Annual Reports compiled and distributed as required.</p>

## 5.0 - Food Safety

### Background

As consumers, we all have the right to expect that the food we eat is protected from microbiological contamination, foreign matter, poor hygiene and handling practices. While Australia has one of the safest food supplies in the world, the incidences of our two most prevalent foodborne diseases *Salmonella* and *Campylobacter* is on the increase. Illness caused by food is a significant public health problem and has major social and economic impacts.

A 2014 report, '*Foodborne Illness in Australia*' annual incidence circa 2010 provided the most comprehensive assessment of Australia's annual incidence of food borne illness to date. That report showed that:

- every Australian has an episode of foodborne gastroenteritis every five years. Annually this works out to:
  - 4.1 million cases of foodborne gastroenteritis
  - 5,140 cases of non-gastroenteritis
  - 35,840 cases of more serious long-term effects
- the actual cause of most (80%) foodborne illness is unknown
- of the known causes most are due to norovirus, pathogenic *E coli*, *Campylobacter* and *Salmonella* species.
- illnesses from *Salmonella* and *Campylobacter* have increased.
- poultry is the primary source of *Campylobacter* infections
- the use of raw or minimally cooked eggs is likely to be a significant source of the national increase in *Salmonella*

The *Food Act 2001* in conjunction with the Food Safety Standards (Chapter 3 of the Australia New Zealand Food Standards Code) aims to:

- ensure food for sale is both safe and suitable for human consumption
- prevent misleading conduct in connection with the sale of food
- provide for the application of the Food Standards Code

EHA is an enforcement agency under the *Food Act 2001* and is responsible for ensuring that appropriate food hygiene standards are maintained within its area.

**Objective 5 Minimise food borne illness by ensuring that safe and suitable food is available to the community**

Actions	Performance Measures
5.1 Food businesses are assigned a 'Risk Rating' in accordance with the SA Health Food Business Risk Classification system. Frequency of routine assessments is adjusted based on their performance and within the range of the risk classification.	Apply relevant risk rating to new businesses and undertake assessments in accordance with SA Health Food Business Risk Classification system.
5.2 Routine food business assessments conducted using an appropriate food safety rating tool to ensure compliance with the <i>Food Act 2001</i> and <i>Food Safety Standards</i> .	Assessments performed using the appropriate food safety rating tool.  Assessments conducted in accordance with the assigned risk rating and frequency.
5.3 Conduct assessments using the SA Health 'Heightened Inspections forms' for food processing activities that fall under the Primary Production Standards.	SA Health 'Heightened Inspections forms' used when food processing activities fall under the Primary Production Standards.
5.4 Monitor and identify new food processing practices during routine assessments. Update the risk rating to reflect the changes.	Update risk ratings where required.
5.5 Ensure appropriate enforcement action is taken in relation to breaches of the <i>Food Act 2001</i> and associated standards in accordance with EHA's enforcement policy.	Number of enforcement actions taken.
5.6 Investigate food related complaints in a systematic and timely manner in relation to: <ul style="list-style-type: none"> <li>- alleged food poisoning</li> <li>- microbiological and chemical contamination</li> <li>- foreign matter found in food</li> <li>- poor personal hygiene and handling practices</li> <li>- unclean premises</li> <li>- vermin, insects and pest activity</li> <li>- refuse storage</li> </ul> Liaise with SA Health and other councils to ensure a co-ordinated approach where necessary.	Respond to complaints in accordance with customer service standards.
5.7 Respond to food recalls in accordance with SA Health recommendations.	Number of recalls actioned.

Actions (continued)	Performance Measures
5.8 Ensure that all businesses servicing vulnerable populations (within the boundaries of the Constituent Councils) have their food safety plan audited in accordance with Food Safety Standard 3.2.1 and the <i>Food Act 2001</i> .	Number of audits conducted.
5.9 Provide a professional auditing service to businesses external to Constituent Council boundaries which require their food safety plans to be audited.	Number of audits conducted.
5.10 Ensure businesses provide notification of their business details. Maintain a register of all food businesses operating within EHA's jurisdiction.	Update within 5 days of receipt of new information.
5.11 Assessments, investigations and actions are updated in Health Manager to ensure effective reporting to the Board of Management, Constituent Councils and SA Health.	Update within 5 days of assessment or action.
5.12 Provide information to the Board of Management in relation to food safety reforms, such as the Parliamentary Enquiry into Food Safety Schemes, and provide written responses on behalf of EHA and Constituent Councils to State Government.	Information reports provided to Board and distributed to Constituent Councils as required.
5.13 Implement the agreed EHA and Constituent Council Development Assessment information sharing process, to receive notifications of new business or changes to an existing business. EHA to review plans, liaise with the applicant regarding structural fit out with relevant legislation, and provide feedback to Constituent Council's when requested.	Respond to notifications in accordance with the agreed Development Assessment information sharing process and customer service standards.
5.14 Provide new food businesses with information that introduces EHA and informs the business about the inspection fee policy and safe food practices.	Information provided following receipt of notification form.
5.15 Conduct food safety assessments of fairs and festivals, temporary events and school fetes in collaboration with the Constituent Councils and relevant event co-ordinators.	Undertake assessments where required.
5.16 Liaise with Constituent Council and relevant event coordinators to ensure all stall holders at fairs and festivals, temporary events and school fetes are well informed of the legislative requirements and have the necessary equipment.  Conduct stall holder meetings for stall holders upon request by the Constituent Councils and relevant event coordinators.	Liaise with Constituent Council and relevant event coordinators prior to the event. Provide stall holder presentations where required.

Actions (continued)	Performance Measures
<p>5.17 Twice a year distribute advisory information to schools and kindergartens to provide a reminder of the requirements to notify EHA of an upcoming school fete.</p> <p>EHA to liaise with the school or kindergarten to ensure all stall holders at fairs and festivals, temporary events and school fetes are well informed of the legislative requirements and have the necessary equipment to produce and sell safety and suitable food.</p>	<p>Distribute advisory information twice a year. Liaise with schools or kindergartens where required.</p>
<p>5.18 Participate in the Environmental Health Australia "Food Safety" Special Interest Group (SIG) to promote uniformity, professional consistency and to discuss the latest information in relation to food safety issues affecting local government.</p>	<p>Attend and actively participate at SIG meetings.</p>
<p>5.19 Actively communicate updates from SA Health and FZSANZ to food premises.</p>	<p>Provide updated information to food businesses as required.</p>



## 6.0 - Health Care and Community Services

### Background

Supported Residential Facilities (SRF's) provide accommodation to people in the community who require personal care and support.

SRF's are regulated under the *Supported Residential Facilities Act 1992* (the Act) to ensure adequate standards of care and amenity to protect the rights of residents.

A low level of care is provided to residents such as assistance with medication management, personal care, and financial management, as well as supplying meals and accommodation.

Personal care services are defined under the Act as bathing, showering or personal hygiene, toileting or continence maintenance, dressing or undressing, consuming food, medication management, management of personal finances and direct physical assistance to aid mobility issues.

Residents living in SRFs are vulnerable due to the disability or impairment that is often associated with these clients, including physical, intellectual or psychiatric.

The Minister for Communities and Social Inclusion is responsible for promoting the objectives of the Act, and local councils administer and enforce the Act. EHA is the licensing authority for all SRFs within the Constituent Councils, and continues to act as the licensing authority for SRFs within The City of Unley, under delegated authority.

**Objective 6      Promote a safe and home-like environment for residents by ensuring quality of care in supported residential facilities**

Actions	Performance Measures
6.1      Assess applications for new licences, licence renewals and transfer of licence with regard to SRF legislation and guidelines within legislative timeframes.	Applications processed within legislative timeframes.
6.2      Assess applications for manager and acting manager with regard to SRF legislation and guidelines	Applications processed within legislative timeframes.
6.3      Conduct relicensing audits of facilities against SRF legislation and include conditions where necessary based on the findings of the audits conducted during the year and fire safety advice.  Take advice of the appropriate Fire Safety requirements from the Constituent Councils Building Fire and Safety Officers.	Unannounced audits conducted at all facilities.  Fire safety advice obtained annually.  Issue licences annually with conditions where required.
6.4      Conduct ongoing inspections to ensure facilities continue to operate at satisfactory standards in accordance with the legislation.  Conduct inspections of facilities to ascertain compliance with licence conditions throughout the year.	Unannounced inspections and follow-ups conducted at SRFs.
6.5      Respond to enquiries/complaints in relation to SRFs	Respond to all enquiries and complaints in accordance with the customer service standards.
6.6      Liaise with service providers to ensure residents receive appropriate levels of care.	Liaise where required.
6.7      Participate in the Environmental Health Australia 'SRF' Special Interest Group to promote uniformity, professional consistency and to discuss the latest information in relation to SRF issues affecting local government.	Attend and actively participate at SRF SIG meetings.
6.8      Liaise with Department of Communities and Social Inclusion and Constituent Councils on the potential for SRF closures in the area, strategic management options and appropriate alternative accommodation options.	Issues investigated and reported to Board of Management and relevant council as necessary.
6.9      Lobby State Government to ensure legislation applicable to SRFs is appropriate and that local government receives appropriate support for its licensing role.	Initiate discussion with LGA regarding these issues.
6.10      Act as the Licensing Authority pursuant to the <i>Supported Residential Facilities Act 1992</i> for the City of Unley on a fee for service basis.	Maintain contract.



<b>Actions (continued)</b>		<b>Performance Measures</b>
6.11	Provide written reports and attend meetings with The City of Unley in accordance with SRF licensing contract requirements.	Reports provided twice per year (as per agreement) and as required.
6.12	Ensure activities and outcomes are communicated to the Board of Management, Constituent Councils and state government bodies as required via: Reports to the Board of Management, Delegates Reports and Annual Report.	Board Reports and Annual Reports compiled and distributed.
6.13	Liaise with Constituent Councils to explore health promotion opportunities within SRF's.	Liaise with Constituent Councils.

## 7.0 - Emergency Management

### Background

The South Australian Sampson Flat bushfires and the Nepal earthquake during 2015 have vividly exposed us to the devastating consequences of disaster events.

In any emergency situation, the ability to respond effectively is vital and the effectiveness of the response will be determined by appropriate preparation and planning. Environmental Health professionals play a critical role in the response and recovery phases of emergency situations.

An emergency management plan has been developed to define and address the unique issues that confront environmental health professionals in an emergency situation and prepare them for the enhanced role that they will have. It ensures appropriate linkages are in place with emergency service agencies and the councils EHA serves should an emergency situation occur and is designed to integrate with the Eastern Region Disaster Management Plan.

A risk analysis of hazards that may affect the region was completed during 2007 by the Eastern Regional Emergency Risk Management project. EHA's Emergency Management Plan identifies five hazards that are likely to have significant environmental health implications: Pandemic Disease, Disease (arising within the EHA's area), Flooding (1 in 100 year event), Earthquake and Bushfire.

An emergency may impact upon EHA itself, potentially disrupting operations and affecting critical assets. This will pose a unique challenge when environmental health service delivery is likely to alter in response to the circumstances of the situation. A Business Continuity Plan identifies a range of actions required to ensure critical functions are restored within the timeframes specified.

**Objective 7      Minimise the public health consequences of emergencies through a planned and prepared response**

Actions	Performance Measures
7.1 Liaise with the Constituent Councils and Eastern Adelaide Zone Emergency Management Committee to ensure integration of emergency management arrangements.	Attend and participate in committee meetings.
7.2 Conduct exercises with staff to test the Emergency Management Plan and Business Continuity Plan. Participate in any relevant exercises conducted within the region by other organisations.	Conduct or participate in one exercise a year.
7.3 Review and update emergency management information on the website.	Review and update as required.
7.4 Review and update the Emergency Management Plan and note any alternations on the amendments register. Review the status of actions arising from the Emergency Management Plan and Business Continuity Plan.	Review the plan and update where required.
7.5 Participate with Environmental Health Australia and state and local government authorities to review best practice standards and promote uniformity and professional consistency.	Staff to participate in the Disease Control SIG and other relevant committees.
7.6 Ensure activities and outcomes are communicated to the Board of Management, Constituent Councils and state government bodies as required via: Monthly statistical reports; Reports to the Board of Management and Annual Report under the <i>South Australian Public Health Act 2011</i> .	Statistical reports, Board Reports and Annual Reports where required.
7.7 Emergency Management Plan strategies to be reflected in the Public Health Plan and Risk and Opportunity Management Policy and Framework to ensure consistency over the three strategic plans.	Emergency Management Plan incorporated in the Risk and Opportunity Management Policy and Framework. The Emergency Management Plan to be recognised during the public health planning process.

EASTERN HEALTH AUTHORITY STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDING 30 JUNE 2017		
REVISED BUDGET 2015/2016		DRAFT BUDGET 2016/2017
\$	INCOME	\$
1,609,306	Council Contributions	1,641,055
194,000	Statutory Charges	193,000
307,000	User Charges	341,000
126,500	Grants, subsidies and contributions	124,500
20,000	Investment Income	20,000
14,000	Other Income	10,000
2,270,806	TOTAL INCOME	2,329,555
	EXPENSES	
1,526,000	Employee Costs	1,543,000
666,200	Materials, contracts and other expenses	738,200
22,672	Finance Charges	19,984
80,851	Depreciation	28,371
2,295,723	TOTAL EXPENSES	2,329,555
(24,917)	Operating Surplus/(Deficit)	-
-	Net gain (loss) on disposal of assets	-
(24,917)	Net Surplus/(Deficit)	-

EASTERN HEALTH AUTHORITY STATEMENT OF CASH FLOWS FOR THE YEAR ENDING 30 JUNE 2017		
REVISED BUDGET 2015/2016		DRAFT BUDGET 2016/2017
\$	CASHFLOWS FROM OPERATING ACTIVITIES	\$
	<u>Receipts</u>	
2,250,806	Operating Receipts	2,309,555
20,000	Investment Receipts	20,000
	<u>Payments</u>	
(2,192,200)	Operating Payments to Suppliers & Employees	(2,281,200)
(22,672)	Interest Expense	(19,984)
55,934	Net Cash Provided/(Used) by Operating Activities	28,371
	CASH FLOWS FROM FINANCING ACTIVITIES	
-	Loans Received	-
(55,934)	Loan Repayments	(58,623)
(55,934)	Net Cash Provided/(Used) by Financing Activities	(58,623)
	CASH FLOWS FROM INVESTING ACTIVITIES	
	<u>Receipts</u>	
-	Sale of Replaced Assets	-
	<u>Payments</u>	
-	Expenditure on renewal / replacements of assets	-
-	Expenditure on new / upgraded assets	-
(200,000)	Distributions paid to constituent Councils	-
(200,000)	Net Cash Provided/(Used) by Investing Activities	-
(200,000)	NET INCREASE (DECREASE) IN CASH HELD	(30,252)
789,971	CASH AND CASH EQUIVALENTS AT BEGINNING OF REPORTING PERIOD	589,971
589,971	CASH AND CASH EQUIVALENTS AT END OF REPORTING PERIOD	559,719

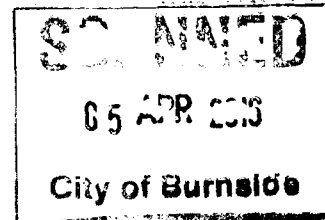


EASTERN HEALTH AUTHORITY STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDING 30 JUNE 2017		
REVISED BUDGET 2015/2016		DRAFT BUDGET 2016/2017
\$	CURRENT ASSETS	\$
589,971	Cash and Cash Equivalents	559,719
162,272	Trade & Other Receivables	162,272
-	Other	-
752,243	TOTAL CURRENT ASSETS	721,991
	CURRENT LIABILITIES	
108,708	Trade & Other Payables	108,708
236,220	Provisions	236,220
50,920	Borrowings	58,623
-	Other	-
395,848	TOTAL CURRENT LIABILITIES	403,551
356,395	NET CURRENT ASSETS/(CURRENT LIABILITIES)	318,440
	NON-CURRENT ASSETS	
360,244	Equipment	331,873
-	Other	-
360,244	TOTAL NON-CURRENT ASSETS	331,873
	NON-CURRENT LIABILITIES	
41,662	Provisions	41,662
384,279	Borrowings	317,953
425,941	TOTAL NON-CURRENT LIABILITIES	359,615
290,698	NET ASSETS	290,698
	EQUITY	
290,699	Accumulated Surplus/(Deficit)	290,699
290,699	TOTAL EQUITY	290,699

EASTERN HEALTH AUTHORITY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDING 30 JUNE 2017		
REVISED BUDGET 2015/2016		DRAFT BUDGET 2016/2017
	ACCUMULATED SURPLUS	
515,616	Balance at beginning of period	290,699
(24,917)	Net Surplus/(Deficit)	-
(200,000)	Distribution to Constituent Councils	-
290,699	Balance at end of period	290,699
290,699	TOTAL EQUITY	290,699

1 April 2016

Mr Paul Deb  
Chief Executive Officer  
City of Burnside  
401 Greenhill Road  
TUSMORE SA 5065



Dear Paul

**Re: East Waste 2016/2017 Draft Annual Plan and Budget**

I am pleased to enclose the East Waste Draft 2016/2017 Annual Plan, proposed fees for the financial year, and appended Draft 2016/2017 Budget.

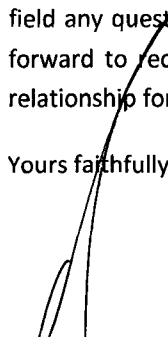
Clause 51 of the Charter mandates that East Waste must have an Annual Plan which supports and informs the Budget. The enclosed Draft 2016/2017 Annual Plan documents the objectives, activities, financial requirements and metrics for East Waste to undertake the collection and management of waste, organics, and recycling in partnership with Council in a sustainable, efficient, and cost effective manner.

Prior to the East Waste Board endorsing the 2016/2017 Budget (which is appended to the 2016/2017 Draft Annual Plan) all Constituent Councils must provide consent to the Annual Plan.

Faithful to the East Waste Charter, I look forward to receiving written consent (endorsement) of the Draft 16/17 Annual Plan prior to 31 May 2016. There is no requirement for Council to approve/consent to the Draft Budget.

I am available to brief Officers, Executive or Elected Members on the contents of the Draft Annual Plan or field any questions, so please do not hesitate to contact me directly on (08) 8347 5105. Otherwise I look forward to receiving your written consent to the Draft Annual Plan and continuing our strong working relationship for another year.

Yours faithfully

  
**Adam Faulkner**  
General Manager  
East Waste

# EastWaste

## Draft Annual Plan 2016/2017

### 1. Introduction:

The Annual Plan, as prescribed in Clause 51 of the Charter, is to include an outline of East Waste's objectives, that activities intended to be pursued, and the measurement tools defined to assess performance. It must also assess and summarise the financial requirements of East Waste, and set out the proposals to recover overheads and costs from the Member Councils.

The Draft 2016/2017 Annual Plan documents the objectives, activities, financial requirements and metrics for East Waste to undertake the collection and management of waste, organics, and recycling for Member Councils in a sustainable, efficient, and competitive manner. The Annual Plan is to be read in conjunction with the broader strategic planning framework including the 10 Year Business Plan, Asset Management Plan and Long Term Financial Plan, and Risk Management Planning Framework.

### 2. Objectives

- 2.1. To provide a **governance framework** that allows a participatory approach to management of the Subsidiary by Member Councils, the Board and East Waste Management Team
- 2.2. To actively seek **operational efficiencies** that improves East Waste's competitive advantage
- 2.3. To incorporate **Workplace Health and Safety** into every decision making process
- 2.4. To **communicate** with Member Councils, staff and the Board in a manner that promotes collaboration
- 2.5. To provide a high-quality low-cost collection service to Member Councils where **financial performance** is underpinned by timely and accurate monitoring and reporting on the budget.

**Table 2.1: Current Service Levels by Member Council**

Member Council	Services														
	Weekly collection of waste	Fortnightly collection of recyclables	Fortnightly collection of organics	At-call Hard Waste Collection	Street, Litter and Public Place Bin Collection	Customer Service	Bin Repairs/Maintenance/Replacements	GPS tracking	RFID tracking	TPI disposal	IWS disposal	Brinkley disposal	Recycling Contract	Organics Contract	Education and Promotion
Adelaide Hills Council	x	x	x		x	x	x	x				x	x	x	x
City of Burnside	x	x	x	Trial		x		x	x		x		x	x	x
City of Campbelltown	x	x	x	x		x	x	x			x		x	x	x
City of Mitcham		x	x	x		x	x	x					x	x	x
City of Norwood Payneham & SP	x	x	x		x	x	x	x		x			x	x	x
Corp Town of Walkerville	x	x	x	x	x	x	x	x			x		x	x	x

At-call Hard waste provided to City of Burnside on a trial basis only.

At-call Hard waste provided to Town of Walkerville commencing 1 July 2016



# EastWaste

## 3. Activities

### 3.1. Governance Framework

**3.1.1. Policies and Delegations:** East Waste has a number of primary policies that assist in documenting the internal controls, governance practices, and operational, safety and financial behaviour of the Subsidiary. Many of the primary policy set are due for review in 2016, and some require consultation and/or updating. The following primary policies will be brought forward for Board endorsement in 2016/2017;

- Corporate Credit Card Policy – to be reviewed, to include use of store cards and fuel cards
- Code of Conduct – Directors
- Code of Practice – Meeting procedures
- Code of Practice – Public Access to meetings
- Director Complaint Handling Policy
- Register of Interests Policy
- Reimbursement of Expenses Policy (for the Chair of the Board)
- Remuneration Policy for the Chair of the Board
- Sale and Disposal of Land and other Assets Policy

Other policies which will not require Board endorsement, but will be formalised include a bullying and harassment policy (new), smoke free workplace (new), and an update to the drug and alcohol policy (refer 3.3.5 of the Annual Plan).

In addition, An Instrument of Delegations will be developed in accordance with the East Waste Charter and Local Government Act 1999. The Instrument of Delegations includes the following:

- East Waste General Manager powers, authorities and delegations from the Board;
- Financial delegations (delegated by the General Manager) for relevant East Waste staff,
- Human Resource delegations (delegated by the General Manager) for relevant East Waste staff;
- Contract and Procurement delegations (delegated by the General Manager), and in accordance with the EW Goods and Services Policy.

**3.1.2. Market Evaluation (abbreviated):** In 2015, East Waste conducted its first Benchmarking Study to determine competitiveness and value for money against the waste collection industry. An independent consultancy was engaged to benchmark East Waste's costings and performance. The consultant gathered data from other Councils with similar geographic and demographics to East Waste Member Councils. The benchmarked Councils either provided the collection service in-house, or contracted out to a commercial waste collection company.

Five key performance measures were identified for this benchmarking study, which included:

# EastWaste

- Annual cost of collection per household serviced;
- Bin lift cost rates;
- Bin lifts per hour;
- Maintenance costs; and
- Maintenance time per truck

East Waste was deemed to be very competitive against the metrics, and in many cases exceeded the industry benchmarks.

The benchmarking exercise was conducted in the absence of the royalty now being received by Member Councils for recyclables, which has significantly reduced the costs of the recycling collection service. East Waste is also in negotiation with Adelaide Hills Council and City of Mitcham, looking at opportunities to use existing infrastructure in each respective Council to reduce collection costs (particularly unproductive travel time).

It was resolved by the East Waste Board to conduct an abbreviated benchmarking exercise in 2016/2017 once these cost and productivity efficiencies were in place.

- 3.1.3. **Service Level Agreements:** A template Service Level Agreement (SLA) has been developed to document the minimum levels of acceptable customer service, and any bespoke operational requirements between East Waste and each Member Council (ie early start streets). Adelaide Hills Council and City of Burnside have a current Service Level Agreement in place with East Waste. East Waste is to establish Service Level Agreements with Member Councils that request to have one.

**Table 3.1: Summary of activities to deliver on the Governance Framework objective**

Activity number	Activity	10 Year Business Plan Linkage	Metric
3.1.1	Policies and Delegations	Section 2.3	9 Policies reviewed and adopted by Board Delegation in place
3.1.2	Market Evaluation (abbreviated)	Section 2.3.4	Market evaluation benchmarking exercise completed by 30 June 2016
3.1.3	Service Level Agreements	Section 2.4.2	Number of Service Level Agreements executed

## 3.2. Operational Efficiencies

- 3.2.1. **Preliminary Investigation into Gas Fleet:** With the introduction into Australia of hydraulic High Density Compressed Natural Gas (HDCNG) waste collection vehicles, it is deemed prudent that East Waste conduct a high level preliminary diligence exercise. Indication from overseas use of the HD gas

# EastWaste

fleet vehicles is promising, and anecdotal feedback from the Australian trial is equally assuring, with reduced running costs and superior operational performance (bin lifts per hour).

While East Waste is currently enjoying a depressed diesel fuel market, it is envisaged that cost pressures will increase as the bulk fuel market responds to future turbulence resulting from world oil trading conditions. On the surface, gas does have a pricing competitive advantage over diesel, and the operating performance of the HDCNG vehicle appears equal to or superior to the diesel fleet.

The preliminary investigation would look into costs, performance, infrastructure requirements, and an inhibitors to introducing a HDCNG fleet into East Waste over the medium to long term (ie 3 – 10 years).

East Waste's recent three (3) year truck supply tender process (refer section 3.2.2 of the Annual Plan) sought indicative optional pricing for a HDCNG vehicle. The information supplied by tenderers, while not comprehensive, did indicate a capacity for supplying this type of vehicle by 2017/2018.

- 3.2.2. **Purchase of RACV:** Industry standards inform that the organisation replaces Robotic Arm Collection Vehicles (RACV) after 7 continuous years of service. Based on the current Asset Register, five (5) RACV will be due for replacement during the 2016/2017 financial year. In order to keep a fleet capable of providing services to Member Councils with minimal maintenance and downtime, it is recommended that five (5) new RACV be purchased.

Guided by the 10 Year Business Plan (Section 2.4.7), late in 2015 the General Manager led a process embarking on a procurement process with the aim of entering into a supply agreement for the supply of RACV for a period of three (3) years.

For budgeting purposes it has been assumed that the vehicles will be operational on 1 July 2016, be financed through Local Government Finance Authority, be fitted with GPS, RFID and bin weighing technology and capability, and will follow the standard practice straight line depreciation over seven (7) years. The sale of the old RACV will be conducted by public auction as detailed in the *Sale and Disposal of Land and Other Assets Policy*. The vehicles will be fully maintained by the successful supplier under a contract maintenance model at a fixed \$/hour rate. This contract maintenance program will allow the General Manager to ascertain the most competitive model of maintaining the collection fleet; being the current model of internalising maintenance, or outsourcing under a contract maintenance model (or a combination of both).

- 3.2.3. **Recyclables Contract (Auditing):** Member Councils have been enjoying the financial and environmental benefit under the long term recyclables processing contract which commenced 1 July 2015. In order to continue to receive the top tier rebate, Member Councils must achieve a maximum contamination level of 10% as determined by an independent audit. Failure to achieve this contamination rate results in a reduction in the rebate of \$5.00/tonne.

An allowance has been made in the budget to provide for two independent audits in 2016/2017.

# EastWaste

- 3.2.4. **Hard Waste:** East Waste currently provides an at-call hard waste collection service to City of Mitcham and Campbelltown City Council. A 12 month trial of an at-call hard waste service for City of Burnside is scheduled to cease in June 2016. Town of Walkerville have resolved to commence an at-call hard waste collection service from 1 July 2016.

The Annual Plan proposes a continuation of the service for City of Burnside commencing 1 July 2016, subject to a Council resolution to continue the service.

The Annual Plan 4.1 requests capital approval for the purchase of an additional rear loader compaction vehicle should utilisation justify the purchase. The truck purchase has been incorporated into the three (3) year truck supply procurement process (refer 3.2.2 of the Annual Plan) as an optional item, and will be enacted if demand outweighs current capacity of East Waste's rear loader fleet.

- 3.2.5. **Multi-Unit Dwelling/Council Building Servicing:** East Waste has the capability to service larger bins (360L, 660L and 1100L) with its rear loader fleet. Larger bins, and less truck movements are appealing to Member Councils in order to reduce bin storage requirements, minimise bin presentation on the kerb, and improve visual amenity. As urban density increases, this service offering may become a higher priority for Member Councils.

- 3.2.6. **Workshop Review:** East Waste internalises the majority of maintenance and breakdown servicing of the collection vehicles. Given that East Waste will be outsourcing the maintenance of the five (5) new collection vehicles (refer Section 3.2.2) from 1 July 2016, this provides an opportunity to review the cost and resourcing efficiency of the East Waste workshop.

- 3.2.7. **Litter Collection:** An at-cost public place/street/park litter bin collection service is being provided to Adelaide Hills Council, City of Norwood, Payneham & St Peters, and Town of Walkerville. The service is being provide without difficulty, and the bespoke collection vehicles are being used to service difficult access streets and larger bins (refer 3.2.5 of the Annual Plan) when not required for the litter collections. The difficult to access streets are defined in consultation with operational staff from Member Councils. The litter bin collection service could be expanded and replicated to other willing Member Councils, and could also include public place recycling bins subject to the interest from Member Councils.

The Annual Plan 4.1 requests capital approval for the purchase of an additional rear loader compaction vehicle should utilisation justify the purchase. The truck purchase would be the subject of a separate report to the Board, and if approved, procurement would follow the *Purchase of Goods and Services Policy*.

# EastWaste

**Table 3.2: Summary of activities to deliver on the Operational Efficiency objective**

Activity number	Activity	10 Year Business Plan Linkage	Metric
3.2.1	Preliminary Investigation into Gas Fleet	Section 2.4.7.1	Production of a preliminary investigation report
3.2.2	Purchase of 5 Robotic Arm Collection Vehicles (RACV)	Section 2.4.7	Purchase of 5 RACV in accordance with Policy
3.2.3	Receipt of Recyclables Contract (Auditing)	Section 2.4.5	SKM Contract audit conducted Kerbside comparative audit conducted
3.2.4	Hard waste services	Section 2.4.1	Provision of service to willing Councils at cost. Purchase of new rear loader collection vehicle if utilisation is justified
3.2.5	Multi-Unit Dwellings/Council Buildings	Section 2.4.1	NA
3.2.6	Workshop Review	Section 2.4.7.1	Report and recommendations delivered
3.2.7	Litter collection services	Section 2.4.1	Provision of litter collection service at cost. Purchase of new rear loader collection vehicle if utilisation is justified

## 3.3. Workplace Health & Safety

**3.3.1. Progression to Performance Standards 4 and 5:** There are five (5) performance standards listed in the Local Government Self Insured Workers Compensation Scheme. East Waste prepares an action plan and a work plan that guides priority programs for the coming 12 to 24 months respectively. The Local Government Association conduct an annual audit to determine compliance with the Scheme's requirements.

In the past East Waste has focussed on Standards 1, 2 and 3 which provide for systems and practices to allow for a safe workplace. However in order to measure internally and continually improve, East Waste has developed a work plan that incorporates Standards 4 and 5.

East Waste will move to incorporate Performance Standards 4 and 5 into the 2016 – 2018 WH&S Work Plan.

# EastWaste

- 3.3.2. **Quarterly WH&S Meetings:** The General Manager and Workplace Health & Safety Manager/Officer will continue to facilitate a quarterly WH&S Committee. The Committee is not governed by the Charter, but is an important internal control. Minutes of the meetings are distributed to all staff, and key messages communicated through toolbox and staff meetings.
- 3.3.3. **Independent Fleet Audit:** In 2014 and 2015 East Waste initiated an independent audit process of the entire collection vehicle fleet. This process involved a suitably qualified contractor visiting the Depot each afternoon for a period of three weeks to put each vehicle through a series of mechanical and operational tests. A report was issued on each vehicle to the Operations Manager, and any rectification works prioritised by the Workshop Manager. Each vehicle that required rectification works was then re-tested prior to being the General Manager authorising the unit back into operation. It is proposed that this process be undertaken annually.
- 3.3.4. **Reversing Sensor Rollout:** in 2015 East Waste trialled a reversing sensor system that automatically engages the collection vehicles braking system when an object is detected within a prescribed distance (3m – 6m). The trial proved successful in both depot environments and in normal operations. The reversing sensor system compliments the reversing camera mounted to the collection vehicle, and will assist East Waste in providing a safe workplace and potentially avoid property/vehicle damage.
- Given the significant investment of approximately \$6,000 per vehicle, it is proposed that the systems are fitted to new vehicles as they enter the East Waste fleet. The Draft Budget includes a provision for the fitout of the five (5) new RACV vehicles due for delivery in June 2016 (refer 3.2.2 of the Annual Plan).
- 3.3.5. **Drug and Alcohol Policy:** East Waste has a Drug and Alcohol policy which provides for routine testing of all staff by an independent qualified body. Testing is currently done quarterly at the commencement of the driving, or administration, shift. East Waste proposes to review the policy in 2016/2017 to broaden the scope to include out of session on-site testing, field testing, testing when property damage/negligence has occurred, and an overall expansion into a “wellness policy”.



# EastWaste

**Table 3.3: Summary of activities to deliver on the Workplace Health & Safety objective**

Activity number	Activity	10 Year Business Plan Linkage	Metric
3.3.1	Progression to Standards 4 and 5	Section 2.6.1	KPI Audit Result September 2016
3.3.2	Quarterly WH&S Committee meetings	Section 2.3.5	Facilitation of a minimum of quarterly meetings
3.3.3	Independent Fleet Audit	Section 2.6.2	Number of fleet audited during the reporting year >33
3.3.4	Reversing Sensor Trial	Section 2.6.2	Five (5) vehicles fitted with reversing sensor
3.3.5	Drug and Alcohol Policy	Section 2.3.5	Updated Policy endorsed by Board

# EastWaste

## 3.4. Communications

- 3.4.1. **Refresh Branding:** East Waste has had a traditional branding and image for some time. As prescribed in the 10 Year Business Plan, East Waste has refreshed the logo and branding. The Board resolved on 28 January 2016 to roll the new logo out across the fleet. The upgraded imagery could include community messaging (refer Section 3.4.5 of the Annual Plan)

In order to control costs, any further refreshed branding rollout would be as new stationary is purchased, and a small administrative allowance has been made in the Draft Budget for website and email upgrades.

The new logo is presented in Figure 1.

Figure 1. New East Waste logo

The image shows the new East Waste logo, which consists of the words "EastWaste" in a bold, sans-serif font. The "East" and "Waste" are in black, and the "W" is in a lighter grey color.

- 3.4.2. **Operations Assistance Committee:** in 2015 East Waste invited nominations from each member Council for a Senior Officer to sit on the proposed East Waste Operations Assistance Committee as allowed by Clause 29.11 of the Charter.

Nominated Officers have now formed the Operations Assistance Committee, chaired by the East Waste General Manager and assisted by the East Waste Operations Manager to discuss and inform on;

- Any common customer service issues;
- Reports of operational KPI's;
- Community Education related to waste and recycling;
- Contemporary issues in the broader waste and resource recovery industry;
- New waste or recycling service offers being considered by East Waste; and
- Other issues that are common to the Member Councils and East Waste.

It is proposed that this committee meet quarterly under an established Terms of Reference, with minutes issued to the East Waste Board.

- 3.4.3. **Staff Satisfaction Survey (abbreviated):** In 2015/2016 the East Waste Board received the inaugural Staff Satisfaction Survey results. The survey indicated a high level of satisfaction with the workplace. The Board resolved to repeat the process each 12 months, albeit in an abbreviated form.

# EastWaste

An allowance has been made in the Draft Budget for an abbreviated Survey to be conducted in 2016/2017.

- 3.4.4. Customer Satisfaction Survey (abbreviated):** In 2015/2016 the East Waste Board received the inaugural Customer Satisfaction Survey results. The survey indicated a high level of satisfaction with the workplace. The Board resolved to repeat the process each 12 months, albeit in an abbreviated form.

An allowance has been made in the Draft Budget for an abbreviated Survey to be conducted in 2016/2017.

- 3.4.5. New website and public interface:** A refreshed website and public interface has been developed. It is anticipated that the new website and public interface will continue to be developed and refined in 2016/2017 which will include a simple interface to report missed or broken bins, book hard waste services, and report incidents and exceptions. The new website will also include more information about the environmental performance (recycling, emissions, clean fleet etc) of East Waste and its Member Councils. A "microsite" will also be developed in 2016/2017 to accompany the rollout of the waste and recycling education campaign (refer Section 3.4.6 of the Annual Plan). The website, public interface, and microsite will be developed in consultation with Member Councils through the Operations Assistance Committee and media/customer service officers prior to going live.

- 3.4.6. Community Education:** As prescribed in the East Waste 10 Year Business Plan, East Waste is now coordinating waste and recycling education and promotion on behalf on Member Councils. Two round table workshops were facilitated in 2015 in order to identify priorities and actions to develop in 2016/2017. Member Councils have prioritised a behaviour change campaign style approach in order to improve contamination rates in the recycling bins, and promote food scraps into the green organics bins. The campaign will be headlined by a simple community facing message, followed by simple and succinct messaging pushed out through the various distribution channels (print, media, and truck signage, online microsite). The messaging will be developed in consultation with the Operations Assistance Committee (refer Section 3.4.2 of the Annual Plan). The aim of the community messaging is to not only improve environmental outcomes (less waste to landfill), but also reduce the amount and costs of landfill disposal.

An allowance has been made in the Draft Budget to allow for the development and preliminary resourcing of the community messaging.

# EastWaste

**Table 3.4: Summary of activities to deliver on the Communications objective**

Activity number	Activity	Objective	Metric
3.4.1	Refresh Branding	Section 2.4.7.2	Subject to Board Consent, rebranded trucks rolled out 1 July 2016
3.4.2	Operation Assistance Committee	Section 4.4	Quarterly meetings of the Committee
3.4.3	Staff satisfaction survey	Action 9	Development of abbreviated staff satisfaction survey Report to the Board on results of staff satisfaction survey results
3.4.4	Customer satisfaction survey	Action 13	Development of abbreviated customer satisfaction survey Report to the Board on results of customer satisfaction survey results
3.4.5	New Website and public interface	Section 2.4.6.4	New website delivered
3.4.6	Community education	Action 14	Development and implementation of community messaging

# EastWaste

**Table 3.4: Summary of Annual Plan activities**

	<b>2016-2017 Annual Plan</b>	
<b>Activities</b>		<b>Comments</b>
Policies and Delegations	3.1.1	
Market Evaluation (abbreviated)	3.1.2	
Service Level Agreements	3.1.3	
Preliminary Investigation into Gas Fleet	3.2.1	
Purchases of RACV	3.2.2	
Recyclables Contract (auditing)	3.2.3	
Hard Waste Services	3.2.4	
Multi Unit Dwelling/Council Building Servicing	3.2.5	
Workshop Review	3.2.6	
Litter Collection Services	3.2.7	
WH&S Progression to Standards 4 and 5	3.3.1	
Quarterly WH&S Committee Meetings	3.3.2	
Independent Fleet Audit	3.3.3	
Reversing Sensor Trial	3.3.4	
Drug and Alcohol Policy	3.3.5	
Refresh Branding	3.4.1	
Operations Assistance Committee	3.4.2	
Staff Satisfaction Survey (abbreviated)	3.4.3	
Customer Satisfaction Survey (abbreviated)	3.4.4	
New Website and Public Interface	3.4.5	
Community Education	3.4.6	
Treasury Management Policy	4.4.1	



# EastWaste

## 4. Financial Requirements

### 4.1. Capital Requirements

4.1.1. The capital requirements to undertake services associated with this Annual Plan are detailed in Table 4.1. The capital is proposed to be financed with a mix of borrowings and use of existing equity finance from cash reserves. The full Draft Budget can be found in Appendix A including the capital listed here.

**Table 4.1: Capital requirements**

Capital item	Approximate cost	Finance mechanism	Comment
5 x RACV	\$1,926,190	LGFA	As per Item 3.2.2
1 x rear compactor (hard waste)	\$398,820	LGFA	Only to be purchased if utilisation is justified. Not included in Budget
1 x rear compactor (litter)	\$270,428	LGFA	Only to be purchased if utilisation is justified. Not included in Budget
1 x operational utility	\$30,000	Existing cash reserves	Replacement operational vehicle for Operations Manager

### 4.2. Proposed Member Councils fees for 2016/2017

4.2.1. The proposed East Waste fees are outlined in the appended Table 4.2. The fees are based on the Draft Budget which is appended in full to the Annual Plan.

### 4.3. Proposed collection fees

4.3.1. The draft collection fees are presented in Table 4.3 as determined by common fleet. The draft collection fees are presented against the adopted FY16 common fleet fees, with a variance column (\$) and a variance by percentage. The overall average collection fee increase is 2.05%.

### 4.4. Treasury Management Policy

4.4.1. The Board recommended at the 28 January 2016 Board Meeting to develop a Treasury Management Policy. The Policy will;

Set the principles and criteria with regard to East Wastes treasury (cash) management in the context of its Annual Budget, Long Term Financial Plan and associated projected and actual cash receipts and outlays. It outlines how required borrowings will be raised and how cash and investments will be managed to fund East Wastes operations.

# EastWaste

The Treasury Management Policy will include parameters around;

- Borrowings
- Investments
- Reserves
- Reporting, and
- Review and Evaluation

5. The Draft 2016/2017 Budget (**Appendix A**) has been constructed in tandem with the development of the Draft Annual Plan and contains;

- Statement of Changes in Equity
- Cash Flow Statement
- Statement of Comprehensive Income
- Statement of Financial Position
- Profit and Loss Statement
- Common Fleet Costing



**City of Burnside Draft 16/17 Fees**

Member Council	Fee Component	Draft Preliminary 2016/2017 fees*	Adopted 2015/2016 fees	Comment
City of Burnside	East Waste Equity Loan	23,065	23,065	Councils contribution to the equity loan. Expires 2019/2020
	Administration Fee Fixed	35,967	34,816	Fixed administration fee overhead
	Collection Fees	1,825,015	1,780,678	Fees for the collection of kerbside waste, recyclables and organics.
	Green Organics Processing	211,767	189,078	This fee has now been included in East Waste fees at the request of several Member Councils. The costs are directed to Member Councils, and an in-out administrative transaction for East Waste. Most Member Councils hold separate budget lines for green Waste processing/disposal costs.
	At-call Hard Waste Collection	126,566	286,084	Proposed fees for Councils at-call hard waste service. Actual fees are "at-cost" and therefore subject to change
	Total*	2,222,380	2,213,721	These fees have not been endorsed by the East Waste Board or Member Councils and are subject to change.
	Recyclables Income	140,805	unbudgeted	Council expected rebate income for tonnes of recyclables presented to East Wastes recyclables processing contractor.

Table 4.3 – Draft Common Fleet Collection Fees 16/17

MEMBER COUNCILS	%	Draft FY17	Adopted FY16	\$ Variance	% Variance
Adelaide Hills Council	25.35%	\$2,553,208	\$2,521,559	\$31,649	1.24%
City of Burnside	18.12%	\$1,825,015	\$1,780,678	\$44,337	2.43%
Campbelltown City Council	20.76%	\$2,090,911	\$2,031,255	\$59,656	2.85%
City of Mitcham	15.81%	\$1,592,356	\$1,567,589	\$24,767	1.56%
City of Norwood Payneham & St Peters	16.51%	\$1,662,859	\$1,623,821	\$39,038	2.35%
Corporation Town of Walkerville	3.45%	\$347,478	\$340,351	\$7,127	2.05%
Total	100.00%	\$10,071,826	\$9,865,253	\$206,573	2.05%

## Appendix A - Draft 2016/2017 Budget

### 2017 Budget Draft - Income Statement

Audited Financials 2016 FY		Draft Budget 2017 FY
<b>Income</b>		
-	Collection Fees	\$13,986,485
-	Administration	\$215,800
-	Household Refuse	\$4,266,425
-	Waste Disposal Income	\$795,000
-	Green Organics	\$2,549,179
-	G/O Disposal Income	\$1,025,950
-	Recyclables	\$3,256,221
-	Burnside 2nd Bins	\$60,000
-	Litter	\$300,051
-	Bin Supply - AHC	\$64,578
-	Bin maintenance/Replacement Bins	\$204,069
-	Hard Refuse	\$362,368
-	Hard Refuse Disposal Income	\$154,844
-	Recyclables Rebate	\$732,000
-	<b>Total Income</b>	<b>\$13,986,485</b>
<b>Costs of Operations</b>		
-	Audits/Contamination	\$50,000
-	Disposal Fees - Waste	\$795,000
-	Disposal Fees - G/O	\$1,025,950
-	Disposal Fees - Hard	\$154,844
-	Fuel: Gas & Oil	\$1,006,762
-	Fuel Tax Credits	\$253,766
-	Maintenance - Trucks	\$1,113,693
-	Maintenance - Contract	\$208,000
-	Maintenance - Bins	\$204,069
-	Recyclables Rebate	\$732,000
-	Registration & Insurance - Trucks	\$279,943
-	Wages & Salaries	\$3,803,224
-	Superannuation	\$361,306
-	Workers' Compensation	\$161,637
-	Wages: Casual Agency	\$550,000
-	<b>Total Costs of Operations</b>	<b>\$10,700,194</b>
-	<b>Operating Surplus (Deficit)</b>	<b>\$3,286,291</b>
<b>Expenses</b>		
-	Account Fees	\$1,000
-	Accounting & Audit	\$36,155
-	Bank Charges	\$2,066
-	Board Fees	\$25,500
-	Burnside 2nd Bin Reimbursement	\$60,000
-	Consulting	\$85,475
-	Conference	\$16,000
-	Communications	\$115,850
-	Equipment Hire	\$81,000
-	Education & Training	\$25,495
-	Fire / Security Service	\$19,000
-	GPS Monthly Tracking	\$45,803
-	Insurance	\$25,825
-	Kerbside Audits	\$15,330
-	Legal Fees	\$30,608
-	Lease: Two-way Radio	\$5,028
-	Licence Fees	\$2,417

## 2017 Budget Draft - Income Statement

Audited Financials 2016 FY		Draft Budget 2017 FY
-	Maintenance - Motor Vehicles	\$30,990
-	Other Items - Ottoway	\$52,476
-	Power	\$45,000
-	Printing, Stationary, Postage & Courier	\$43,000
-	Promotion & Advertising	\$51,403
-	Protective Clothing	\$25,825
-	Telephone	\$44,160
-	Outgoings Ottoway Depot	\$46,485
-	Rent - Ottoway	\$186,576
-	Risk Assessment Expenses	\$10,330
-	Staff Amenities	\$46,381
-	Staff Medical	\$1,033
-	Subscriptions	\$6,508
-	Sundry Items	\$16,354
-	Tools, Minor Equipment	\$55,000
-	<b>Total Expenses</b>	<b>\$1,254,073</b>
-	<b>Operating Surplus (Deficit) After Overheads</b>	<b>\$2,032,218</b>
<b>Other Income</b>		
	Other Income	
-	Fuel Tax Credits	\$253,766
-	Sundry Income	\$10,330
-	<b>Total Other Income</b>	<b>\$264,096</b>
	Profit from Sale of Fixed Assets	
-	Plant & Equipment	\$25,000
-	<b>Total Profit from Sale of Fixed Assets</b>	<b>\$25,000</b>
-	<b>Total Other Income</b>	<b>\$289,096</b>
<b>Other Expense</b>		
	Provisions	
-	Employee Entitlements - Annual Leave	\$29,500
-	Employee Entitlements - Long Service Leave	\$41,320
-	<b>Total Provisions</b>	<b>\$70,820</b>
-	<b>Total Other Expense</b>	<b>\$70,820</b>
-	<b>Net Surplus (Deficit) Before Interest &amp; Depreciation</b>	<b>\$2,250,494</b>
<b>Depreciation</b>		
-	Buildings & Other Structures	\$7,000
-	Plant & Equipment	\$1,861,453
-	<b>Total Depreciation</b>	<b>\$1,868,453</b>
-	<b>Net Surplus (Deficit) Before Interest</b>	<b>\$382,041</b>
<b>Interest Income</b>		
	Bank Accounts	
-	Bank SA	\$16,644
-	LGFA Investment Account	\$31,197
-	<b>Total Bank Accounts</b>	<b>\$47,841</b>
-	<b>Total Interest Income</b>	<b>\$47,841</b>
<b>Interest Expense</b>		
	Loans	
-	Lease & Goods Mortgage	\$363,066
-	<b>Total Loans</b>	<b>\$363,066</b>
-	<b>Total Interest Expense</b>	<b>\$363,066</b>
-	<b>Net Finance Costs</b>	<b>\$315,225</b>

## 2017 Budget Draft - Income Statement

Audited Financials 2016 FY		Draft Budget 2017 FY
-	<b>Net Surplus (Deficit)</b>	<b>\$66,816</b>
-	<b>Net Surplus (Deficit)</b>	<b>\$66,816</b>
	<b>Non Operating Income</b>	
-	Payments To/From Councils	(\$66,816)
-	<b>Total Non Operating Income</b>	<b>(\$66,816)</b>
-	<b>Movement in Retained Earnings</b>	<b>\$0</b>

## 2017 Budget Draft - Balance Sheet

Audited Financials 2016 FY		Draft Budget 2017 FY
<b>Current Assets</b>		
	Bank Accounts	
-	Bank SA	\$1,162,066
-	LGFA Investment Account	\$1,513,349
-	<b>Total Bank Accounts</b>	<b>\$2,675,415</b>
	Receivables	
-	General Trade Debtors	\$42,142
-	Fuel Tax Credits	\$69,786
-	<b>Total Receivables</b>	<b>\$111,928</b>
	Payables	
-	Workers' Compensation	\$1,675
-	Insurance	\$1
-	<b>Total Payables</b>	<b>\$1,676</b>
	Other Current Assets	
-	Prepayments	\$990
-	<b>Total Other Current Assets</b>	<b>\$990</b>
-	<b>Total Current Assets</b>	<b>\$2,790,009</b>
<b>Non Current Assets</b>		
	Tangible Assets	
-	Buildings & Other Structures	\$75,115
-	Plant & Equipment	\$16,324,515
	Accumulated Depreciation	
-	Buildings & Other Structures	(\$38,711)
-	Plant & Equipment	(\$9,619,397)
-	<b>Total Accumulated Depreciation</b>	<b>(\$9,658,108)</b>
-	<b>Total Tangible Assets</b>	<b>\$6,741,522</b>
-	<b>Total Non Current Assets</b>	<b>\$6,741,522</b>
-	<b>TOTAL ASSETS</b>	<b>\$9,531,531</b>
<b>Current Liabilities</b>		
	Payables	
-	General Trade Creditors	\$585,451
-	Fuel Tax Credits	\$21,147
-	Superannuation	\$30,109
	PAYG Payable	
-	General PAYG Payable	\$62,559
-	Total PAYG Payable	\$62,559
-	<b>Total Payables</b>	<b>\$699,266</b>
	GST	
-	GST Payable	\$170,930
-	<b>Total GST</b>	<b>\$170,930</b>
	Receivables	
-	Payments To/From Councils	\$5,568
-	<b>Total Receivables</b>	<b>\$5,568</b>
	Loans Payable	
-	Lease & Goods Mortgage	\$1,527,622
-	LGFA Equity Loan	\$94,797
-	<b>Total Loans Payable</b>	<b>\$1,622,419</b>
	Provisions	
	Staff Provision	
-	Employee Entitlements - Annual Leave	\$172,661
-	<b>Total Staff Provision</b>	<b>\$172,661</b>

## 2017 Budget Draft - Balance Sheet

Audited Financials 2016 FY		Draft Budget 2017 FY
-	<b>Total Provisions</b>	<b>\$172,661</b>
	Other Current Liabilities	
-	Accrued Expenses - Other	\$27,660
-	Provision - Tax Equivalents	(\$20,033)
-	<b>Total Other Current Liabilities</b>	<b>\$7,627</b>
-	<b>Total Current Liabilities</b>	<b>\$2,678,470</b>
	Non-Current Liabilities	
	Loans Payable	
-	Lease & Goods Mortgage	\$1,527,622
-	LGFA Equity Loan	\$94,797
-	<b>Total Loans Payable</b>	<b>\$1,622,419</b>
	Provisions	
	Staff Provision	
-	Employee Entitlements - Long Service Leave	\$536,237
-	<b>Total Staff Provision</b>	<b>\$536,237</b>
-	<b>Total Provisions</b>	<b>\$536,237</b>
-	<b>Total Non-Current Liabilities</b>	<b>\$6,332,262</b>
-	<b>TOTAL LIABILITIES</b>	<b>\$9,010,732</b>
-	<b>NET ASSETS</b>	<b>\$520,799</b>
	Capital and Reserves	
	Equity	
-	Prepayment Equity Loan	\$244,036
-	<b>Total Equity</b>	<b>\$244,036</b>
	Retained Earnings	
-	Retained Earnings	\$276,763
-	<b>Total Retained Earnings</b>	<b>\$276,763</b>
-	<b>Total Capital and Reserves</b>	<b>\$520,799</b>
-	<b>TOTAL EQUITY</b>	<b>\$520,799</b>



# 2017 Budget Draft - Cash Flow Statement

Audited Financials 2016 FY		Draft Budget 2017 FY
<b>Cash Inflow</b>		
Income		
-	Administration	\$215,801
-	Household Refuse	\$4,667,996
-	Waste Disposal Income	\$874,500
-	Green Organics	\$2,788,929
-	G/O Disposal Income	\$1,128,546
-	Recyclables	\$3,562,756
-	Burnside 2nd Bins	\$66,000
-	Litter	\$330,057
-	Bin Supply - AHC	\$64,579
-	Bin maintenance/Replacement Bins	\$224,476
-	Hard Refuse	\$398,606
-	Hard Refuse Disposal Income	\$170,329
-	Recyclables Rebate	\$805,200
-	Fuel Tax Credits	\$279,142
-	Sundry Income	\$11,363
-	Payments To/From Councils	(\$779,064)
-	<b>Total Income</b>	<b>\$14,809,216</b>
-	Interest Received	\$47,841
-	Non-Current Asset Sales	\$27,500
-	Loans Received	\$1,751,000
-	Equity Additions	\$122,018
-	<b>Total Cash Inflows</b>	<b>\$16,757,575</b>
<b>Cash Outflow</b>		
Costs		
-	Audits/Contamination	\$52,434
-	Disposal Fees - Waste	\$871,616
-	Disposal Fees - G/O	\$1,128,301
-	Disposal Fees - Hard	\$154,984
-	Fuel: Gas & Oil	\$1,089,229
-	Fuel Tax Credits	\$253,766
-	Maintenance - Trucks	\$1,223,010
-	Maintenance - Bins	\$223,106
-	Recyclables Rebate	\$805,200
-	Registration & Insurance - Trucks	\$304,614
-	Superannuation	\$360,988
-	Workers' Compensation	\$153,241
-	Wages: Casual Agency	\$595,987
-	Account Fees	\$1,049
-	Accounting & Audit	\$39,602
-	Bank Charges	\$2,324
-	Board Fees	\$25,705
-	Burnside 2nd Bin Reimbursement	\$59,750
-	Consulting	\$94,437
-	Conference	\$17,049
-	Communications	\$124,774
-	Entertainment	\$32
-	Equipment Hire	\$87,973
-	Education & Training	\$27,739
-	Fire / Security Service	\$20,360
-	GPS Monthly Tracking	\$52,052
-	Insurance	\$28,408

## 2017 Budget Draft - Cash Flow Statement

Audited Financials 2016 FY		Draft Budget 2017 FY
-	Kerbside Audits	\$15,853
-	Legal Fees	\$33,909
-	Lease: Two-way Radio	\$5,513
-	Licence Fees	\$2,625
-	Maintenance - Motor Vehicles	\$35,122
-	Maintenance - Trucks Contract	\$228,800
-	Other Items - Ottoway	\$58,430
-	Power	\$50,481
-	Printing, Stationary, Postage & Courier	\$46,752
-	Promotion & Advertising	\$56,717
-	Protective Clothing	\$27,495
-	Telephone	\$48,217
-	Outgoings Ottoway Depot	\$55,044
-	Rent - Ottoway	\$203,300
-	Risk Assessment Expenses	\$12,487
-	Staff Amenities	\$50,749
-	Staff Medical	\$1,014
-	Subscriptions	\$7,219
-	Sundry Items	\$19,580
-	Tools, Minor Equipment	\$59,600
-	<b>Total Costs</b>	<b>\$8,816,635</b>
-	Wages	
-	Generally Reporting Wages	\$3,805,954
-	<b>Total Wages</b>	<b>\$3,805,954</b>
-	Provisions	
-	GST Paid	\$517,141
-	Non-Current Asset Purchases	
-	Plant & Equipment	\$1,926,100
-	<b>Total Non-Current Asset Purchases</b>	<b>\$1,926,100</b>
-	Loan Repayments Made	
-	Lease & Goods Mortgage	\$1,756,093
-	LGFA Equity Loan	\$122,018
-	<b>Total Loan Repayments Made</b>	<b>\$1,878,111</b>
-	Other Assets/Liabilities	
-	<b>Total Cash Outflows</b>	<b>\$16,943,941</b>
-	<b>Net Cash Inflow/(Outflow)</b>	<b>(\$186,366)</b>
-	<b>Opening Bank</b>	<b>\$2,861,782</b>
-	<b>Net Cash Movement</b>	<b>(\$186,366)</b>
-	<b>Closing Bank</b>	<b>\$2,675,415</b>

## 2017 Budget Draft - Common Fleet Costing

Audited Financials 2016 FY		Draft Budget 2017 FY
	<b>Expenses</b>	
-	Total Costs of Operations	\$10,446,428
-	Total Expenses	\$1,254,073
-	Total Other Expense	\$70,820
-	Total Depreciation	\$1,868,453
-	Total Interest Expense	\$363,066
-	<b>Total Expenses</b>	<b>\$14,002,840</b>
	<b>Less Member Council Non-Collection Costs:</b>	
-	Burnside 2nd Bin Reimbursement	\$60,000
-	Administration	\$215,800
-	Disposal Fees - Waste	\$795,000
-	Disposal Fees - G/O	\$1,025,950
-	Recyclables Rebate	\$732,000
-	Maintenance - Bins	\$204,069
-	Hard Refuse	\$362,368
-	Hard Refuse Disposal Income	\$154,844
-	Litter	\$300,051
-	Bin Supply - AHC	\$64,578
-	Sundry Items	\$16,354
-	<b>Total Member Council Non-Collection Costs</b>	<b>\$3,931,014</b>
-	<b>Total Collection Costs</b>	<b>\$10,071,826</b>
	<b>Member Councils Cost Allocation</b>	<b>GPS% Collection Costs</b>
-	Adelaide Hills Council	25.35% \$2,553,208
-	City of Burnside	18.12% \$1,825,015
-	Campbelltown City Council	20.76% \$2,090,911
-	City of Mitcham	15.81% \$1,592,356
-	City of Norwood Payneham & St Peters	16.51% \$1,662,858
-	Corporation Town of Walkerville	3.45% \$347,478
-	<b>Total</b>	<b>100% \$10,071,826</b>



## AUDIT COMMITTEE FORWARD AGENDA JUNE 2016

		Special						Special									
		2014-15						2015-16						2016-17			
	Jun-14	Sep-14	Nov-14	Feb-15	Apr-15	Apr-15	Jul-15	Sep-15	Nov-15	Nov-15	Feb-16	Apr-16	Jun-16	Aug-16	Oct-16	Nov-16	
ANNUAL BUSINESS PLAN AND LONG TERM FINANCIAL PLAN																	
Annual Business Plan and Budget					✓						✓	✓					
LTFP					✓					✓	✓	✓			✓		
LTFP Parameters													✓				
ANNUAL REPORT AND EXTERNAL AUDIT																	
Annual Report (Strategic)				✓					✓							✓	
External Auditor’s Interim Report	✓	✓	✓	✓				✓						✓	✓		
External Auditor’s Report to the Council for Year End							✓	✓		✓					✓		
HLB Mann Judd presentation						✓				✓					✓		
Independence of Council Auditor				✓				✓								✓	
Regional Subsidiary Periodical Financial Results			✓				✓	✓			✓		✓		✓		
INTERNAL REVIEWS AND INTERNAL AUDIT																	
Business Service Review – Finance	✓																
Business Service Review – Finance Structure	✓																
Business Service Review – Procurement													✓				
Internal Audit – Status Report	✓	✓															
Internal Audit Update / Review		✓	✓					✓	✓					✓			
Follow-Up on Finance – Rates		✓															
Internal Financial Controls Self-Assessment								✓						✓			
Internal Revenue Review – Verbal Update		✓															
Investment Performance Review		✓						✓							✓		
Good Governance Assessment Program – Progress Report	✓																
Governance Critical Dates Report	✓	✓															
Key Actions and Outstanding Key Dates Table	✓	✓	✓	✓			✓	✓	✓		✓	✓	✓				
Land & Buildings Valuation Project – Progress Report							✓										
Report on Business Continuity and Information Technology Disaster Recovery Exercise							✓										
Effectiveness and Efficiency program														✓			
WHS Management System KPI Audit				✓				✓			✓						
AUDIT COMMITTEE RELATED																	
Audit Committee Terms of Reference	✓								✓	✓						✓	
Review Of Audit Committee Activities (Operational)				✓							✓						
Forward Agenda	✓	✓											✓	✓	✓	✓	
POLICIES:																	
Policy Protocol Tracking Table	✓	✓		✓			✓	✓	✓								
Council Policies and Codes Management Protocols											✓						
Policy Implementation – Independent Commissioner Against Corruption – Awareness And Application Policy (Strategic)											✓						
Financial Delegations Policy														✓			
Internal Financial Controls – Policy Review (Strategic)		✓					✓	✓									
Review Draft Treasury Management Policy	✓																
Procurement Policy Review (Strategic)	✓												✓				
Policy Review - Fees and Charges Policy (Strategic)				✓													

The Committee shall meet at 6.00pm on the third Tuesday of February, April, June, August, October and November or as otherwise determined by Council (whether as the result of a motion upon notice in or an Officer's Report to Council).